



**Substitute Senate Bill No. 232**

**Public Act No. 14-69**

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

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

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 Subsection (b) of section 32-9zz of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2014*):

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

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 Subdivision (9) of subsection (a) of section 12-213 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2014, and applicable to income years commencing on or after January 1, 2014*):

(9) (A) "Gross income" means gross income, as defined in the Internal Revenue Code, and, in addition, means any interest or exempt

**Substitute Senate Bill No. 232**

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

(B) "Gross income" shall include, [(i) to the extent not properly includable in gross income for federal income tax purposes, an amount equal to fifty per cent of any distribution from a manufacturing reinvestment account used in accordance with subsection (c) of section 32-9zz to the extent that a contribution to such account was subtracted from gross income pursuant to subparagraph (F) of subdivision (1) of subsection (a) of section 12-217 in computing net income for the current or a preceding income year, and (ii)] to the extent not properly includable in gross income for federal income tax purposes, an amount equal to [(I)] (i) any distribution from a manufacturing reinvestment account not used in accordance with subdivision (3) of subsection (c) of section 32-9zz to the extent that a contribution to such account was subtracted from gross income pursuant to subparagraph (F) of subdivision (1) of subsection (a) of section 12-217 in computing net income for the current or a preceding income year, and [(II)] (ii) any return of money from a manufacturing reinvestment account pursuant to subsection (d) of section 32-9zz to the extent that a contribution to such account was subtracted from gross income pursuant to subparagraph (F) of subdivision (1) of subsection (a) of section 12-217

**Substitute Senate Bill No. 232**

in computing net income for the current or a preceding income year;

(C) "Gross income" shall not include the amount which for federal income tax purposes is treated as a dividend received by a domestic United States corporation from a foreign corporation on account of foreign taxes deemed paid by such domestic corporation, when such domestic corporation elects the foreign tax credit for federal income tax purposes;

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

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

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

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

***Substitute Senate Bill No. 232***

Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of such exempt-interest dividends derived from obligations, the income with respect to which taxation by any state is prohibited by federal law, (iii) any interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes, (iv) to the extent included in gross income for federal income tax purposes for the taxable year, the total taxable amount of a lump sum distribution for the taxable year deductible from such gross income in calculating federal adjusted gross income, (v) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any loss from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such loss was recognized, (vi) to the extent deductible in determining federal adjusted gross income, any income taxes imposed by this state, (vii) to the extent deductible in determining federal adjusted gross income, any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is exempt from tax under this chapter, (viii) expenses paid or incurred during the taxable year for the production or collection of income which is exempt from taxation under this chapter or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is exempt from tax under this chapter to the extent that such expenses and premiums are deductible in determining federal adjusted gross income, (ix) for property placed in service after September 10, 2001, but prior to September 11, 2004, in taxable years ending after September

**Substitute Senate Bill No. 232**

10, 2001, any additional allowance for depreciation under subsection (k) of Section 168 of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, to the extent deductible in determining federal adjusted gross income, (x) to the extent deductible in determining federal adjusted gross income, the deduction allowable as qualified domestic production activities income, pursuant to Section 199 of the Internal Revenue Code, (xi) to the extent not properly includable in gross income for federal income tax purposes for the taxable year, any income from the discharge of indebtedness, in taxable years ending after December 31, 2008, in connection with any reacquisition, after December 31, 2008, and before January 1, 2011, of an applicable debt instrument or instruments, as those terms are defined in Section 108 of the Internal Revenue Code, as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, the inclusion of which income in federal gross income for the taxable year is deferred, as provided by said Section 1231; [(xii) to the extent not properly includable in gross income for federal income tax purposes, an amount equal to fifty per cent of any distribution from a manufacturing reinvestment account used in accordance with subdivision (3) of subsection (c) of section 32-9zz to the extent that a contribution to such account was subtracted from federal adjusted gross income pursuant to clause (xix) of subparagraph (B) of this subdivision in computing Connecticut adjusted gross income for the current or a preceding taxable year; and (xiii)] and (xii) to the extent not properly includable in gross income for federal income tax purposes, an amount equal to (I) any distribution from a manufacturing reinvestment account not used in accordance with subdivision (3) of subsection (c) of section 32-9zz to the extent that a contribution to such account was subtracted from federal adjusted gross income pursuant to clause (xix) of subparagraph (B) of this subdivision in computing Connecticut adjusted gross income for the current or a preceding taxable year, and (II) any return of money from a manufacturing reinvestment account pursuant to subsection (d) of

***Substitute Senate Bill No. 232***

section 32-9zz to the extent that a contribution to such account was subtracted from federal adjusted gross income pursuant to clause (xix) of subparagraph (B) of this subdivision in computing Connecticut adjusted gross income for the current or a preceding taxable year.

(B) There shall be subtracted therefrom (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia, to the extent properly includable in gross income for federal income tax purposes, (iv) to the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits, (v) to the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, for property placed in service after December 31, 2001, but prior to September 10, 2004, was added to federal adjusted gross income pursuant to subparagraph (A)(ix) of this subdivision in computing Connecticut adjusted gross income for a taxable year ending after December 31, 2001, twenty-five per cent of such additional allowance for depreciation in each of the four succeeding taxable years, (vi) to the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, (vii) to the extent properly includable in determining the net gain or loss from the sale or other disposition of

***Substitute Senate Bill No. 232***

capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized, (viii) any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal adjusted gross income and is attributable to a trade or business carried on by such individual, (ix) ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal adjusted gross income and are attributable to a trade or business carried on by such individual, (x) (I) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than sixty thousand dollars or a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than sixty thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes; and (II) for a person who files a return under the

***Substitute Senate Bill No. 232***

federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is sixty thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code, (xi) to the extent properly includable in gross income for federal income tax purposes, any amount rebated to a taxpayer pursuant to section 12-746, (xii) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiii) to the extent allowable under section 12-701a, contributions to accounts established pursuant to any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiv) to the extent properly includable in gross income for federal income tax purposes, the amount of any Holocaust victims' settlement payment received in the taxable year by a Holocaust victim, (xv) to the extent properly includable in gross income for federal income tax purposes of an account holder, as defined in section 31-51ww, interest earned on funds deposited in the individual development account, as defined in section 31-51ww, of such account holder, (xvi) to the extent properly

**Substitute Senate Bill No. 232**

includable in the gross income for federal income tax purposes of a designated beneficiary, as defined in section 3-123aa, interest, dividends or capital gains earned on contributions to accounts established for the designated beneficiary pursuant to the Connecticut Homecare Option Program for the Elderly established by sections 3-123aa to 3-123ff, inclusive, (xvii) to the extent properly included in gross income for federal income tax purposes, fifty per cent of the income received from the United States government as retirement pay for a retired member of (I) the Armed Forces of the United States, as defined in Section 101 of Title 10 of the United States Code, or (II) the National Guard, as defined in Section 101 of Title 10 of the United States Code, (xviii) to the extent properly includable in gross income for federal income tax purposes for the taxable year, any income from the discharge of indebtedness in connection with any reacquisition, after December 31, 2008, and before January 1, 2011, of an applicable debt instrument or instruments, as those terms are defined in Section 108 of the Internal Revenue Code, as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, to the extent any such income was added to federal adjusted gross income pursuant to subparagraph (A)(x) of this subdivision in computing Connecticut adjusted gross income for a preceding taxable year; and (xix) to the extent not deductible in determining federal adjusted gross income, the amount of any contribution to a manufacturing reinvestment account established pursuant to section 32-9zz, as amended by this act, in the taxable year that such contribution is made.

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

Approved May 28, 2014