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## **OLR Bill Analysis**

### **sHB 6584**

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

#### **SUMMARY:**

This bill allows manufacturers to defer corporation business taxes on money they save for training their workers or purchasing machinery, equipment, or facilities. It does so by allowing them to establish a trust account in a Connecticut bank into which they can deposit up to \$250,000 annually or 100% of their domestic gross receipts whichever is less, on a corporation tax-deferred basis for up to five years, if they use the funds for these purposes.

The manufacturer may deduct the deposits from its corporation businesses taxes until it withdraws the money. It must pay taxes on each withdrawal, but at a reduced rate of 3.5%. Any balance remaining after five years is taxed at the full rate (currently 7.5%, plus 10% surcharge). Under the bill, the bank must return the balance to the manufacturer, which then has up to 60 days to pay the taxes on this amount.

**EFFECTIVE DATE:** July 1, 2011, with the provisions authorizing manufacturers to establish the account and deduct contributions to it from the corporation business tax applying to income years beginning on or after January 1, 2011.

#### **ELIGIBLE BUSINESSES**

Manufacturers may establish a manufacturing reinvestment account. Manufacturing includes any activity changing the form, composition, quality, or character of tangible personal property for retail sale or for making a product for such sale.

#### **MANUFACTURING REINVESTMENT ACCOUNT**

A manufacturer may establish an account only in a Connecticut bank, which can act as the account's trustee or custodian. Neither the bank nor the manufacturer can invest the money in the account in life insurance contracts or comingle it with other property. The bank must close the account five years after the manufacturer established it and return the balance to the manufacturer.

### **ELIGIBLE EXPENDITURES**

A manufacturer may withdraw funds from the account to train its workers or purchase machinery, equipment, or manufacturing facilities. Machinery includes the basic machine and its component parts plus equipment and devices used or needed to control, regulate, or operate it. Equipment includes separate devices needed to manufacture, process, or fabricate things.

### **COMMITTEE ACTION**

Commerce Committee

Joint Favorable Substitute

Yea 18 Nay 1 (03/22/2011)