



General Assembly

**Substitute Bill No. 23**

February Session, 2010

\* SB00023CE 032310 \*

**AN ACT ESTABLISHING A QUALIFIED SMALL BUSINESS JOB  
CREATION TAX CREDIT.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage and applicable to income years*  
2 *commencing on or after January 1, 2010*) (a) As used in this section:

3 (1) "Commissioner" means the Commissioner of Economic and  
4 Community Development;

5 (2) "Income year" means the income year or taxable year, as  
6 determined under chapter 207, 208 or 229 of the general statutes, as the  
7 case may be;

8 (3) "Qualified small business" means an employer, subject to tax  
9 under chapter 207, 208 or 229 of the general statutes, who employs less  
10 than twenty-five employees in Connecticut on the date of its  
11 application under subsection (c) of this section;

12 (4) "New employee" means a person hired after the effective date of  
13 this section by the qualified small business during its income years  
14 commencing on or after January 1, 2010, and prior to January 1, 2013,  
15 to fill a new full-time job. A new employee does not include a person  
16 who was employed in Connecticut by a related person with respect to  
17 the qualified small business during the twelve months prior to such

18 hiring, or any person who was employed by the qualified small  
19 business in any position on the effective date of this section;

20 (5) "Full-time job" means a job in which an employee is required to  
21 work at least thirty-five or more hours per week. A full-time job does  
22 not include a temporary or seasonal job;

23 (6) "Related person" means (A) a corporation, limited liability  
24 company, partnership, association or trust controlled by the qualified  
25 small business, (B) an individual, corporation, limited liability  
26 company, partnership, association or trust that is in control of the  
27 qualified small business, (C) a corporation, limited liability company,  
28 partnership, association or trust controlled by an individual,  
29 corporation, limited liability company, partnership, association or trust  
30 that is in control of the qualified small business, or (D) a member of the  
31 same controlled group as the qualified small business; and

32 (7) "Control", with respect to a corporation, means ownership,  
33 directly or indirectly, of stock possessing fifty per cent or more of the  
34 total combined voting power of all classes of the stock of such  
35 corporation entitled to vote. "Control", with respect to a trust, means  
36 ownership, directly or indirectly, of fifty per cent or more of the  
37 beneficial interest in the principal or income of such trust. The  
38 ownership of stock in a corporation, of a capital or profits interest in a  
39 partnership, limited liability company or association or of a beneficial  
40 interest in a trust shall be determined in accordance with the rules for  
41 constructive ownership of stock provided in Section 267(c) of the  
42 Internal Revenue Code of 1986, or any subsequent corresponding  
43 internal revenue code of the United States, as from time to time  
44 amended, other than Paragraph (3) of said Section 267(c).

45 (b) (1) There is established a qualified small business job creation tax  
46 credit program for qualified small businesses, whereby a qualified  
47 small business that hires a new employee in a new full-time job may be  
48 allowed a tax credit against the tax imposed under chapter 207, 208 or  
49 229 of the general statutes, other than the liability imposed by section

50 12-707 of the general statutes.

51 (2) Except as otherwise provided in subdivision (3) of this  
52 subsection, the tax credit shall be in an amount equal to two thousand  
53 five hundred dollars for each new employee hired during the first six  
54 months of the income year of the qualified small business or one  
55 thousand two hundred fifty dollars for each new employee hired after  
56 the first six months, but prior to the last month, of the income year of  
57 the qualified small business.

58 (3) For each new employee hired during the income year of the  
59 qualified small business commencing on or after January 1, 2010, and  
60 prior to January 1, 2011, the tax credit shall be equal to two thousand  
61 five hundred dollars if the new employee is hired prior to the last  
62 month of the income year of the qualified small business.

63 (4) For each of the two successive income years after the new  
64 employee is hired, the tax credit shall be in an amount equal to two  
65 thousand five hundred dollars for each new employee employed for a  
66 full year.

67 (5) No tax credit shall be allowed for any new employee hired by a  
68 qualified small business in any income year commencing on or after  
69 January 1, 2013.

70 (6) Notwithstanding the provisions of subdivision (4) of this  
71 subsection, no qualified small business may claim a tax credit for any  
72 new employee that is not employed at the close of the income year of  
73 the qualified small business.

74 (7) The qualified small business shall claim the tax credit for the  
75 income year in which the qualified small business hires a new  
76 employee and, if eligible, the two immediately succeeding income  
77 years. Any tax credit not used in an income year shall expire.

78 (c) To be eligible to claim the tax credit, a qualified small business  
79 shall apply to the commissioner in accordance with the provisions of

80 this section before hiring each new employee. The application shall be  
81 on a form provided by the commissioner and shall contain sufficient  
82 information as required by the commissioner, including the activities  
83 that the qualified small business primarily engages in, the North  
84 American Industrial Classification System code of the qualified small  
85 business, the current number of employees employed by the qualified  
86 small business as of the application date, and the name and position or  
87 job title of the new employee to be hired.

88 (d) (1) Upon receipt of an application, the commissioner shall render  
89 a decision on the application, in writing, not later than thirty days after  
90 the date of its receipt by the commissioner. If the commissioner  
91 approves the application of the qualified small business, the  
92 commissioner shall issue a certification letter indicating that the tax  
93 credit will be available to be claimed by the qualified small business if  
94 the qualified small business otherwise meets the requirements of this  
95 section.

96 (2) The total amount of tax credits granted under this section and  
97 under section 12-217ii of the general statutes, as amended by this act,  
98 shall not exceed ten million dollars in any one fiscal year.

99 (3) No qualified small business claiming the tax credit under this  
100 section with respect to a new employee may claim any other credit  
101 against any tax under any other provision of the general statutes with  
102 respect to the same new employee.

103 (e) If the qualified small business is an S corporation or an entity  
104 treated as a partnership for federal income tax purposes, the tax credit  
105 may be claimed by the shareholders or partners of the qualified small  
106 business. If the qualified small business is a single member limited  
107 liability company that is disregarded as an entity separate from its  
108 owner, the tax credit may be claimed by the limited liability company's  
109 owner. No credit allowed under this section shall exceed the amount of  
110 tax imposed by chapter 229 of the general statutes.

111 (f) The commissioner shall annually provide to the Commissioner of  
 112 Revenue Services a list detailing all tax credits that have been  
 113 approved and all qualified small businesses that have been issued a  
 114 certification letter under subsection (d) of this section.

115 Sec. 2. Subdivision (2) of subsection (e) of section 12-217ii of the  
 116 general statutes is repealed and the following is substituted in lieu  
 117 thereof (*Effective from passage and applicable to income years commencing*  
 118 *on or after January 1, 2010*):

119 (2) The total amount of credits granted to all taxpayers under this  
 120 section and section 1 of this act shall not exceed ten million dollars in  
 121 any one fiscal year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	New section
Sec. 2	<i>from passage and applicable to income years commencing on or after January 1, 2010</i>	12-217ii(e)(2)

**Statement of Legislative Commissioners:**

In section 1, grammatical and technical corrections were made to subsection (a)(4), (b) and (d) for accuracy, clarity and to reflect the intent of the committee; section 1(e) and (f) were combined and (g) was relettered accordingly for clarity and accuracy. The effective date of section 2 was changed to reflect the intent of the committee and to conform with the style of the general statutes. In section 2(2), "section 12-217ii" was changed to "this section" for accuracy.

**CE**            *Joint Favorable Subst.-LCO*