



State of Connecticut
HOUSE OF REPRESENTATIVES
STATE CAPITOL
HARTFORD, CONNECTICUT 06106-1591

REPRESENTATIVE JOHN "CORKY" MAZUREK
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MEMBER
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GENERAL LAW COMMITTEE
TRANSPORTATION COMMITTEE

Senator Kissel – Co-Chairman
Representative Mushinski – Co-Chairman
Honorable Members of the Program Review and Investigations Committee

March 1, 2010

Thank you for the opportunity to testify on HB 5347 and HB 5357. I am strongly opposed to the changes proposed in section 5 of both bills. My testimony is offered on behalf of a constituent.

HB 5357

Sec. 5. Subsection (j) of section 38a-88a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2010, and applicable to income or taxable years, as applicable, commencing on or after January 1, 2010*):

(j) The tax credit allowed by this section shall only be available for investments in funds that are not open to additional investments or investors beyond the amount subscribed at the formation of the fund. No credits shall be allowed under this section for investments in any fund created on or after July 1, 2000. [No] On and after January 1, 2010, no credit shall be allowed under this section for investments made in an insurance business through [such fund after December 31, 2015] any fund, regardless of the date on which the fund was created.

HB 5347

Sec. 5. Subsection (j) of section 38a-88a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2010, and applicable to income or taxable years, as applicable, commencing on or after January 1, 2010*):

(j) The tax credit allowed by this section shall only be available for investments in funds that are not open to additional investments or investors beyond the amount subscribed at the formation of the fund. No credits shall be allowed under this section for investments in any fund created on or after July 1, 2000. [No] On and after January 1, 2010, no credit shall be allowed under this section for investments made in an insurance business through [such fund after December 31, 2015] any fund, regardless of the date on which the fund was created.

I propose that the Committee either strike section 5 from the proposal or exempt the Connecticut Insurance Reinvestment Act (38a-88a) from the provisions of these bills.

Background:

The Committee Report claims that tax credits under 38a-88a are "underutilized." This is not a fair comparison to other tax credit programs.

Other programs, such as the movie industry, receive a tax credit in the year in which they spend money, and they can use 100% of the tax credit in the year they spend the money.

38a-88a allocates tax credits after (1) a business plan that has been approved by DECD, (2) the business moves into commercial office space that has been vacant for at least one year, and has been approved by the DECD, and (3) the company meets employment tests for **ten years**. If the company fails the employment test in any of ten years, some tax credits are **recaptured**.

Also, the tax credits are **not allocated and usable** until the **fourth through the tenth years** that the company was formed or moved into Connecticut. **How can this be compared to other programs use all of their tax credits in the year that they receive them?**

In fact, 60% of the tax credits earned under 38a-88a are not usable until the **eighth, ninth and tenth years** that monies were invested, in contrast to other programs where tax credits are usable upon receipt.

Companies formed or moved to Connecticut in 2009 under 38a-88a are not scheduled to receive any tax credits until 2012-2018. Under HB 5347 and 5357, these companies would have all of the future tax credits promised them wiped out. **Connecticut would be wrong to entice business with a promise credits only to cancel them in the eleventh hour.**

My constituent has expended time and money to bring jobs to Connecticut. He has done this, in part, because of the promise of these credits. It is inherently unfair to cancel these credits while certain projects are in the works..

The DECD has approved more than a dozen business plans that are in the process of creating new companies or moving existing companies.

Businesses will continue to avoid relocation and growth in Connecticut because of our ever changing business landscape. The Legislature needs to steer a steady course in these turbulent waters.

Sincerely,
Representative Corky Mazurek