



General Assembly

**Substitute Bill No. 232**

February Session, 2014



**AN ACT CONCERNING THE MANUFACTURING REINVESTMENT ACCOUNT PROGRAM.**

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

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2 repealed and the following is substituted in lieu thereof (*Effective July*  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

4 (b) The Department of Economic and Community Development  
5 shall establish criteria and guidelines to select not more than [one  
6 hundred] fifty manufacturers that may establish a reinvestment  
7 account pursuant to subsection (c) of this section. Such criteria shall  
8 include, but not be limited to, a requirement that any such  
9 manufacturer shall have not more than one hundred fifty employees.  
10 The department shall, based on the criteria established pursuant to this  
11 subsection, establish an ongoing list of selected manufacturers.

12 Sec. 2. Subdivision (9) of subsection (a) of section 12-213 of the  
13 general statutes is repealed and the following is substituted in lieu  
14 thereof (*Effective July 1, 2014, and applicable to income years commencing*  
15 *on or after January 1, 2014*):

16 (9) (A) "Gross income" means gross income, as defined in the  
17 Internal Revenue Code, and, in addition, means any interest or exempt  
18 interest dividends, as defined in Section 852(b)(5) of the Internal

19 Revenue Code, received by the taxpayer or losses of other calendar or  
20 fiscal years, retroactive to include all calendar or fiscal years beginning  
21 after January 1, 1935, incurred by the taxpayer which are excluded  
22 from gross income for purposes of assessing the federal corporation  
23 net income tax, and in addition, notwithstanding any other provision  
24 of law, means interest or exempt interest dividends, as defined in said  
25 Section 852(b)(5) of the Internal Revenue Code, accrued on or after the  
26 application date, as defined in section 12-242ff, with respect to any  
27 obligation issued by or on behalf of the state, its agencies, authorities,  
28 commissions and other instrumentalities, or by or on behalf of its  
29 political subdivisions and their agencies, authorities, commissions and  
30 other instrumentalities;

31 (B) "Gross income" shall include, [(i) to the extent not properly  
32 includable in gross income for federal income tax purposes, an amount  
33 equal to fifty per cent of any distribution from a manufacturing  
34 reinvestment account used in accordance with subsection (c) of section  
35 32-9zz to the extent that a contribution to such account was subtracted  
36 from gross income pursuant to subparagraph (F) of subdivision (1) of  
37 subsection (a) of section 12-217 in computing net income for the  
38 current or a preceding income year, and (ii)] to the extent not properly  
39 includable in gross income for federal income tax purposes, an amount  
40 equal to [(I)] (i) any distribution from a manufacturing reinvestment  
41 account not used in accordance with subdivision (3) of subsection (c)  
42 of section 32-9zz to the extent that a contribution to such account was  
43 subtracted from gross income pursuant to subparagraph (F) of  
44 subdivision (1) of subsection (a) of section 12-217 in computing net  
45 income for the current or a preceding income year, and [(II)] (ii) any  
46 return of money from a manufacturing reinvestment account pursuant  
47 to subsection (d) of section 32-9zz to the extent that a contribution to  
48 such account was subtracted from gross income pursuant to  
49 subparagraph (F) of subdivision (1) of subsection (a) of section 12-217  
50 in computing net income for the current or a preceding income year;

51 (C) "Gross income" shall not include the amount which for federal

52 income tax purposes is treated as a dividend received by a domestic  
53 United States corporation from a foreign corporation on account of  
54 foreign taxes deemed paid by such domestic corporation, when such  
55 domestic corporation elects the foreign tax credit for federal income  
56 tax purposes;

57 (D) "Gross income" shall not include any amount which for federal  
58 income tax purposes is treated as a dividend received directly or  
59 indirectly by a taxpayer from a passive investment company;

60 Sec. 3. Subdivision (20) of subsection (a) of section 12-701 of the  
61 general statutes is repealed and the following is substituted in lieu  
62 thereof (*Effective July 1, 2014, and applicable to taxable years commencing*  
63 *on or after January 1, 2014*):

64 (20) "Connecticut adjusted gross income" means adjusted gross  
65 income, with the following modifications:

66 (A) There shall be added thereto (i) to the extent not properly  
67 includable in gross income for federal income tax purposes, any  
68 interest income from obligations issued by or on behalf of any state,  
69 political subdivision thereof, or public instrumentality, state or local  
70 authority, district or similar public entity, exclusive of such income  
71 from obligations issued by or on behalf of the state of Connecticut, any  
72 political subdivision thereof, or public instrumentality, state or local  
73 authority, district or similar public entity created under the laws of the  
74 state of Connecticut and exclusive of any such income with respect to  
75 which taxation by any state is prohibited by federal law, (ii) any  
76 exempt-interest dividends, as defined in Section 852(b)(5) of the  
77 Internal Revenue Code, exclusive of such exempt-interest dividends  
78 derived from obligations issued by or on behalf of the state of  
79 Connecticut, any political subdivision thereof, or public  
80 instrumentality, state or local authority, district or similar public entity  
81 created under the laws of the state of Connecticut and exclusive of  
82 such exempt-interest dividends derived from obligations, the income  
83 with respect to which taxation by any state is prohibited by federal

84 law, (iii) any interest or dividend income on obligations or securities of  
85 any authority, commission or instrumentality of the United States  
86 which federal law exempts from federal income tax but does not  
87 exempt from state income taxes, (iv) to the extent included in gross  
88 income for federal income tax purposes for the taxable year, the total  
89 taxable amount of a lump sum distribution for the taxable year  
90 deductible from such gross income in calculating federal adjusted  
91 gross income, (v) to the extent properly includable in determining the  
92 net gain or loss from the sale or other disposition of capital assets for  
93 federal income tax purposes, any loss from the sale or exchange of  
94 obligations issued by or on behalf of the state of Connecticut, any  
95 political subdivision thereof, or public instrumentality, state or local  
96 authority, district or similar public entity created under the laws of the  
97 state of Connecticut, in the income year such loss was recognized, (vi)  
98 to the extent deductible in determining federal adjusted gross income,  
99 any income taxes imposed by this state, (vii) to the extent deductible in  
100 determining federal adjusted gross income, any interest on  
101 indebtedness incurred or continued to purchase or carry obligations or  
102 securities the interest on which is exempt from tax under this chapter,  
103 (viii) expenses paid or incurred during the taxable year for the  
104 production or collection of income which is exempt from taxation  
105 under this chapter or the management, conservation or maintenance of  
106 property held for the production of such income, and the amortizable  
107 bond premium for the taxable year on any bond the interest on which  
108 is exempt from tax under this chapter to the extent that such expenses  
109 and premiums are deductible in determining federal adjusted gross  
110 income, (ix) for property placed in service after September 10, 2001, but  
111 prior to September 11, 2004, in taxable years ending after September  
112 10, 2001, any additional allowance for depreciation under subsection  
113 (k) of Section 168 of the Internal Revenue Code, as provided by Section  
114 101 of the Job Creation and Worker Assistance Act of 2002, to the  
115 extent deductible in determining federal adjusted gross income, (x) to  
116 the extent deductible in determining federal adjusted gross income, the  
117 deduction allowable as qualified domestic production activities  
118 income, pursuant to Section 199 of the Internal Revenue Code, (xi) to

119 the extent not properly includable in gross income for federal income  
120 tax purposes for the taxable year, any income from the discharge of  
121 indebtedness, in taxable years ending after December 31, 2008, in  
122 connection with any reacquisition, after December 31, 2008, and before  
123 January 1, 2011, of an applicable debt instrument or instruments, as  
124 those terms are defined in Section 108 of the Internal Revenue Code, as  
125 amended by Section 1231 of the American Recovery and Reinvestment  
126 Act of 2009, the inclusion of which income in federal gross income for  
127 the taxable year is deferred, as provided by said Section 1231; [(xii) to  
128 the extent not properly includable in gross income for federal income  
129 tax purposes, an amount equal to fifty per cent of any distribution  
130 from a manufacturing reinvestment account used in accordance with  
131 subdivision (3) of subsection (c) of section 32-9zz to the extent that a  
132 contribution to such account was subtracted from federal adjusted  
133 gross income pursuant to clause (xix) of subparagraph (B) of this  
134 subdivision in computing Connecticut adjusted gross income for the  
135 current or a preceding taxable year; and (xiii)] and (xii) to the extent  
136 not properly includable in gross income for federal income tax  
137 purposes, an amount equal to (I) any distribution from a  
138 manufacturing reinvestment account not used in accordance with  
139 subdivision (3) of subsection (c) of section 32-9zz to the extent that a  
140 contribution to such account was subtracted from federal adjusted  
141 gross income pursuant to clause (xix) of subparagraph (B) of this  
142 subdivision in computing Connecticut adjusted gross income for the  
143 current or a preceding taxable year, and (II) any return of money from  
144 a manufacturing reinvestment account pursuant to subsection (d) of  
145 section 32-9zz to the extent that a contribution to such account was  
146 subtracted from federal adjusted gross income pursuant to clause (xix)  
147 of subparagraph (B) of this subdivision in computing Connecticut  
148 adjusted gross income for the current or a preceding taxable year.

149 (B) There shall be subtracted therefrom (i) to the extent properly  
150 includable in gross income for federal income tax purposes, any  
151 income with respect to which taxation by any state is prohibited by  
152 federal law, (ii) to the extent allowable under section 12-718, exempt

153 dividends paid by a regulated investment company, (iii) the amount of  
154 any refund or credit for overpayment of income taxes imposed by this  
155 state, or any other state of the United States or a political subdivision  
156 thereof, or the District of Columbia, to the extent properly includable  
157 in gross income for federal income tax purposes, (iv) to the extent  
158 properly includable in gross income for federal income tax purposes  
159 and not otherwise subtracted from federal adjusted gross income  
160 pursuant to clause (x) of this subparagraph in computing Connecticut  
161 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the  
162 extent any additional allowance for depreciation under Section 168(k)  
163 of the Internal Revenue Code, as provided by Section 101 of the Job  
164 Creation and Worker Assistance Act of 2002, for property placed in  
165 service after December 31, 2001, but prior to September 10, 2004, was  
166 added to federal adjusted gross income pursuant to subparagraph  
167 (A)(ix) of this subdivision in computing Connecticut adjusted gross  
168 income for a taxable year ending after December 31, 2001, twenty-five  
169 per cent of such additional allowance for depreciation in each of the  
170 four succeeding taxable years, (vi) to the extent properly includable in  
171 gross income for federal income tax purposes, any interest income  
172 from obligations issued by or on behalf of the state of Connecticut, any  
173 political subdivision thereof, or public instrumentality, state or local  
174 authority, district or similar public entity created under the laws of the  
175 state of Connecticut, (vii) to the extent properly includable in  
176 determining the net gain or loss from the sale or other disposition of  
177 capital assets for federal income tax purposes, any gain from the sale  
178 or exchange of obligations issued by or on behalf of the state of  
179 Connecticut, any political subdivision thereof, or public  
180 instrumentality, state or local authority, district or similar public entity  
181 created under the laws of the state of Connecticut, in the income year  
182 such gain was recognized, (viii) any interest on indebtedness incurred  
183 or continued to purchase or carry obligations or securities the interest  
184 on which is subject to tax under this chapter but exempt from federal  
185 income tax, to the extent that such interest on indebtedness is not  
186 deductible in determining federal adjusted gross income and is  
187 attributable to a trade or business carried on by such individual, (ix)

188 ordinary and necessary expenses paid or incurred during the taxable  
189 year for the production or collection of income which is subject to  
190 taxation under this chapter but exempt from federal income tax, or the  
191 management, conservation or maintenance of property held for the  
192 production of such income, and the amortizable bond premium for the  
193 taxable year on any bond the interest on which is subject to tax under  
194 this chapter but exempt from federal income tax, to the extent that  
195 such expenses and premiums are not deductible in determining federal  
196 adjusted gross income and are attributable to a trade or business  
197 carried on by such individual, (x) (I) for a person who files a return  
198 under the federal income tax as an unmarried individual whose  
199 federal adjusted gross income for such taxable year is less than fifty  
200 thousand dollars, or as a married individual filing separately whose  
201 federal adjusted gross income for such taxable year is less than fifty  
202 thousand dollars, or for a husband and wife who file a return under  
203 the federal income tax as married individuals filing jointly whose  
204 federal adjusted gross income for such taxable year is less than sixty  
205 thousand dollars or a person who files a return under the federal  
206 income tax as a head of household whose federal adjusted gross  
207 income for such taxable year is less than sixty thousand dollars, an  
208 amount equal to the Social Security benefits includable for federal  
209 income tax purposes; and (II) for a person who files a return under the  
210 federal income tax as an unmarried individual whose federal adjusted  
211 gross income for such taxable year is fifty thousand dollars or more, or  
212 as a married individual filing separately whose federal adjusted gross  
213 income for such taxable year is fifty thousand dollars or more, or for a  
214 husband and wife who file a return under the federal income tax as  
215 married individuals filing jointly whose federal adjusted gross income  
216 from such taxable year is sixty thousand dollars or more or for a  
217 person who files a return under the federal income tax as a head of  
218 household whose federal adjusted gross income for such taxable year  
219 is sixty thousand dollars or more, an amount equal to the difference  
220 between the amount of Social Security benefits includable for federal  
221 income tax purposes and the lesser of twenty-five per cent of the Social  
222 Security benefits received during the taxable year, or twenty-five per

223 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
224 Code, (xi) to the extent properly includable in gross income for federal  
225 income tax purposes, any amount rebated to a taxpayer pursuant to  
226 section 12-746, (xii) to the extent properly includable in the gross  
227 income for federal income tax purposes of a designated beneficiary,  
228 any distribution to such beneficiary from any qualified state tuition  
229 program, as defined in Section 529(b) of the Internal Revenue Code,  
230 established and maintained by this state or any official, agency or  
231 instrumentality of the state, (xiii) to the extent allowable under section  
232 12-701a, contributions to accounts established pursuant to any  
233 qualified state tuition program, as defined in Section 529(b) of the  
234 Internal Revenue Code, established and maintained by this state or  
235 any official, agency or instrumentality of the state, (xiv) to the extent  
236 properly includable in gross income for federal income tax purposes,  
237 the amount of any Holocaust victims' settlement payment received in  
238 the taxable year by a Holocaust victim, (xv) to the extent properly  
239 includable in gross income for federal income tax purposes of an  
240 account holder, as defined in section 31-51ww, interest earned on  
241 funds deposited in the individual development account, as defined in  
242 section 31-51ww, of such account holder, (xvi) to the extent properly  
243 includable in the gross income for federal income tax purposes of a  
244 designated beneficiary, as defined in section 3-123aa, interest,  
245 dividends or capital gains earned on contributions to accounts  
246 established for the designated beneficiary pursuant to the Connecticut  
247 Homecare Option Program for the Elderly established by sections 3-  
248 123aa to 3-123ff, inclusive, (xvii) to the extent properly included in  
249 gross income for federal income tax purposes, fifty per cent of the  
250 income received from the United States government as retirement pay  
251 for a retired member of (I) the Armed Forces of the United States, as  
252 defined in Section 101 of Title 10 of the United States Code, or (II) the  
253 National Guard, as defined in Section 101 of Title 10 of the United  
254 States Code, (xviii) to the extent properly includable in gross income  
255 for federal income tax purposes for the taxable year, any income from  
256 the discharge of indebtedness in connection with any reacquisition,  
257 after December 31, 2008, and before January 1, 2011, of an applicable

258 debt instrument or instruments, as those terms are defined in Section  
 259 108 of the Internal Revenue Code, as amended by Section 1231 of the  
 260 American Recovery and Reinvestment Act of 2009, to the extent any  
 261 such income was added to federal adjusted gross income pursuant to  
 262 subparagraph (A)(x) of this subdivision in computing Connecticut  
 263 adjusted gross income for a preceding taxable year; and (xix) to the  
 264 extent not deductible in determining federal adjusted gross income,  
 265 the amount of any contribution to a manufacturing reinvestment  
 266 account established pursuant to section 32-9zz, as amended by this act,  
 267 in the taxable year that such contribution is made.

268 (C) With respect to a person who is the beneficiary of a trust or  
 269 estate, there shall be added or subtracted, as the case may be, from  
 270 adjusted gross income such person's share, as determined under  
 271 section 12-714, in the Connecticut fiduciary adjustment.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	32-9zz(b)
Sec. 2	<i>July 1, 2014, and applicable to income years commencing on or after January 1, 2014</i>	12-213(a)(9)
Sec. 3	<i>July 1, 2014, and applicable to taxable years commencing on or after January 1, 2014</i>	12-701(a)(20)

**CE**      *Joint Favorable Subst.*