

**TESTIMONY
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CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
BEFORE THE
FINANCE, REVENUE AND BONDING AND COMMERCE COMMITTEES
MONDAY, MARCH 10, 2014**

Good afternoon. My name is Bonnie Stewart. I am vice president for the Connecticut Business and Industry Association (CBIA). CBIA represents over 10,000 companies in the state ranging from large industrial corporations to small businesses with one or two employees. The vast majority of our members, about 90 percent, are employers with fewer than 50 employees.

CBIA strongly supports and urges the adoption of **HB 5465 An Act Concerning The Connecticut Aerospace Reinvestment Act**. This measure, in large part, allows the redeployment of previously earned tax credits into capital investments, thereby enabling United Technologies Corporation (UTC) to invest up to \$500 million in the state in the next five years to upgrade and expand its facilities, and invest up to \$4 billion in research and development.

If **HB-5465** is adopted, Connecticut will remain the center of UTC's aerospace R&D activities and the home of Pratt & Whitney and Sikorsky headquarters for many years to come.

This measure not only affects at least 75,000 UTC jobs in the state, but will reverberate throughout Connecticut's aerospace industry—including the nearly 2,500 small businesses that serve as direct suppliers to UTC. We anticipate that hundreds, if not thousands, of other Connecticut businesses and jobs will be positively impacted as well as the economic multiplier effect expands.

Furthermore, retaining and focusing research and development work in Connecticut will create the opportunity for Connecticut to capture the entrepreneurial and economic spinoffs that typically emerge from such high level research. Research and development is seen as one of Connecticut's competitive advantages and this innovative bill ensures that we will strengthen our position as a leader in aerospace research, development and manufacturing.

HB 5465 does that by permitting the use of tax credits that have already been earned for certain activities performed in the state (such as research and development) but are not able to be claimed. The proposal allows those previously earned credits to be redeployed into an infusion of new capital investment. It transfers the recognition of what a Connecticut company has done to satisfy the state's requirements for earning tax credits—which may only be used in a very limited way—into tangible, forward-looking incentives to invest in major capital projects in Connecticut.

Transforming stranded tax credits into active capital investment is great for Connecticut because it moves the credits from the accounting and tax compliance office into the strategic planning spotlight. Business leaders think prospectively, not retrospectively. Because these credits would be made available to offset the cost of major capital projects going forward, they become a highly visible factor in business strategic planning.

The UTC initiative fits perfectly with, and reinforces, the Next Generation initiative to raise the University of Connecticut into the top ranks of public research universities. This initiative includes a primary focus on STEM fields in order to create the pipeline of high-quality graduates on which major R&D facilities depend. At the same time, the opportunity for top academic researchers to collaborate with a world-leading research center will be an additional draw for the University.

In 2010, the University of Connecticut revealed a study showing that if companies were permitted to transform stranded tax credits into active capital investment, and took advantage of this framework, it would have a huge positive impact on the state's economic health.

The benefit of HB 5465 to Connecticut and its taxpayers is significant. CBIA urges its adoption.