

1. Testimony of Donna Wertenbach, President/CEO of The Community Economic Development Fund Foundation, Inc.
2. Regarding modifications to Neighborhood Assistance Act legislation passed during the 2011 legislative session.
3. Raised bill 356 must reference Chapter 229 every place that Chapter 213a is referenced.
4. Create a new Section titled 12-704e under Chapter 229 - Income Tax
5. Chapter 229, Section 12-704e **Credits for Shareholders of S-Corporations, Members of Limited Liability Companies, Partners in Limited Liability Partnerships, and Partners in Limited Partnerships.**
 - a. Definitions:
 - i. S-Corporations (Add definition)
 - ii. Limited Liability Companies (Add definition)
 - iii. Limited Liability Partnerships (Add definition)
 - iv. Limited Partnerships (Add definition)
 - b. There shall be allowed a credit against tax imposed under this chapter, other than the liability imposed by section 12-707, for Neighborhood Assistance Act Credits purchased by a business firm as defined under chapter 213a CGS and subsequently passed through or transferred directly to a member of a Limited Liability Company, an Owner of a Single Member Limited Liability Company, disregarded as an entity separate from its owner, a Member in a Limited Liability Partnership, a Partner in a Limited Partnership, or a Shareholder in an S-Corporation.
 - c. To qualify for a credit against tax imposed under this chapter, a member of a Limited Liability Company, an Owner of a Single Member Limited Liability Company, disregarded as an entity separate from its owner, a Member in a Limited Liability Partnership, a Partner in a Limited Partnership, or a Shareholder in an S-Corporation, must have income reportable and subject to tax imposed under this chapter.
 - d. The credit which can be claimed shall not exceed the tax imposed under this chapter on that distributable income reported directly by a member of a Limited Liability Company, an Owner of a Single Member Limited Liability Company, disregarded as an entity separate from its owner, a Member in a Limited Liability Partnership, a Partner in a Limited Partnership, or a Shareholder in an S-Corporation on reportable income attributable to a business firm as defined under Chapter 213a and above under (a). the credit cannot be claimed against any sources of income not directly related to income attributable to or distributable from a business firm as defined under Chapter 213a.
 - e. Any tax credit that is claimed by a member of a Limited Liability Company, an Owner of a Single Member Limited Liability Company, disregarded as an entity separate from its owner, a Member in a Limited Liability Partnership, a Partner in a Limited partnership, or a Shareholder in an S-Corporation but not applied against tax due under this chapter, other than the liability imposed by section 12-707, may be carried forward for the five immediately succeeding taxable years or until the full credit has been applied.

Donnas Testimony

I would like to thank the Committee for their commitment to resolving the issues that have arisen that have prevented the law passed last year to expand NAA taxes from being implemented. I am testifying in favor of the intent of Raised bill 356 but requesting that the language be modified to accomplish the intended goal.

In 2011 a law was passed expanded the NAA tax credits to include S-Corps and LLC's as potential purchasers of this tax credit. When CEDF tried to use this new law, we were informed that it was missing important tax code references to allow for pass throughs.

The modification found in Raised Bill No. 356 where it includes 213a is not the correct reference and does not resolve the issue. 213a refers to the business entity tax which was never the intent of this change. The business entity tax is only \$125 annual and the NAA new legislation allows for donations up to \$150,000.

While I am not a tax expert, the goal is to allow the tax credit to be passed through to individuals who own S-Corporations and LLC's, not to refer to the business entity tax. The correct reference is Chapter 229. This bill needs to replace each place where 213 a is in the raised bill with Chapter 229.

I am submitting some alternative language that I would suggest the Committee review and incorporate in order to meet the desired outcome.