



General Assembly

**Substitute Bill No. 6584**

January Session, 2011

\*        HB06584CE        032211        \*

**AN ACT ESTABLISHING A MANUFACTURING REINVESTMENT ACCOUNT.**

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

1       Section 1. (NEW) (*Effective July 1, 2011, and applicable to income years*  
2 *commencing on or after January 1, 2011*) (a) For the purposes of this  
3 section, (1) "manufacturing reinvestment account" means a trust  
4 created or organized by a manufacturer and held by a Connecticut  
5 bank for the benefit of such manufacturer, to which the manufacturer  
6 may make cash contributions not to exceed the amount set forth in  
7 subsection (b) of this section for any income year. Moneys in a  
8 manufacturing reinvestment account shall not be invested in life  
9 insurance contracts or comingled with other property, and (2)  
10 "manufacturer" means any corporation subject to tax pursuant to  
11 chapter 208 of the general statutes that is engaged in the business of  
12 manufacturing as defined in subdivision (72) of section 12-81 of the  
13 general statutes.

14       (b) Any manufacturer may establish a manufacturing reinvestment  
15 account, provided (1) contributions in any income year shall not  
16 exceed the lesser of (A) two hundred fifty thousand dollars, or (B) such  
17 manufacturer's domestic gross receipts, (2) moneys may be held in  
18 such account for not more than five years, (3) distributions from such  
19 account shall be used by such manufacturer to purchase machinery,

20 equipment or manufacturing facilities, as defined in said subdivision  
21 (72) of section 12-81, or for workforce training and development, and  
22 (4) disbursements shall be subject to tax under chapter 208 of the  
23 general statutes at a rate of three and one-half per cent.

24 (c) Any money remaining in a manufacturer's reinvestment account  
25 at the end of the five-year period shall be returned to the manufacturer  
26 who shall pay the full rate of tax on such amount under chapter 208 of  
27 the general statutes, provided such payment shall be deemed to be a  
28 timely payment if such tax is remitted to the Commissioner of Revenue  
29 Services not later than sixty days after the date of such return.

30 Sec. 2. Subdivision (1) of subsection (a) of section 12-217 of the  
31 general statutes is repealed and the following is substituted in lieu  
32 thereof (*Effective July 1, 2011, and applicable to income years commencing*  
33 *on and after January 1, 2012*):

34 (a) (1) In arriving at net income as defined in section 12-213, whether  
35 or not the taxpayer is taxable under the federal corporation net income  
36 tax, there shall be deducted from gross income, (A) all items deductible  
37 under the Internal Revenue Code effective and in force on the last day  
38 of the income year except (i) any taxes imposed under the provisions  
39 of this chapter which are paid or accrued in the income year and in the  
40 income year commencing January 1, 1989, and thereafter, any taxes in  
41 any state of the United States or any political subdivision of such state,  
42 or the District of Columbia, imposed on or measured by the income or  
43 profits of a corporation which are paid or accrued in the income year,  
44 (ii) deductions for depreciation, which shall be allowed as provided in  
45 subsection (b) of this section, (iii) deductions for qualified domestic  
46 production activities income, as provided in Section 199 of the Internal  
47 Revenue Code, and (iv) in the case of any captive real estate  
48 investment trust, the deduction for dividends paid provided under  
49 Section 857(b)(2) of the Internal Revenue Code, and (B) additionally, in  
50 the case of a regulated investment company, the sum of (i) the exempt-  
51 interest dividends, as defined in the Internal Revenue Code, and (ii)  
52 expenses, bond premium, and interest related to tax-exempt income

53 that are disallowed as deductions under the Internal Revenue Code,  
54 and (C) in the case of a taxpayer maintaining an international banking  
55 facility as defined in the laws of the United States or the regulations of  
56 the Board of Governors of the Federal Reserve System, as either may  
57 be amended from time to time, the gross income attributable to the  
58 international banking facility, provided, no expense or loss attributable  
59 to the international banking facility shall be a deduction under any  
60 provision of this section, and (D) additionally, in the case of all  
61 taxpayers, all dividends as defined in the Internal Revenue Code  
62 effective and in force on the last day of the income year not otherwise  
63 deducted from gross income, including dividends received from a  
64 DISC or former DISC as defined in Section 992 of the Internal Revenue  
65 Code and dividends deemed to have been distributed by a DISC or  
66 former DISC as provided in Section 995 of said Internal Revenue Code,  
67 other than thirty per cent of dividends received from a domestic  
68 corporation in which the taxpayer owns less than twenty per cent of  
69 the total voting power and value of the stock of such corporation, and  
70 (E) additionally, in the case of all taxpayers, the value of any capital  
71 gain realized from the sale of any land, or interest in land, to the state,  
72 any political subdivision of the state, or to any nonprofit land  
73 conservation organization where such land is to be permanently  
74 preserved as protected open space or to a water company, as defined  
75 in section 25-32a, where such land is to be permanently preserved as  
76 protected open space or as Class I or Class II water company land, and  
77 (F) in the case of manufacturers, the amount of any contribution to a  
78 manufacturing reinvestment account established pursuant to section 1  
79 of this act in the taxable year that such contribution is made.

80 Sec. 3. Subsection (a) of section 36a-250 of the general statutes is  
81 amended by adding a new subdivision (42) as follows (*Effective July 1,*  
82 *2011*):

83 (NEW) (42) Act as trustee or custodian of a manufacturing  
84 reinvestment account established pursuant to section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2011, and applicable to income years commencing on or after January 1, 2011</i>	New section
Sec. 2	<i>July 1, 2011, and applicable to income years commencing on and after January 1, 2012</i>	12-217(a)(1)
Sec. 3	<i>July 1, 2011</i>	36a-250(a)

**Statement of Legislative Commissioners:**

In section 1, the definition of "manufacturer" was added for clarity, the reference in subsection (a) to "two hundred thousand dollars" was changed to "the amount set forth in subsection (b) of this section" for accuracy, and the reference in subsection (a) to "the Department of Economic and Community Development" was changed to "manufacturer" for internal consistency and to represent the committee's intent.

**CE**      *Joint Favorable Subst.*