



Joan McDonald
Commissioner



State of Connecticut
Department of Economic and
Community Development

TESTIMONY PRESENTED TO THE COMMERCE COMMITTEE
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Joan McDonald, Commissioner
Department of Economic and Community Development
Chair, Connecticut Innovations

SB 22 AN ACT CONCERNING SMALL BUSINESS ASSISTANCE

**SB 23 AN ACT ESTABLISHING A QUALIFIED SMALL BUSINESS JOB CREATION
TAX CREDIT**

Good afternoon Senator LeBeau, Representative Berger, Senator Frantz, Representative Alberts and members of the committee. My name is Joan McDonald and I am the Commissioner of the Department of Economic and Community Development (DECD) and Chair of Connecticut Innovations (CI). I appreciate the opportunity to appear before you to discuss DECD and CI's **support** for Governor Rell's proposed *SB 22 AN ACT CONCERNING SMALL BUSINESS ASSISTANCE* and *SB 23 AN ACT ESTABLISHING A QUALIFIED SMALL BUSINESS JOB CREATION TAX CREDIT*.

As you know Connecticut's small businesses are the backbone of our economy, and our history is rich with entrepreneurial success stories that have made Connecticut a leader in many different sectors.

Governor Rell proposed Senate Bill 22 to establish a Small Business Loan program which authorizes \$100 million of general obligation bonds in FY 2010-11 for DECD to provide loans and loan guarantees to small and medium size businesses. Seventy-five million dollars will be used to guarantee loans of \$500,000 to \$3 million for each business with 250 or fewer employees. In the event that banks do not participate, DECD would provide direct loans. This loan guarantee program would be monitored by the commissioners of DECD and Banking, as well as the Connecticut Bankers Association.

This program will also provide direct loans up to \$500,000 each for businesses with 100 or fewer employees.

This proposal comes at a critical time. The state must assist small businesses through these turbulent economic times. The funding for loan guarantees, proposed under SB 22, will provide DECD with the tools and flexibility necessary to accomplish this goal. DECD will also continue to

work with its existing business portfolio as well as with its community partners, such as Chambers of Commerce, revolving loan programs, SBA, community banks, and others to identify eligible businesses.

I would also like to voice strong support for Senate Bill 23 which implements the Governor's budget recommendations by encouraging job creation by small businesses. Presently the job creation tax credit program has only assisted seven companies. As a result of a review and assessment of that program this bill proposes the following:

- It allows for credits to only be earned by qualified small businesses (those who employ less than 25 employees)
- These credits can be used against the corporation tax, insurance companies tax, the public service tax and the personal income tax, effective income year 2010
- Credit equals \$2,500 per employee
- Credit may be used for three successive years
- Credit must be used in the income year earned
- Credit must be applied for in advance and must be approved by the Commissioner of Economic and Community Development
- No credits will be allowed for employees hired on or after January 1, 2013
- The credit is non-refundable
- The total amount of the credits granted under this program plus the credits allowed under the current Job Creation Tax Credit program C.G.S. 12-217ii cannot exceed \$10 million in any one fiscal year.

We feel that this complementary piece to the Job Creation Tax Credit program will provide DECD with a more viable tool, one that will allow us to assist more businesses as they expand their employment bases in Connecticut.

Thank you for your time and consideration of my comments. We respectfully request your support for Senate Bill 22 and 23. We would welcome the opportunity to assist the committee in any way possible to move these bills forward.