



TOWN OF NEW MILFORD

Economic Development Office
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March 2, 2010

Re: Raised Bill 5357 – An Act Concerning The Repeal of Certain Underutilized Tax Credits

Chairmen LeBeau and Berger and Members of the Commerce Committee:

On behalf of Mayor Patricia Murphy, and as the Economic Development Supervisor for the Town of New Milford, I am pleased to present this testimony in opposition to a significant element in the referenced bill # 5357.

While we do not oppose the overall bill in principal, we do have serious concern for one provision that would have an almost certain negative impact on our community and our ongoing efforts to develop new businesses and the local jobs they create. Like many communities in our state, New Milford is attempting to weather the storm of our struggling economy. We are Connecticut's largest municipality in terms of geographic footprint. Historically we were a significant farming community for several centuries, with a sizeable 20th Century manufacturing emergence. This of course has changed in the last ten to fifteen years, as it did in much of Connecticut. Our largest manufacturing employer downsized by more than six hundred employees; while another closed entirely, moving several hundred jobs to less costly environs. Our local efforts are focused on replacing such "old" technology jobs with knowledge-based office and new technology employers.

The basis for my testimony today is to object to the specific provision in the bill which would strip out investment tax credits currently available through the Insurance Reinvestment Act. Of concern to the Town of New Milford is our ongoing efforts to assist the development of a new office-based insurance operation, which will rely on new technology for distribution. Until recently, our efforts have been focused on assisting the business owners with space acquisition and local zoning/building approvals. As the potential detrimental effect of the pending legislation became know to the leaders of this enterprise, they have included us in this aspect of their business planning. What we have come to understand is that this change will completely jeopardize their planned investment in our community.

In this particular case, the expected investment in this new Connecticut business is well in excess of \$5million and perhaps more than \$10million. The job creation component, which is of greatest concern to Mayor Murphy and our community, is an understandably small number of new jobs at the outset (5 to 10 in the initial year or two); growing to more than 100 employees in a three to five year period. These are precisely the type of job we are seeking to create in our town for the benefit of our residents. The initial office space that this company will occupy is space that has been vacant in our Village Center for nearly two years. Even the small number of new jobs to be located in the Village Center during their start-up phase will be a positive factor in the resurgence of our local economy.

The critical part of the bill under consideration is the amendment of Section 5 Subsection (j) of 38a-88a of the general statutes, which would disallow credits retroactively to January 1st of this year for all fund investors. The retroactivity aspect is simply bad policy in general, as we believe it is detrimental to the State of Connecticut in its endeavors to recruit or retain business through the use of tax incentives. If we can retroactively repeal such incentives, how can any business confidently plan on receiving benefits offered by the state in the future? With regard to the actual impact of the provisions, the authors seemingly fail to recognize that investments of this type and the business planning behind them have significantly long gestation periods. In conversation with our local prospective business owners, in preparation for this testimony, I have further come to understand that the realization of the tax credits is also a significant trailing outcome expenditure on the part of our state. Perhaps more clearly stated, it is not until several years after the investment is made, that one is even eligible to redeem the fully earned tax credits.

As a local community that hopes to benefit significantly in the next few years from the existence of the current tax credits offered under the Insurance Reinvestment Act, Mayor Murphy and I encourage you to take a long second look at the scope of the provision referenced; and either modify it for continued use with planned obsolescence, or remove the provision and allow the incentive program to continue unabated.

Thank you for your consideration of our position.

Vincent Nolan
Economic Development Supervisor
Town of New Milford