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## **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)