



The **MARION**
Manufacturing Company

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March 6, 2013

Raised Bill No. 1053

House Committee on Finance, Revenue and Bonding:

I am writing in support of House Bill No. 1053 "An Act concerning expanded eligibility for apprenticeship training tax credits". The following information concerns this act and the current tax credits, as drafted for me by our company CPA firm.

According the explanation of the Corporate Tax Credit in Manufacturing Apprenticeship, the credit is available as follows:

Any taxpayer who employs an apprentice duly enrolled and registered under the terms of a qualified Manufacturing Program is entitled to a tax credit for each eligible apprentice of up to \$4,800.00 maximum or 50% of actual wages, whichever is less, assuming certain requirements are met.

Based on that statement you would assume that the tax credit would be available to all manufacturers that meet the criteria including Marion Manufacturing Company, Inc. However, the credit is only available to offset Connecticut Corporate Business tax imputed under Chapter 208 of the Connecticut General Statutes (for regular "C" corporations).

Marion Manufacturing Company, Inc. is taxed as a sub chapter "S" corporation and therefore is not subject to Connecticut Corporation Tax. Instead, shareholders of S-corporations pay Connecticut income tax on all the income from the S-corporation on their individual income tax return under Chapter 229 of the Connecticut General Statutes.

Therefore, even though Marion Manufacturing Company, Inc. meets all of the requirements for the Corporate Tax Credit in Manufacturing Apprenticeship there is no tax relief for the corporation or its shareholders.

Actually, almost all Business Tax Credits in the State of Connecticut are structured this way. For your information, I have enclosed the first six pages from the State of Connecticut Department of Revenue Services Guide to Connecticut Business Tax Credits. Generally these credits are not available to "S" corporations or their owners. The credits are also not available to small businesses that have been organized as a partnership, LLC or sole proprietor.

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I will mention that the Job Expansion Tax Credit (JET) is structured so that it may be utilized to offset income tax imputed under both Chapter 229 and Chapter 208 of the General Statutes (see attached from the State of Connecticut Department of Economic and Community Development).

It would be a great benefit to the small business community if all of these credits were available to all business entities.

Very truly yours,



Douglas N. Johnson
Vice President of Operations