



OLR RESEARCH REPORT

August 25, 2011

2011-R-0314

HISTORY OF CHANGES TO ENTERPRISE ZONE PROGRAM

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You asked for a history of changes to the enterprise zone program since its inception.

SUMMARY

The legislature enacted the enterprise zone program in 1981, when it authorized the economic development commissioner (now, the Department of Economic and Community Development (DECD) commissioner) to designate six zones. The program offers tax incentives and other benefits for manufacturing and various service businesses operating in designated economically distressed areas.

There have been numerous changes to the program since its creation. For example, the legislature expanded the number of zones on multiple occasions in the 1980's and 1990's. It has changed the eligibility criteria for zone designation, and authorized the designation of other areas that receive equivalent benefits. To date, DECD has designated 17 zones, as well as numerous other related zones (such as enterprise corridor zones and entertainment districts).

The legislature has made numerous other changes to the program. For example, it has added and modified zone incentives. It has also added to the types of businesses eligible for benefits under the program, generally extending eligibility to a wider range of service and non-manufacturing businesses.

A summary of changes to the program appears below. For a fuller explanation of current law regarding the program, including program benefits and designation criteria for enterprise zones and related zones, please see OLR Report 2011-R-0307.

CHANGES TO ENTERPRISE ZONE PROGRAM

The following history of the enterprise zone program provides an overview of changes to the program since its creation. We focus on changes affecting enterprise zone designation benefits, or the conferral of enterprise zone benefits on other designated areas. We do not discuss all of these acts in detail or all of the acts that directly or indirectly affected the enterprise zone program. For example, we generally do not describe changes regarding the mechanics of the program, such as the application process for towns seeking enterprise zone designation or the process for eligible companies to claim the tax credits or exemptions. If you would like more information on any of the acts described below or any particular aspect of the legislative history, please let us know.

PA 81-445

PA 81-445 created the enterprise zone program. It called for the creation of six zones statewide, three in towns with populations greater than 80,000 and three in smaller towns. To be eligible for zone designation, the area had to consist of one or two contiguous U.S. census tracts at least partially zoned for commercial and industrial activity. The area also had to either have at least 25% of its (1) population below the poverty level, (2) population dependent on public assistance, or (3) labor force unemployed. The act specified that the designation must continue for a minimum of ten years.

Under the act, the benefits for businesses and residential property owners in enterprise zones included:

1. venture capital loans for people seeking to establish small businesses within the zone;
2. a 50% corporation business tax credit for manufacturing facilities locating or expanding in the zone, if 30% of the employees are zone residents;

3. a seven-year property tax assessment deferment for both new construction and rehabilitation of industrial, commercial, and residential property;
4. doubling, from \$500 to \$1,000, the new employee grant to manufacturing firms expanding their facilities or building new facilities within a zone; and
5. an exemption from the sales tax on repair and replacement parts for manufacturing firms operating within a zone.

PA 82-435

This act made a number of changes to the enterprise zone program. These included, among others, (1) changing the required unemployment criteria in an eligible area from 25% unemployment among the labor force to double the state's average unemployment; (2) changing the manner and criteria under which zone boundaries are determined (for example, by allowing the commissioner to include within a zone a census tract contiguous to an eligible tract, if he or she determines that the contiguous tract has significant job-creating potential and meets certain demographic criteria); (3) reducing the property tax deferment by about 50%, by phasing out the deferment on a set schedule; and (4) establishing conditions under which businesses would be ineligible to receive benefits, such as conditions concerning relocated facilities.

PA 83-381

PA 83-381 allowed corporation business tax credits and a \$1,000 grant for each newly created job if at least 30% of an eligible firm's new full-time jobs, rather than 30% of all the firm's employees, were zone residents or city residents meeting income criteria.

The act amended zone eligibility criteria to require zoning for either commercial or industrial activity, rather than both as previously required. The act also made other changes to the program, including changes regarding zone boundaries.

PA 83-558

Prior law required certain tax deferrals for enterprise zone property and gave towns discretion to provide additional deferrals or abatements on real property in zones. This act also permitted towns to provide tax deferrals and abatements on personal property located in a zone.

PA 84-144

This act allowed the economic development commissioner to expand the boundaries of an enterprise zone to include any contiguous area that was eligible, but not included, in the zone when it was designated.

PA 86-258

This act made several changes to the enterprise zone program. It authorized the commissioner to approve zones in four additional distressed municipalities, requiring three to have a population under 80,000. It allowed any town with land bordering an enterprise zone in another town to designate that land as an enterprise zone, with the commissioner's approval, if the land met certain criteria. The act also allowed two of the existing six zone towns to enlarge their zones.

The act expanded the type of facilities eligible for the program's property tax abatement and corporate business tax credits. It expanded eligibility to certain types of investment and service companies creating 10 or more jobs. It made other eligibility changes concerning (1) leased facilities and (2) the idleness requirement for acquired manufacturing facilities.

The act increased the job creation grant for enterprise zone manufacturers from \$1,000 to \$1,500 and lowered the number of jobs they must create from five to three. It also extended the \$500 jobs grants available to a manufacturer in a distressed municipality to an investment or service company in an enterprise zone that creates at least 10 new jobs and meets certain other criteria.

PA 88-323

This act allowed the commissioner to extend enterprise zone benefits to large vacant or underused manufacturing facilities located near a stream the center line of which forms the boundary of a census tract included in an enterprise zone.

PA 89-235

Among other changes, this act (1) made service business auxiliary operations within enterprise zones eligible for tax benefits and grants and (2) made the job creation requirement that qualifies enterprise zone service businesses for tax benefits and grants the same as for enterprise zone manufacturers.

PA 90-270

This act made numerous changes to economic development programs, including several changes affecting enterprise zones. For example, the act termed towns with enterprise zones as “targeted investment communities,” and limited new locational incentives to these towns. It broadened the types of businesses that could receive enterprise zone benefits by making businesses in the following categories eligible: health services; fishing, hunting, and trapping; motor freight transportation and warehousing; water transportation; air transportation; transportation services; and security and commodity brokers, dealers, exchanges, and services.

The act made several changes to the five-year property tax exemption for new machinery and equipment purchased as part of a technological upgrading of a manufacturer located in a distressed municipality, such as limiting the exemption to targeted investment communities.

Prior law allowed enterprise zone businesses to receive \$1,500 grants and a 50% corporation tax credit if at least 30% of the jobs they created through expansion were given to zone residents or city residents who qualified for federal job training programs. The act allowed businesses to qualify if those residents held at least 150 full-time new jobs, even if this did not equal 30% of the new jobs.

PA 91-354

This act extended property tax abatements and business tax credits to all business service firms located in enterprise zones. The act also removed certain limitations on expanding zone size. It allowed all towns with enterprise zones to expand them, by including contiguous census tracts that meet specified criteria. It also allowed a town with land bordering an enterprise zone in another town to designate more than two contiguous tracts as an enterprise zone, provided the tracts met specified criteria.

PA 91-14, June Special Session

This act reduced from 75% to 50% the state’s reimbursement of the property taxes exempted on manufacturing facilities, equipment, and existing machinery in enterprise zones and certain other economically distressed towns.

PA 92-236

PA 92-236 made it easier for a company moving into an enterprise zone to qualify for benefits. Under prior law, a company did not qualify for benefits unless the move (1) allowed the company to expand its operations and (2) created a net increase in jobs. Under the act, the company qualified if it met either of these criteria.

PA 93-311

This act required the economic development commissioner to establish an entertainment district pilot program in Bridgeport, with similar tax benefits to those available to enterprise zone businesses. It also allowed other towns with enterprise zones to designate, subject to the commissioner's approval, areas within their towns as entertainment districts.

PA 93-323

This act created state and local goal setting, planning, and review procedures for enterprise zones. It required the economic development commissioner to establish goals for the zones, adopt performance standards to measure progress toward implementing the goals, and periodically review the progress. It required towns to set goals and objectives for their zones and a schedule to meet them. It also required towns to designate an advisory group to assist in planning and implementing zone activities.

PA 93-331

PA 93-331 required the commissioner to approve five new enterprise zones—two in towns (with fewer than 80,000 people) affected or potentially affected by military base or plant closings resulting in job losses and three in towns (one of which must have more than 80,000 people) with increases in various poverty measures between 1989 and 1993. It required towns with newly designated zones to establish community enterprise zone boards to (1) make policy for promoting and developing the zones, (2) coordinate zone programs with related job training and social service programs, and (3) adopt a plan for the zone's goals including strategies to meet the goals and a schedule to implement the strategies.

PA 94-175

The act eliminated one job-loss factor as a criterion for designating enterprise zones, specifically in regards to job losses at a military base or plant. Prior law required actual or potential job losses to exceed 2,000 jobs and constitute more than a 50% reduction in total employment at the base or plant or a discrete part of it. The act removed the 50% reduction criterion and limited the 2,000 job losses to actual rather than potential job losses. (PA 94-247, which passed after this act, made basically the same change, but reinstated the prior criterion of potential 2,000 job losses as well as actual losses.)

PA 94-195

This act required the economic development commissioner, within available funds, to create a job and business development grant program in enterprise zones and to make the funds available to community development corporations located in the zones based on criteria that he or she establishes.

PA 94-241

This act extended enterprise zone benefits to businesses in smaller towns that agree to designate industrial areas as enterprise corridors and cooperate in economic development activities there. Under the act, an enterprise corridor had to include at least three contiguous towns with each town being a public investment community with no more than 30,000 people. At least half of the towns had to be located along the same interstate or other expressway or along intersecting expressways.

The act also changed some of the factors used to designate enterprise zones, included some changes that conflicted with PA 94-247 (that act's changes governed, as it passed after PA 94-241).

The act allowed the commissioner to include properties in the zone if they were outside it but commonly owned and contiguous to a railroad right-of-way that formed the boundary of a census tract that comprised the zone. It also modified one of the property tax benefits available in zones, allowing towns to negotiate the assessment deferral rate for any improvements over \$80 million made for commercial or retail purposes.

PA 94-247

This act changed some of the factors used to designate enterprise zones. It altered the criteria used to determine the five new zones required by PA 93-331. For example, regarding the three new zones in towns with increases in various poverty measures, the act made changes to the required measures and required the commissioner to use a weighted average of the factors. Regarding zones in towns affected by military or plant closings resulting in 2,000 or more job losses, the act removed a requirement that the losses constitute 50% of the workforce there. It also added to the federally designated areas that the commissioner may designate as enterprise zones.

The act made various changes to the entertainment district program, including (1) delaying the date for designation of such districts (except for a pilot program in Bridgeport) and (2) making more types of property eligible for tax exemptions.

PA 95-64

The act set conditions under which the commissioner could increase the number of zones. Under the act, if he or she approved a zone based on a plant closure, he or she had to approve an additional zone in another town. The commissioner must do this if the company closing the plant in the first town also closed a plant in the other town. The act required the additional zone to meet certain statutory criteria reflecting poverty and unemployment only if the area did not include the plant.

The act also made it easier to include certain town-designated development areas in a zone.

PA 95-334

This act made various changes regarding entertainment districts, including (1) making entertainment-related businesses anywhere in a town with a state-designated entertainment district eligible for enterprise zone tax benefits, (2) changing dates for the Bridgeport entertainment zone pilot project, and (3) postponing the economic development commissioner's designation of other entertainment districts.

PA 96-222

This act made retail product distribution facilities eligible for property tax exemptions and corporate business tax credits relating to enterprise zones or locations in municipalities that contain such zones, but specifically excluded rolling stock from the property tax exemption.

PA 96-239

This act authorized enterprise zone-type tax incentives for certain service firms located outside of an enterprise zone in a targeted investment community (the towns with enterprise zones). To qualify for the benefits, the firms had to fall into a category of service firms eligible for enterprise zone benefits. The abatements and credits for service firms were based on a sliding scale that reflected the assessed value of new facilities and equipment and the number of new jobs created.

The act also expanded the enterprise zone program. It authorized a 10-year corporate tax credit for a newly created business that located in an enterprise zone and hired zone or town residents. It increased the grants for enterprise zone businesses that create new jobs as a result of constructing, renovating, or expanding a facility. It increased the grant amount for manufacturers from \$1,500 to \$2,250 per job created and raised the grant amount for eligible service companies from \$500 to \$750. It also raised one of the thresholds manufacturers must meet to qualify for a grant.

The act increased, from \$250,000 to \$300,000, the maximum amount the Connecticut Development Authority could lend to an enterprise zone business under the Connecticut Growth Fund.

The act also expanded the enterprise zone program in other ways. It made telemarketing companies eligible for benefits. It allowed towns with enterprise zones to extend zone benefits to a manufacturing plant of at least 500,000 square feet outside the zone, with the DECD commissioner's approval.

It set conditions for extending benefits to railroad depots outside of the zones, by designating abandoned or underused railroad depots and the properties next to them as a "railroad depot zone." It also allowed DECD to award Manufacturing Assistance Act funds to projects that promote the revitalization of underused, state-owned railroad depots and the areas next to them. It allowed the commissioner to expand a zone to

include private property that lies between one of the zone's boundaries and that part of a railroad right-of-way that also served as a zone boundary.

The act allowed more towns to participate in the enterprise corridor zone program (by raising the population threshold) and made it easier for businesses in a zone to qualify for job creation grants.

PA 96-264

This act allowed Connecticut Innovations, Inc. to provide financial assistance for plants and equipment to certain biotechnology, pharmaceutical, and photonics companies, and extended enterprise zone benefits to such businesses located in enterprise zone towns with major research universities.

PA 98-146

This act extended enterprise zone benefits in various ways. It allowed a municipality with a population of less than 20,000 that bordered a municipality with an enterprise zone to petition to designate manufacturing plants that met specified criteria as eligible for enterprise zone benefits. It broadened the circumstances under which a municipality that bordered an enterprise zone in another town could designate adjacent census tracts as an enterprise zone. It also expanded the circumstances under which a manufacturing facility in a municipality that had been severely harmed by defense contract cutbacks could be eligible for enterprise zone benefits.

The act also extended, for five years, the property tax abatement for certain manufacturing facilities.

PA 00-122

This act allowed municipalities designated as urban empowerment zones under federal law to issue revenue bonds to provide funding for enterprise zone businesses with qualified zone property. Regardless of the municipality's regular bond issuing requirements, the act required a resolution adopted by the municipality's legislative body to authorize empowerment zone bonds.

The act also allowed municipalities to issue taxable bonds to pay issuance or other costs related to providing tax-exempt bond financing to enterprise zone businesses.

PA 00-194

This act barred a municipality from levying property taxes on improvements to real property in an enterprise zone while the improvements were being built. It also increased the limit on the populations of contiguous towns that could form enterprise corridor zones from 35,000 to 60,000.

PA 01-6, June Special Session

This act made uniform the criteria under which businesses in specific classes of two different national classification systems qualify for enterprise zone benefits. The act also gave the DECD commissioner discretion to award enterprise zone benefit eligibility certificates to manufacturers based on whether they met all the eligibility criteria instead of directing the commissioner to award them to companies in specified classifications regardless of whether they showed strong export performance.

PA 01-9, June Special Session

This act (among many other things) required the DECD commissioner to approve expanding Meriden's enterprise zone to include a specific parcel.

PA 04-186

This act specified the circumstances under which the DECD commissioner's determination that a municipality is severely impacted by a prime defense cutback must remain effective until the property's conveyance and environmental remediation are complete, and allowed him to renew the determination for up to two years.

PA 04-2, May Special Session

By law, the state reimburses enterprise zone towns for half the revenue loss from property tax exemptions for manufacturing facilities and equipment. This act required the Office of Policy and Management, when state appropriations are insufficient to pay the full amount, to proportionately reduce state reimbursements.

PA 05-194

The act changed the criteria for designating enterprise corridor zones. For example, it allowed designation of two or more contiguous towns (rather than three or more) and decreased the maximum town size from 60,000 to 40,000 people. The act also changed when the DECD commissioner can remove an enterprise corridor zone designation.

PA 06-101

This act revised the system for evaluating the state's enterprise zones. It set deadlines for adopting goals and performance standards, specified reporting requirements, required towns and the DECD commissioner to evaluate the zones, and authorized the legislature to remove a zone's designation if the commissioner recommended it.

PA 09-40

This act eliminated the option community development organizations previously had to use DECD grants to build or rehabilitate either decent or affordable rental or owner-occupied housing in enterprise zones. It instead specified that the organizations may use the grants to build or rehabilitate housing only for low- and moderate-income people.

PA 09-93

This act changed the criterion under which property owners qualified for a property tax exemption when they improved homes, apartments, condominiums, and other types of residential property in an enterprise zone. (PA 09-234 makes an identical change to the income criterion for the enterprise zone property tax exemption for rental apartments and converted condominiums.)

PA 09-234

This act changed the income criterion that improved condominiums and multifamily housing units in enterprise zones must meet to qualify for a property tax exemption. It also made changes regarding zone reporting and evaluation. For example, it required only businesses certified to receive enterprise zone benefits, rather than all businesses in the zones, to report specified information to their host municipalities. It also required the DECD commissioner to review the enterprise zone program (as well as many others) as part of an economic development strategic plan.

PA 10-98

This act created a development zone around Bradley International Airport and extended enterprise zone property tax exemptions and corporation business tax credits to manufacturers and other specified businesses that develop or acquire property in the zone.

PA 10-104

This act extended enterprise zone benefits to certain technology-based businesses and commercial properties in Hartford and specified census blocks, block groups, or tracts in Farmington, New Britain, and Bristol, as well as to eligible businesses and commercial properties in any municipality with an enterprise zone and a major research university with a bioscience program.

PA 10-162

This act extended tax incentives and other benefits to municipalities hurt by aerospace and defense plant closings affecting at least 800 employees. The incentives are those the law provides to businesses in enterprise zones and other designated areas. The other benefits are those the law provides to state-designated distressed municipalities.

PA 11-61

This act shifted the incentives under PA 10-162 to facilities that were vacant on or after this act's passage (rather than July 1, 1998).

PA 11-140

Among many other changes, this act expanded enterprise zone benefits to more types of businesses. It extended enterprise zone and targeted investment community incentives to the same range of businesses that qualify for financing under DECD's Manufacturing Assistance Act program. These include two overlapping groups of businesses: (1) economic-base businesses and (2) those within one of the nine DECD-designated industry clusters.

It also extended the incentives to other specified business categories, such as software publishers; colleges, universities, professional schools, and technical and trade schools; and educational support services.

By law, the DECD commissioner must adopt regulations for certifying whether a business qualifies for enterprise zone or targeted investment community incentives. Under the act, the regulations must extend the incentives to any service business that supports the economic competitiveness of manufacturers or other economic-base businesses or furthers the state's interests. These businesses include those providing day care, job training, education, transportation, employee housing, energy conservation, pollution control, and recycling.

The act also extended enterprise zone benefits to certain technology businesses and commercial properties in sections of Plainville within specified census tracts and blocks.

JO:ts