Senate

General Assembly **File No. 526**

February Session, 2012 Substitute Senate Bill No. 356

Senate, April 18, 2012

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT EXPANDING THE NEIGHBORHOOD ASSISTANCE ACT.

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

Section 1. Subsection (a) of section 12-631 of the 2012 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2012*):

(a) "Business firm" means any business entity authorized to do business in the state and subject to the tax due under the provisions of chapter 207, 208, 209, 210, 211, 212, **[**or**]** 213a or 229.

Sec. 2. (NEW) (*Effective July 1, 2012*) For a business firm authorized to do business in the state and subject to the tax due under the provisions of chapter 229 of the general statutes, if such business firm is an S corporation or an entity treated as a partnership for federal income tax purposes, the shareholders or partners of such firm may claim any credit granted under the provisions of chapter 228a of the general statutes. If such business firm is a single member limited liability company that is disregarded as an entity separate from its owner, the limited liability company's owner may claim any credit granted under the provisions of chapter 228a of the general statutes.

Sec. 3. Section 12-633 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2012*):

The Commissioner of Revenue Services shall grant a credit against any tax due under the provisions of chapter 207, 208, 209, 210, 211, **[**or**]** 212, 213a or 229, other than the liability imposed by section 12-707, in an amount not to exceed sixty per cent of the total cash amount invested during the taxable year by the business firm in programs operated or created pursuant to proposals approved pursuant to section 12-632, provided a tax credit not to exceed one hundred per cent of the total cash amount invested during the taxable year by the business firm may be allowed for investment in certain energy conservation projects as provided in subdivisions (1) and (2) of section 12-635, as amended by this act.

Sec. 4. Section 12-634 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2012*):

The Commissioner of Revenue Services shall grant a credit against any tax due under the provisions of chapter 207, 208, 209, 210, 211, **[**or**]** 212, 213a or 229, other than the liability imposed by section 12-707, in an amount not to exceed sixty per cent of the total cash amount invested during the taxable year by the business firm in programs operated or created pursuant to proposals approved pursuant to section 12-632 for planning, site preparation, construction, renovation or acquisition of facilities for purposes of establishing a child day care facility to be used primarily by the children of such business firm's employees and equipment installed for such facility, including kitchen appliances, to the extent that such equipment or appliances are necessary in the use of such facility for purposes of child day care, provided: (1) Such facility is operated under the authority of a license issued by the Commissioner of Public Health in accordance with sections 19a-77 to 19a-87, inclusive, (2) such facility is operated without profit by such business firm related to any charges imposed for the use of such facility for purposes of child day care, and (3) the amount of tax credit allowed any business firm under the provisions of this section for any income year may not exceed fifty thousand dollars. If two or more business firms share in the cost of establishing such a facility for the children of their employees, each such taxpayer shall be allowed such credit in relation to the respective share, paid or incurred by such taxpayer, of the total expenditures for the facility in such income year. The commissioner shall not grant a credit pursuant to this section to any taxpayer claiming a credit for the same year pursuant to section 12-217x.

Sec. 5. Section 12-635 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2012*):

The Commissioner of Revenue Services shall grant a credit against any tax due under the provisions of chapter 207, 208, 209, 210, 211, **[**or**]** 212, 213a or 229, other than the liability imposed by section 12-707: (1) In an amount not to exceed one hundred per cent of the total cash amount invested during the taxable year by the business firm in programs operated or created pursuant to proposals approved pursuant to section 12-632 for energy conservation projects directed toward properties occupied by persons, at least seventy-five per cent of whom are at an income level not exceeding one hundred fifty per cent of the poverty level for the year next preceding the year during which such tax credit is to be granted; (2) in an amount equal to one hundred per cent of the total cash amount invested during the taxable year by the business firm in programs operated or created pursuant to proposals approved pursuant to section 12-632 for energy conservation projects at properties owned or occupied by charitable corporations, foundations, trusts or other entities as determined under regulations adopted pursuant to this chapter; or (3) in an amount not to exceed sixty per cent of the total cash amount invested during the taxable year by the business firm (A) in employment and training programs directed at youths, at least seventy-five per cent of whom are at an income level not exceeding one hundred fifty per cent of the poverty level for the year next preceding the year during which such tax credit is to be granted; (B) in employment and training programs directed at handicapped persons as determined under regulations adopted pursuant to this chapter; (C) in employment and training programs for unemployed workers who are fifty years of age or older; (D) in education and employment training programs for recipients in the temporary family assistance program; or (E) in child care services. Any other program which serves persons at least seventy-five per cent of whom are at an income level not exceeding one hundred fifty per cent of the poverty level for the year next preceding the year during which such tax credit is to be granted and which meets the standards for eligibility under this chapter shall be eligible for a tax credit under this section in an amount equal to sixty per cent of the total cash invested by the business firm in such program.

Sec. 6. Section 12-635a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2012*):

The Commissioner of Revenue Services shall grant a credit against any tax due under the provisions of chapter 207, 208, 209, 210, 211, **[**or**]** 212, 213a or 229, other than the liability imposed by section 12-707, in an amount not to exceed sixty per cent of the total cash amount invested during the taxable year by the business firm in community-based alcoholism prevention or treatment programs operated or created pursuant to proposals approved pursuant to section 12-632.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2012*	12-631(a)
Sec. 2	*July 1, 2012*	New section

Sec. 3	*from passage and applicable to taxable years commencing on or after January 1, 2012*	12-633
Sec. 4	*from passage and applicable to taxable years commencing on or after January 1, 2012*	12-634
Sec. 5	*from passage and applicable to taxable years commencing on or after January 1, 2012*	12-635
Sec. 6	*from passage and applicable to taxable years commencing on or after January 1, 2012*	12-635a

FIN *Joint Favorable Subst.*

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 13 $	FY 14 $
Department of Revenue Services	GF - Revenue Impact	See Below	See Below
Department of Revenue Services	GF - Cost	53,000-55,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes a technical change allowing Neighborhood Assistance Act (NAA) tax credits to be taken against the business entity tax, and establishes eligibility for the credits to be taken against the personal income tax.

It is anticipated that these changes will result in NAA credits being fully utilized up to the statutory $5.0 million annual cap under the program. This impact was incorporated into the June 24, 2012 Finance, Revenue, and Bonding Committee Revenue Estimates for FY 12 ($1.9 million revenue loss) and FY 13 ($2.6 million revenue loss). Consequently, the bill does not result in any additional revenue loss.

The bill also results in a one-time cost to the Department of Revenue Services (DRS) of approximately $53,000-$55,000 in FY 13. This includes a cost of $50,000 associated with changes to the Taxpayer Service Center (TSC) and form alteration for the business entity tax, including establishing a carryback mechanism for the credit.[1] There is also a $3,000-$5,000 cost for form alteration and changes to the TSC

[1] Currently, there are no credits allowed against the business entity tax, for which approximately 140,000 taxpayers file.

associated with the personal income tax.

The Out Years

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

Sources: Department of Revenue Services Annual Report

OLR Bill Analysis
sSB 356

AN ACT EXPANDING THE NEIGHBORHOOD ASSISTANCE ACT.

SUMMARY:

This bill extends Neighborhood Assistance Act (NAA) tax credits to people who own a business or shares in a business that (1) is not liable for business taxes and (2) makes an eligible contribution to a NAA activity or program. These owners, shareholders, and partners pay personal income taxes on their share of the income the business generates. The businesses include S corporations, limited liability companies, limited liability partnerships, and limited partnerships.

Under the bill, the NAA credits apply against the personal income tax, but not the withholding tax. The bill allows shareholders and partners of S corporations and partnerships to claim the credits against the income tax. Credits allocated to a single member limited liability company disregarded as an entity separate from its owner may be claimed only by the owners.

The bill also allows businesses to apply NAA tax credits against the state's business entity tax. NAA credits currently apply against the corporation; insurance premium; and air carrier, railroad, cable and satellite television, and utility and public service company taxes.

EFFECTIVE DATE: July 1, 2012, except the provisions allowing businesses to claim the NAA credits against the business entity and income tax are effective upon passage and applicable to tax years starting on or after January 1, 2012.

BACKGROUND

NAA Tax Credits

The NAA provides business tax credits to companies that invest at least $250 in certain municipally approved community activities and programs. Credits are generally 60% of the investment, although certain energy conservation investments are eligible for a 100% credit. The annual limits on NAA credits are $150,000 per business ($50,000 for child care facility investments) and a total of $5 million for all businesses.

PA 11-140 extended NAA tax credit eligibility to companies subject to the business entity tax, but did not correspondingly allow companies to apply the credits against the business entity tax.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 50 Nay 0 (04/03/2012)