



# Senate

General Assembly

**File No. 320**

February Session, 2014

Substitute Senate Bill No. 231

*Senate, April 3, 2014*

The Committee on Commerce reported through SEN. LEBEAU of the 3rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT INCREASING THE CAP ON THE URBAN AND INDUSTRIAL SITE TAX CREDIT AND THRESHOLD FOR LEGISLATIVE APPROVAL OF FINANCIAL ASSISTANCE.***

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

1 Section 1. Subsection (i) of section 32-9t of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2014*):

4 (i) (1) There shall be allowed as a credit against the tax imposed  
5 under chapters 207 to 212a, inclusive, or section 38a-743, or a  
6 combination of said taxes, an amount equal to the following  
7 percentage of approved investments made by or on behalf of a  
8 taxpayer with respect to the following income years of the taxpayer:  
9 (A) With respect to the income year in which the investment in the  
10 eligible project was made and the two next succeeding income years,  
11 zero per cent; (B) with respect to the third full income year succeeding  
12 the year in which the investment in the eligible project was made and  
13 the three next succeeding income years, ten per cent; (C) with respect

14 to the seventh full income year succeeding the year in which the  
15 investment in the eligible project was made and the next two  
16 succeeding years, twenty per cent. The sum of all tax credits granted  
17 pursuant to the provisions of this section shall not exceed one hundred  
18 million dollars with respect to a single eligible urban reinvestment  
19 project or a single eligible industrial site investment project approved  
20 by the commissioner. The sum of all tax credits granted pursuant to  
21 the provisions of this section shall not exceed [six hundred fifty] eight  
22 hundred million dollars.

23 (2) Notwithstanding the provisions of subdivision (1) of this  
24 subsection, any applicant may, at the time of application, apply to the  
25 commissioner for a credit that exceeds the limitations established by  
26 this subsection. The commissioner shall evaluate the benefits of such  
27 application and make recommendations to the General Assembly  
28 relating to changes in the general statutes [which] that would be  
29 necessary to effect such application if the commissioner determines  
30 that the proposal would be of economic benefit to the state.

31 Sec. 2. Subsection (q) of section 32-9t of the general statutes is  
32 repealed and the following is substituted in lieu thereof (*Effective July*  
33 *1, 2014*):

34 (q) (1) Any tax credits approved under this section that would  
35 constitute in excess of [twenty] twenty-seven million dollars in total for  
36 a single investment shall be submitted by the Commissioner of  
37 Economic and Community Development to the joint standing  
38 committee of the General Assembly having cognizance of matters  
39 relating to finance, revenue and bonding prior to the issuance of a  
40 certificate of eligibility for such investment. Said committee shall have  
41 thirty days from the date such project is submitted to convene a  
42 meeting to recommend approval or disapproval of such investment. If  
43 such submittal is withdrawn, altered, amended or otherwise changed,  
44 and resubmitted, said committee shall have thirty days from the date  
45 of such resubmittal to convene a meeting to recommend approval or  
46 disapproval of such investment. If said committee does not act on a

47 submittal or resubmittal, as the case may be, within that time, the  
48 investment shall be deemed to be approved by said committee.

49 (2) While the General Assembly is in session, the House of  
50 Representatives or the Senate, or both, may meet not later than thirty  
51 days following the date said committee makes a recommendation  
52 pursuant to subdivision (1) of this subsection. If such submission is not  
53 disapproved by the House of Representatives or the Senate, or both,  
54 within such time, the commissioner may issue such certificate.

55 (3) While the General Assembly is not in regular session, the House  
56 of Representatives or the Senate, or both, may meet not later than  
57 thirty days following the date said committee makes a  
58 recommendation pursuant to subdivision (1) of this subsection. If such  
59 submission is not disapproved by the House of Representatives, the  
60 Senate, or both, within such time, the commissioner may issue such  
61 certificate.

62 Sec. 3. Section 32-462 of the general statutes is repealed and the  
63 following is substituted in lieu thereof (*Effective July 1, 2014*):

64 (a) As used in this section:

65 (1) "Agency" means the Department of Economic and Community  
66 Development or Connecticut Innovations, Incorporated.

67 (2) "Financial assistance" means grants, loans, loan guarantees,  
68 contracts of insurance, investments, or combinations thereof, which are  
69 provided from the proceeds of bonds, notes or other obligations of the  
70 state or an agency [which] that constitute a debt or liability of the state  
71 or [which] that are secured by a special capital reserve fund payable  
72 from amounts appropriated or deemed appropriated from the General  
73 Fund.

74 (3) "Applicant" means any eligible applicant seeking financial  
75 assistance from an agency for a business project. The term "applicant"  
76 shall not include any political subdivision of the state.

77 (4) "Business project" means a business proposal undertaken by one  
 78 or more applicants, but does not include housing unless undertaken in  
 79 combination with another unrelated type of business.

80 (5) "Biotechnology business project" means any commercial project  
 81 to be used or occupied by any person to conduct laboratory activity  
 82 relating to, or the research, development or manufacture of,  
 83 biologically active molecules or devices that apply to, affect or analyze  
 84 biological processes.

85 (b) (1) No agency or agencies may award more than a total of [ten]  
 86 sixteen million dollars of financial assistance during any two-year  
 87 period to an applicant or for a business project unless such financial  
 88 assistance is specifically authorized by an act of the General Assembly.  
 89 [which has been enacted before, on or after July 1, 1994.] (2) The  
 90 provisions of subdivision (1) of this subsection shall not apply to any  
 91 awards funded or to be funded by bonds authorized to be issued by  
 92 the State Bond Commission before July 1, 1994.

93 (c) Notwithstanding the provisions of subsection (b) of this section,  
 94 no agency or agencies may award more than [twenty] twenty-six  
 95 million dollars of financial assistance for a biotechnology business  
 96 project during any two-year period unless such financial assistance is  
 97 specifically authorized by an act of the General Assembly. [which has  
 98 been enacted before, on or after July 1, 2001.]

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	32-9t(i)
Sec. 2	<i>July 1, 2014</i>	32-9t(q)
Sec. 3	<i>July 1, 2014</i>	32-462

**CE** *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 15 \$	FY 16 \$
Department of Economic & Community Development	GOBonds - Uncertain	Potential Cost	Potential Cost
CT Innovations Inc. (quasi-public)	CII Funds - Uncertain	Potential Cost	Potential Cost
Revenue Serv., Dept.	GF - Potential Revenue Loss	None	None

**Municipal Impact:** None

**Explanation**

The bill increases the limits for the amount of economic development assistance that the Department of Economic and Community Development (DECD) and Connecticut Innovations, Inc. (CII) may provide without affirmative legislative approval.

Assuming that any eligible project(s) would receive legislative approval without the proposed change in the bill there is no fiscal impact.

However if DECD provides assistance to an eligible project(s) that the legislature would otherwise disapprove, there would be a cost to the Manufacturing Assistance Act (MAA) program<sup>1</sup> and a revenue loss in the outyears related to Urban and Industrial Site Tax Credits.

If CII provides assistance to an eligible project(s) that the legislature would otherwise disapprove, there would be a cost to CII. CII is a

<sup>1</sup> The MAA program, funded by General Obligation (GO) bonds, is DECD's primary source for providing loans and grants for economic development assistance.

quasi-public state agency that is financed by loan repayments, investment returns, and fees so any costs would not be realized by the state's funds.

### ***The Out Years***

**Section 1** increases, from \$650.0 million to \$800.0 million, the aggregate cap on the total number of Urban and Industrial Sites Reinvestment (URA) tax credits that may be granted. To the extent the additional \$150.0 million in tax credits are granted, there is a potential future revenue loss through the out years. The timing and amount of the revenue loss in any given fiscal year is dependent on the date and size of eligible investments made under the program.<sup>2</sup>

As of June 30, 2013, a total of \$479.4 million tax credits have been granted under the URA program.

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<sup>2</sup> URA tax credits are taken over a 10-year period following an investment made in an eligible project, with none granted in each of years one through three, 10% granted in each of years four through seven, and 20% granted in each of the remaining years.

**OLR Bill Analysis****sSB 231*****AN ACT INCREASING THE CAP ON THE URBAN AND INDUSTRIAL SITE TAX CREDIT AND THRESHOLD FOR LEGISLATIVE APPROVAL OF FINANCIAL ASSISTANCE.*****SUMMARY:**

This bill (1) increases the total amount of business tax credits available under the Urban and Industrial Site Reinvestment Program (UISR) from \$650 million to \$800 million, (2) increases certain thresholds for legislative approval of financial assistance and tax credits, and (3) makes technical changes.

Under current law, financial assistance awarded by the Department of Economic and Community Development (DECD) or Connecticut Innovations, Inc. that exceeds certain thresholds must be approved by the General Assembly. The bill increases the threshold requiring approval from \$10 million to \$16 million per business in any two-year period. For financial assistance to biotechnology businesses, the bill increases the threshold from \$20 million to \$26 million in any two-year period.

The bill also increases the threshold for legislative approval of tax credits for a single investment under UISR from \$20 million to \$27 million. By law, DECD must submit to the Finance, Revenue, and Bonding Committee any tax credits that would exceed the threshold before issuing a certificate of eligibility for an investment. The committee has 30 days to recommend approval or disapproval, after which the General Assembly has 30 days to act on the committee's recommendation. If either house does not disapprove within 30 days, the commissioner may certify the investment.

EFFECTIVE DATE: July 1, 2014

**BACKGROUND*****Urban and Industrial Sites Reinvestment Program (UISR)***

UISR credits are available to any type of business investing in a project that will generate enough sales, personal income, and other tax revenue to recoup the foregone business tax revenue. Specifically, the credits are available for (1) remediating and developing contaminated property anywhere in the state and (2) developing property for a wide range of business uses in distressed municipalities, targeted investment communities, or municipalities with populations exceeding 100,000. The state may approve up to \$100 million in tax credits per project, and the credits are claimed over a 10-year period according to a statutory schedule. The tax credits apply to insurance premium, corporation, air carrier, railroad company, community antenna, utility company, and other specified business taxes.

**COMMITTEE ACTION**

Commerce Committee

Joint Favorable Substitute

Yea 10 Nay 6 (03/20/2014)