House of Representatives

General Assembly

File No. 69

January Session, 2011

House Bill No. 6290

House of Representatives, March 14, 2011

The Committee on Commerce reported through REP. BERGER of the 73rd Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING ECONOMIC DEVELOPMENT PROGRAMS FOR CERTAIN AEROSPACE AND DEFENSE PLANTS.

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

Section 1. Subsection (e) of section 32-56 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(e) Any business facility located in a municipality declared by the commissioner to be severely impacted by a prime defense contract cutback or major aerospace or defense plant closure pursuant to subsection (c) of this section, which facility would be a "manufacturing facility", as defined in subsection (d) of section 32-9p, but for the fact that the facility is not in a "distressed municipality", as defined in subsection (b) of section 32-9p, will be deemed a manufacturing facility for the purposes of sections 32-9p to 32-9s, inclusive, section 12-217e, and subdivisions (59) and (60) of section 12-81, if the purpose of the construction, expansion, renovation or acquisition of such facility is not dependent on prime defense contracts or related subcontracts. The provisions of this section shall apply to a business facility located in a building that was vacant (1) on July 1, 1998, and was formerly used for defense manufacturing, or [as] (2) on or after the effective date of this section and was formerly a major aerospace or defense plant with not less than eight hundred employees.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage*	32-56(e)

CE *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 11 $	FY 12 $	FY 13 $
Policy & Mgmt., Off.	GF - None	None	None	None
Department of Revenue Services	GF - Potential Revenue Loss	None	85,000	85,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 11 $	FY 12 $	FY 13 $
Various Municipalities	Revenue Impact	See Below	See Below	See Below

Explanation

This bill expands the eligibility of some business and property tax incentives to businesses occupying facilities in designated areas that have been affected by aerospace or defense plant closures. To the extent that a business locates in a facility within such a designated area, this results in: 1) a potential revenue loss to the General Fund from the corporation business tax of approximately $85,000 per year, and 2) a potential net grand list reduction for municipalities in the designated areas related to the property tax exemption for real property and manufacturing machinery and equipment.

Additionally, certain municipalities could potentially be eligible for partial reimbursement under the Distressed Municipalities grant in the Office of Policy and Management, and may experience a revenue gain. This does not result in a fiscal impact to the state, but may result in a decreased grant to all other municipalities as the grant is reduced on a pro rata basis if the appropriation is insufficient to fully fund the grant.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis

HB 6290

AN ACT CONCERNING ECONOMIC DEVELOPMENT PROGRAMS FOR CERTAIN AEROSPACE AND DEFENSE PLANTS.

SUMMARY:

The law targets some business tax incentives to state designated economically distressed municipalities. But it also provides procedures for extending them to other municipalities. Until 2010, it provided a procedure for extending the incentives only to municipalities hit by defense cuts. The incentives are for improving property, acquiring machinery and equipment, and creating jobs. They are also for occupying vacant facilities that were vacant on July 1, 1998, and previously used to manufacture defense goods.

PA 10-162 provided a similar procedure for extending the tax incentives to municipalities hit by major aerospace and defense plant closings affecting at least 800 employees. In doing so, it extended the incentives to businesses occupying a facility that was vacant on July 1, 1998, and previously used as an aerospace or defense plant. This bill shifts the incentives to facilities that are vacant on or after the bill's effective date and employed at least 800 people. As under current law, it limits them to facilities that were used as aerospace or defense plants.

EFFECTIVE DATE: Upon passage

BACKGROUND

Extending Economic Development Benefits to Undesignated Municipalities

The law provides a procedure for extending geographically-targeted business tax incentives to municipalities hurt by defense cuts and aerospace and defense plant closings. The process for doing so requires the economic and community development commissioner to identify how these events affect the municipality and hold a public hearing on the findings. The period during which businesses and the municipality qualify for the incentives lasts two years, but the commissioner can renew the period for additional two-year periods.

The incentives are the property tax exemptions and the corporation business tax credits available to businesses in enterprise zones and targeted investment communities. The former equals 80% of the new or improved property's value and is good for five years. Service firms also qualify for an 80%, five-year exemption on any newly acquired machinery and equipment they install in a facility. As under the enterprise zone program, the state reimburses the municipalities for half of the revenue loss.

The same businesses that qualify for the property tax exemptions also qualify for corporation business tax credits equal to 25% of that portion of the tax attributable to the facility. (The law specifies how businesses must calculate that amount.)

COMMITTEE ACTION

Commerce Committee

Joint Favorable
Yea 17 Nay 0 (02/24/2011)