



# Senate

General Assembly

**File No. 737**

January Session, 2017

Senate Bill No. 623

*Senate, May 9, 2017*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist. and SEN. FRANTZ, L. of the 36th Dist., Chairpersons of the Committee on the part of the Senate, that the bill ought to pass.

***AN ACT ESTABLISHING THE 7/7 PROGRAM TO ENCOURAGE THE REDEVELOPMENT OF BROWNFIELDS AND UNDERUTILIZED PROPERTY.***

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

1 Section 1. (NEW) (*Effective July 1, 2017, and applicable to taxable and*  
2 *income years commencing on or after January 1, 2017*) (a) As used in this  
3 section, the following terms shall have the following meanings unless  
4 the context clearly indicates another meaning:

5 (1) "7/7 participant" means an eligible owner whose application  
6 submitted pursuant to subsection (c) of this section has been approved  
7 by the commissioner;

8 (2) "7/7 site" means the real property redeveloped and utilized or  
9 proposed to be redeveloped and utilized by a 7/7 participant in  
10 accordance with this section;

11 (3) "Brownfield" has the same meaning as provided in section 32-760

12 of the general statutes;

13 (4) "Completion of the brownfield remediation" means the  
14 completed remediation of a 7/7 site by a 7/7 participant as evidenced  
15 by the filing of either a verification or interim verification that meets  
16 the requirements of section 22a-133x, 22a-133y or 22a-134 of the  
17 general statutes;

18 (5) "Eligible owner" means any person, firm, limited liability  
19 company, nonprofit or for-profit corporation or other business entity  
20 that holds title to (A) a brownfield, provided such owner did not  
21 establish, create or maintain a source of pollution to the waters of the  
22 state for purposes of section 22a-432 of the general statutes and is not  
23 responsible pursuant to any other provision of the general statutes for  
24 any pollution or source of pollution on such brownfield; or (B) real  
25 property that has been abandoned or underutilized for ten or more  
26 years; and

27 (6) "Qualified expenditures" means the expenditures associated with  
28 the investigation, assessment and remediation of a brownfield,  
29 including, but not limited to: (A) Soil, groundwater and infrastructure  
30 investigation; (B) assessment; (C) remediation of soil, sediments,  
31 groundwater or surface water; (D) abatement; (E) hazardous materials  
32 or waste removal and disposal; (F) long-term groundwater or natural  
33 attenuation monitoring; (G) (i) environmental land use restrictions, (ii)  
34 activity and use limitations, or (iii) other forms of institutional control;  
35 (H) reasonable attorneys' fees; (I) planning, engineering and  
36 environmental consulting; and (J) remedial activity to address building  
37 and structural issues, including, but not limited to, demolition,  
38 asbestos abatement, polychlorinated biphenyls removal, contaminated  
39 wood or paint removal and other infrastructure remedial activities.  
40 "Qualified expenditures" do not include expenditures funded for such  
41 investigation, assessment, remediation and development directly  
42 through other state brownfield programs administered by the  
43 commissioner.

44 (b) There is established within the Department of Economic and

45 Community Development the 7/7 program. Said program shall  
46 provide incentives to businesses for redeveloping and utilizing  
47 brownfields and real property that has been abandoned or  
48 underutilized for ten or more years. Participants in said program shall  
49 be eligible for the tax incentives provided under subsections (e) to (h),  
50 inclusive, of this section.

51 (c) To be designated a 7/7 participant, an eligible owner shall  
52 submit to the Commissioner of Economic and Community  
53 Development an application, on forms provided by the commissioner,  
54 that shall include the following information: (1) A description of the  
55 real property such eligible owner seeks to utilize and the proposed use  
56 for such property; (2) a written certification (A) from a licensed  
57 environmental professional stating that such property is a brownfield,  
58 or (B) from the municipality in which such property is located stating  
59 that such property has been abandoned or underutilized for ten or  
60 more years, as determined by such municipality; (3) a plan that such  
61 eligible owner shall submit to high schools in the area of the  
62 brownfield and the regional-community technical colleges that  
63 includes the anticipated workforce needs for the proposed use of such  
64 property and workforce training requirements in order to enable such  
65 schools and colleges to develop educational training programs to meet  
66 such workforce needs; (4) a commitment by the eligible owner to hire  
67 not less than thirty per cent of its workforce from students enrolled in  
68 any programs developed as a result of subdivision (3) of this  
69 subsection; (5) a written certification from the municipality in which  
70 such property is located that such municipality supports the  
71 application for the designation of such property as a 7/7 site; and (6)  
72 any other information the commissioner deems necessary. The  
73 commissioner shall approve any application that satisfies the  
74 requirements of this subsection and shall notify the Commissioner of  
75 Revenue Services whenever he or she approves the application of an  
76 eligible owner.

77 (d) Any 7/7 participant that seeks to redevelop and utilize a  
78 brownfield shall not be eligible for any of the benefits provided under

79 subsections (e) to (h), inclusive, of this section until the completion of  
80 the brownfield remediation and the participant's notification of such  
81 completion to the Commissioners of Revenue Services and Economic  
82 and Community Development and the municipality in which such  
83 brownfield is located.

84 (e) (1) If a 7/7 participant is subject to the tax imposed under  
85 chapter 208 of the general statutes, the Commissioner of Revenue  
86 Services shall grant a credit against any tax due under the provisions  
87 of said chapter in an amount equal to the total amount of tax due  
88 under said chapter for the income year that is attributable to the  
89 operations of such participant's business located on the 7/7 site after  
90 the deduction of any other credits allowable under said chapter. The  
91 credit allowed by this subdivision shall be available in the first income  
92 year in which such participant begins business operations at such site  
93 and the succeeding six income years.

94 (2) If a 7/7 participant is subject to the tax imposed under chapter  
95 229 of the general statutes, the Commissioner of Revenue Services shall  
96 grant a credit to each member, shareholder or partner of such  
97 participant against any tax due under the provisions of said chapter,  
98 other than the liability imposed by section 12-707 of the general  
99 statutes, in an amount equal to such member's, shareholder's or  
100 partner's amount of tax due under said chapter for the taxable year  
101 that is attributable to the operations of such participant's business  
102 located on the 7/7 site after the deduction of any other credits  
103 allowable under said chapter. The credit allowed by this subdivision  
104 shall be available in the first taxable year in which such participant  
105 begins business operations at such site and the succeeding six taxable  
106 years.

107 (f) (1) The taxes imposed by chapter 219 of the general statutes shall  
108 not apply to any item purchased by a 7/7 participant in the first seven  
109 calendar years from the date such participant initiates business  
110 operations at a 7/7 site, provided such item is purchased for use in the  
111 ordinary course of business at such site.

112 (2) At the time of sale, a 7/7 participant shall present to the person  
113 who makes the sale a certificate to the effect that the item is subject to  
114 such exemption. The certificate shall be signed by and bear the name  
115 and address of the purchaser. The certificate shall be substantially in  
116 such form as the Commissioner of Revenue Services prescribes.

117 (3) If a purchaser who presents a certificate, in accordance with  
118 subdivision (2) of this subsection, makes any use of the item other than  
119 the purpose set forth in subdivision (1) of this subsection, the use shall  
120 be deemed to be a use by the purchaser in accordance with chapter 219  
121 of the general statutes, as of the time the property is first used by him  
122 or her, and the item shall be taxable to such purchaser in accordance  
123 with said chapter.

124 (g) (1) In the case of a 7/7 participant subject to the tax imposed  
125 under chapter 208 of the general statutes, in arriving at net income, as  
126 defined in section 12-213 of the general statutes, in the eighth income  
127 year following such 7/7 participant's initiation of business operations  
128 at a 7/7 site that was a brownfield and the six succeeding income  
129 years, there shall be deducted from gross income, as defined in section  
130 12-213 of the general statutes, an amount not to exceed eight and fifty-  
131 seven-one-hundredths per cent of the qualified expenditures  
132 associated with the remediation of such site.

133 (2) In the case of a 7/7 participant subject to the tax imposed under  
134 chapter 229 of the general statutes, in the eighth income year following  
135 such 7/7 participant's initiation of business operations at a 7/7 site that  
136 was a brownfield and the six succeeding income years, there shall be  
137 subtracted from Connecticut adjusted gross income, as defined in  
138 section 12-701 of the general statutes, as amended by this act, an  
139 amount not to exceed eight and fifty-seven-one-hundredths per cent of  
140 the qualified expenditures associated with the remediation of such site.

141 (h) Notwithstanding any provision of the general statutes or of any  
142 special act, municipal charter or home rule ordinance, for five  
143 assessment years following the date a 7/7 participant obtained a  
144 building permit to begin construction at a 7/7 site, the municipality in

145 which such site is located shall continue to use the assessed value of  
146 such site as of the date such participant's application was approved  
147 under subsection (c) of this section.

148 (i) The Commissioner of Economic and Community Development,  
149 in consultation with the Commissioner of Revenue Services, shall  
150 adopt regulations, in accordance with the provisions of chapter 54 of  
151 the general statutes, to implement the provisions of this section.

152 Sec. 2. Subdivision (1) of subsection (a) of section 12-217 of the  
153 general statutes is repealed and the following is substituted in lieu  
154 thereof (*Effective July 1, 2017, and applicable to income years commencing*  
155 *on or after January 1, 2017*):

156 (a) (1) In arriving at net income as defined in section 12-213, whether  
157 or not the taxpayer is taxable under the federal corporation net income  
158 tax, there shall be deducted from gross income, (A) all items deductible  
159 under the Internal Revenue Code effective and in force on the last day  
160 of the income year except (i) any taxes imposed under the provisions  
161 of this chapter which are paid or accrued in the income year and in the  
162 income year commencing January 1, 1989, and thereafter, any taxes in  
163 any state of the United States or any political subdivision of such state,  
164 or the District of Columbia, imposed on or measured by the income or  
165 profits of a corporation which are paid or accrued in the income year,  
166 (ii) deductions for depreciation, which shall be allowed as provided in  
167 subsection (b) of this section, (iii) deductions for qualified domestic  
168 production activities income, as provided in Section 199 of the Internal  
169 Revenue Code, and (iv) in the case of any captive real estate  
170 investment trust, the deduction for dividends paid provided under  
171 Section 857(b)(2) of the Internal Revenue Code, and (B) additionally, in  
172 the case of a regulated investment company, the sum of (i) the exempt-  
173 interest dividends, as defined in the Internal Revenue Code, and (ii)  
174 expenses, bond premium, and interest related to tax-exempt income  
175 that are disallowed as deductions under the Internal Revenue Code,  
176 and (C) in the case of a taxpayer maintaining an international banking  
177 facility as defined in the laws of the United States or the regulations of

178 the Board of Governors of the Federal Reserve System, as either may  
179 be amended from time to time, the gross income attributable to the  
180 international banking facility, provided, no expense or loss attributable  
181 to the international banking facility shall be a deduction under any  
182 provision of this section, and (D) additionally, in the case of all  
183 taxpayers, all dividends as defined in the Internal Revenue Code  
184 effective and in force on the last day of the income year not otherwise  
185 deducted from gross income, including dividends received from a  
186 DISC or former DISC as defined in Section 992 of the Internal Revenue  
187 Code and dividends deemed to have been distributed by a DISC or  
188 former DISC as provided in Section 995 of said Internal Revenue Code,  
189 other than thirty per cent of dividends received from a domestic  
190 corporation in which the taxpayer owns less than twenty per cent of  
191 the total voting power and value of the stock of such corporation, and  
192 (E) additionally, in the case of all taxpayers, the value of any capital  
193 gain realized from the sale of any land, or interest in land, to the state,  
194 any political subdivision of the state, or to any nonprofit land  
195 conservation organization where such land is to be permanently  
196 preserved as protected open space or to a water company, as defined  
197 in section 25-32a, where such land is to be permanently preserved as  
198 protected open space or as Class I or Class II water company land, and  
199 (F) in the case of manufacturers, the amount of any contribution to a  
200 manufacturing reinvestment account established pursuant to section  
201 32-9zz in the income year that such contribution is made to the extent  
202 not deductible for federal income tax purposes, and (G) additionally,  
203 to the extent allowable under subsection (g) of section 1 of this act, the  
204 amount paid by a 7/7 participant, as defined in section 1 of this act, for  
205 the remediation of a brownfield.

206 Sec. 3. Subparagraph (B) of subdivision (20) of subsection (a) of  
207 section 12-701 of the general statutes is repealed and the following is  
208 substituted in lieu thereof (*Effective July 1, 2017, and applicable to taxable*  
209 *years commencing on or after January 1, 2017*):

210 (B) There shall be subtracted therefrom (i) to the extent properly  
211 includable in gross income for federal income tax purposes, any

212 income with respect to which taxation by any state is prohibited by  
213 federal law, (ii) to the extent allowable under section 12-718, exempt  
214 dividends paid by a regulated investment company, (iii) the amount of  
215 any refund or credit for overpayment of income taxes imposed by this  
216 state, or any other state of the United States or a political subdivision  
217 thereof, or the District of Columbia, to the extent properly includable  
218 in gross income for federal income tax purposes, (iv) to the extent  
219 properly includable in gross income for federal income tax purposes  
220 and not otherwise subtracted from federal adjusted gross income  
221 pursuant to clause (x) of this subparagraph in computing Connecticut  
222 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the  
223 extent any additional allowance for depreciation under Section 168(k)  
224 of the Internal Revenue Code, as provided by Section 101 of the Job  
225 Creation and Worker Assistance Act of 2002, for property placed in  
226 service after December 31, 2001, but prior to September 10, 2004, was  
227 added to federal adjusted gross income pursuant to subparagraph  
228 (A)(ix) of this subdivision in computing Connecticut adjusted gross  
229 income for a taxable year ending after December 31, 2001, twenty-five  
230 per cent of such additional allowance for depreciation in each of the  
231 four succeeding taxable years, (vi) to the extent properly includable in  
232 gross income for federal income tax purposes, any interest income  
233 from obligations issued by or on behalf of the state of Connecticut, any  
234 political subdivision thereof, or public instrumentality, state or local  
235 authority, district or similar public entity created under the laws of the  
236 state of Connecticut, (vii) to the extent properly includable in  
237 determining the net gain or loss from the sale or other disposition of  
238 capital assets for federal income tax purposes, any gain from the sale  
239 or exchange of obligations issued by or on behalf of the state of  
240 Connecticut, any political subdivision thereof, or public  
241 instrumentality, state or local authority, district or similar public entity  
242 created under the laws of the state of Connecticut, in the income year  
243 such gain was recognized, (viii) any interest on indebtedness incurred  
244 or continued to purchase or carry obligations or securities the interest  
245 on which is subject to tax under this chapter but exempt from federal  
246 income tax, to the extent that such interest on indebtedness is not



247 deductible in determining federal adjusted gross income and is  
248 attributable to a trade or business carried on by such individual, (ix)  
249 ordinary and necessary expenses paid or incurred during the taxable  
250 year for the production or collection of income which is subject to  
251 taxation under this chapter but exempt from federal income tax, or the  
252 management, conservation or maintenance of property held for the  
253 production of such income, and the amortizable bond premium for the  
254 taxable year on any bond the interest on which is subject to tax under  
255 this chapter but exempt from federal income tax, to the extent that  
256 such expenses and premiums are not deductible in determining federal  
257 adjusted gross income and are attributable to a trade or business  
258 carried on by such individual, (x) (I) for a person who files a return  
259 under the federal income tax as an unmarried individual whose  
260 federal adjusted gross income for such taxable year is less than fifty  
261 thousand dollars, or as a married individual filing separately whose  
262 federal adjusted gross income for such taxable year is less than fifty  
263 thousand dollars, or for a husband and wife who file a return under  
264 the federal income tax as married individuals filing jointly whose  
265 federal adjusted gross income for such taxable year is less than sixty  
266 thousand dollars or a person who files a return under the federal  
267 income tax as a head of household whose federal adjusted gross  
268 income for such taxable year is less than sixty thousand dollars, an  
269 amount equal to the Social Security benefits includable for federal  
270 income tax purposes; and (II) for a person who files a return under the  
271 federal income tax as an unmarried individual whose federal adjusted  
272 gross income for such taxable year is fifty thousand dollars or more, or  
273 as a married individual filing separately whose federal adjusted gross  
274 income for such taxable year is fifty thousand dollars or more, or for a  
275 husband and wife who file a return under the federal income tax as  
276 married individuals filing jointly whose federal adjusted gross income  
277 from such taxable year is sixty thousand dollars or more or for a  
278 person who files a return under the federal income tax as a head of  
279 household whose federal adjusted gross income for such taxable year  
280 is sixty thousand dollars or more, an amount equal to the difference  
281 between the amount of Social Security benefits includable for federal

282 income tax purposes and the lesser of twenty-five per cent of the Social  
283 Security benefits received during the taxable year, or twenty-five per  
284 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
285 Code, (xi) to the extent properly includable in gross income for federal  
286 income tax purposes, any amount rebated to a taxpayer pursuant to  
287 section 12-746, (xii) to the extent properly includable in the gross  
288 income for federal income tax purposes of a designated beneficiary,  
289 any distribution to such beneficiary from any qualified state tuition  
290 program, as defined in Section 529(b) of the Internal Revenue Code,  
291 established and maintained by this state or any official, agency or  
292 instrumentality of the state, (xiii) to the extent allowable under section  
293 12-701a, contributions to accounts established pursuant to any  
294 qualified state tuition program, as defined in Section 529(b) of the  
295 Internal Revenue Code, established and maintained by this state or  
296 any official, agency or instrumentality of the state, (xiv) to the extent  
297 properly includable in gross income for federal income tax purposes,  
298 the amount of any Holocaust victims' settlement payment received in  
299 the taxable year by a Holocaust victim, (xv) to the extent properly  
300 includable in gross income for federal income tax purposes of an  
301 account holder, as defined in section 31-51ww, interest earned on  
302 funds deposited in the individual development account, as defined in  
303 section 31-51ww, of such account holder, (xvi) to the extent properly  
304 includable in the gross income for federal income tax purposes of a  
305 designated beneficiary, as defined in section 3-123aa, interest,  
306 dividends or capital gains earned on contributions to accounts  
307 established for the designated beneficiary pursuant to the Connecticut  
308 Homecare Option Program for the Elderly established by sections 3-  
309 123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in  
310 gross income for federal income tax purposes, any income received  
311 from the United States government as retirement pay for a retired  
312 member of (I) the Armed Forces of the United States, as defined in  
313 Section 101 of Title 10 of the United States Code, or (II) the National  
314 Guard, as defined in Section 101 of Title 10 of the United States Code,  
315 (xviii) to the extent properly includable in gross income for federal  
316 income tax purposes for the taxable year, any income from the

317 discharge of indebtedness in connection with any reacquisition, after  
 318 December 31, 2008, and before January 1, 2011, of an applicable debt  
 319 instrument or instruments, as those terms are defined in Section 108 of  
 320 the Internal Revenue Code, as amended by Section 1231 of the  
 321 American Recovery and Reinvestment Act of 2009, to the extent any  
 322 such income was added to federal adjusted gross income pursuant to  
 323 subparagraph (A)(xi) of this subdivision in computing Connecticut  
 324 adjusted gross income for a preceding taxable year, (xix) to the extent  
 325 not deductible in determining federal adjusted gross income, the  
 326 amount of any contribution to a manufacturing reinvestment account  
 327 established pursuant to section 32-9zz in the taxable year that such  
 328 contribution is made, [and] (xx) to the extent properly includable in  
 329 gross income for federal income tax purposes, for the taxable year  
 330 commencing January 1, 2015, ten per cent of the income received from  
 331 the state teachers' retirement system, for the taxable year commencing  
 332 January 1, 2016, twenty-five per cent of the income received from the  
 333 state teachers' retirement system, and for the taxable year commencing  
 334 January 1, 2017, and each taxable year thereafter, fifty per cent of the  
 335 income received from the state teachers' retirement system, and (xxi) to  
 336 the extent allowable under subsection (g) of section 1 of this act, the  
 337 amount paid by a 7/7 participant, as defined in section 1 of this act, for  
 338 the remediation of a brownfield.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2017, and applicable to taxable and income years commencing on or after January 1, 2017</i>	New section
Sec. 2	<i>July 1, 2017, and applicable to income years commencing on or after January 1, 2017</i>	12-217(a)(1)
Sec. 3	<i>July 1, 2017, and applicable to taxable years commencing on or after January 1, 2017</i>	12-701(a)(20)(B)

**CE**      *Joint Favorable C/R*

FIN

**FIN**      *Joint Favorable*

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 18 \$	FY 19 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	Potential Significant

Note: GF=General Fund

**Municipal Impact:**

Municipalities	Effect	FY 18 \$	FY 19 \$
Various Municipalities	Grand List Reduction	None	Potential

**Explanation**

The bill results in revenue losses to the state and various municipalities, detailed below, by providing various tax credits, exemptions and property tax assessment freezes under the "7/7 program."

**State Tax Revenue Loss**

The bill provides various tax credits and exemptions for participants in the program. Specifically the bill provides:

1. a nonrefundable seven year 100% corporation business tax credit for corporations and a nonrefundable income tax credit for pass through entities.
2. an exemption from the sales tax for any items purchased for the purpose of redeveloping the property.

The actual revenue loss to the state from these credits and

exemptions would depend upon (1) the number of participants in the program; (2) the level of redevelopment required for the property (with regard to purchases necessary that the sales tax would otherwise apply to); and (3) the level of business activity on the property once business operations begin (with regard to the business and income tax credits).

The actual revenue loss to the state is uncertain but may be significant. Because such tax benefits are not available until a business begins on the remediated property, any revenue loss is not anticipated until FY 19 at the earliest.

### ***Municipal Impact***

The bill freezes, for five years, the assessment of property developed under the 7/7 program following the issuance of a building permit. This precludes any grand list increase a municipality would otherwise experience as a result of the cleanup and development of a brownfield.

### ***Administration Costs***

It is anticipated that the Department of Economic and Community Development (DECD) can administer this program within current resources. Given the parameters outlined under the bill, it is estimated that the number of potential projects may be limited and therefore can be administered with current resources under DECD's Office of Brownfield Remediation and Development.

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

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR Bill Analysis****SB 623*****AN ACT ESTABLISHING THE 7/7 PROGRAM TO ENCOURAGE THE REDEVELOPMENT OF BROWNFIELDS AND UNDERUTILIZED PROPERTY.*****SUMMARY**

This bill provides a package of tax incentives to property owners after they remediate, redevelop, and use property that was contaminated, abandoned, or underutilized. Owners must apply to the Department of Economic and Community Development (DECD) for these incentives and provide certain information, including a plan and a commitment to train and hire students to work at the redeveloped property.

During the first seven years after an owner redevelops a DECD-approved property, the owner qualifies for (1) corporation business or personal income tax credits against the income attributed to the redeveloped property and (2) sales and use tax exemptions applicable to items purchased for use at the property. During this period, the owner also qualifies to have the redeveloped property's tax assessment frozen for five years at its predevelopment value.

If the property was contaminated and remediated, the owner qualifies for an additional seven-year benefit beginning in the eighth year after the property's redevelopment. The benefit is a business or personal income tax deduction for up to 8.57% of the eligible expenses the owner incurred to remediate the property.

EFFECTIVE DATE: July 1, 2017 and applicable to taxable year and income years beginning on or after January 1, 2017.

**ELIGIBILITY**

The bill establishes the “7/7 program” and opens it to any person, firm, limited liability company, nonprofit or for-profit corporation or other business entity that owns (1) an abandoned or underutilized property (i.e., problem property) or (2) one where actual or potential pollution has discouraged the owner or other parties from redeveloping, reusing, or expanding the property (i.e., brownfield).

An abandoned or underutilized property qualifies for 7/7 program benefits if its host municipality certifies that the property has been in that condition for at least 10 years. A brownfield qualifies if its current owner (1) is not responsible for any pollution or source of pollution on the property and (2) did not establish, create, or maintain a source that polluted the state’s water.

## **DECD APPLICATION**

### ***Contents***

Eligible property owners seeking 7/7 program tax incentives must submit an application to DECD, providing:

1. a description of the property and its proposed reuse,
2. a written certification that the property is a brownfield or has been abandoned or underutilized for at least 10 years,
3. a plan to train and a commitment to hire local students to work at the redeveloped property (see below),
4. a written certification from the property’s host municipality stating that it supports the property’s approval for 7/7 program incentives, and
5. any other information the commissioner requests.

If the property is a brownfield, a licensed environmental professional must certify that actual or potential pollution has discouraged parties from redeveloping, reusing, or expanding it. If the property is unpolluted but has been abandoned or underutilized, the host municipality must certify that it has been in that condition for at



least 10 years.

The commissioner must approve an owner's application if it includes all of the required information and notify the Department of Revenue Services (DRS) commissioner whenever she does so.

### ***Worker Training and Hiring Requirements***

Property owners applying for 7/7 program incentives must include in their applications a training plan and a commitment to hire students trained under that plan. An owner must submit the plan to the area's high schools and regional technical community colleges identifying the types of jobs that will be performed at the redeveloped property and specifying the types of training programs needed to prepare students for those jobs. The owner must also commit to hiring at least 30% of the workers at the property from among the enrollees of the programs developed to train workers for jobs at the redeveloped property.

## **7/7 PROGRAM INCENTIVES**

### ***Timing***

The owners of brownfields approved for 7/7 incentives qualify for them only after they remediate the brownfield, file the necessary documents verifying remediation, and notify the host municipality and the DRS and DECD commissioners to that effect. Neither owners of a remediated brownfield or a redeveloped problem property approved for 7/7 incentives can claim their incentives until they begin business operations on the property.

Brownfield and problem property owners qualify for the same types of benefits during the first seven years after they begin operations on property approved for 7/7 program incentives (i.e., Stage 1 incentives). Brownfield owners qualify for an additional incentive during the subsequent seven years (i.e., Stage 2 incentives).

Table 1 summarizes the bill's schedule of 7/7 Program incentives.

**Table 1: 7/7 Program Incentive Schedule**

<b>Stage</b>	<b>Eligible Property</b>	<b>Time Period</b>	<b>Incentives</b>
1	Remediated and redeveloped former brownfields  Redeveloped and reused previously abandoned and underutilized property	First seven years after business operations begin at redeveloped property	Seven-year, 100% personal or corporation business tax credit against income attributable to redeveloped property  Seven-year sales and use tax exemption for items purchased for use at redeveloped property  Five-year property tax assessment freeze
2	Remediated and redeveloped former brownfields	Years eight to 14 after business operations begin at redeveloped property	Seven-year maximum 8.57% deduction against personal income or corporation business taxes for eligible remediation expenses

### **Stage 1 Incentives**

**Business and Personal Income Tax Credits.** Brownfield and problem property owners may claim a 100% credit for seven years against the personal or corporation business taxes attributable to business operations at the property during the taxable year, but only after deducting any other available credits.

The credit against the personal income tax is available to owners organized as S corporations, limited liability partnerships, or limited liability companies. These business entities do not pay corporation business taxes, but the owners and partners pay personal income taxes on the income they derive from the entity. (These entities are commonly referred to as “pass-through entities,” meaning that the income flows from the business to the owner where it is taxed as personal income.) Consequently, the bill allows these owners and partners to claim a credit equal to their share of the taxes attributable to the property’s operation during the taxable year.

**Sales and Use Tax Exemptions.** Brownfield and problem property owners qualify for sales and use tax exemptions for any item they purchase and use at the redeveloped property during the ordinary

course of business. Like the personal and corporation business tax credit, the sales tax exemption is available for seven years beginning with the year business operations start at the property.

Owners may claim this exemption by presenting a certificate indicating that the purchased item is exempt from the sales tax. The certificate must be substantially in a form the DRS commissioner prescribes and bear the purchaser's name, address, and signature. If the purchaser does not use the item in the ordinary course of business at the property, the purchaser must pay the sales and use tax.

**Property Tax Assessment Freeze.** Property owners also receive a property tax incentive. Under the bill, municipalities must freeze, for five years, the assessed value of a 7/7 program-approved property as of the date the DECD commissioner approved it for the program's incentives. The freeze begins on the October 1 assessment date following the date when the municipality issued a building permit to begin construction on the property.

### **Stage 2 Incentives for Remediated Brownfields**

Brownfield owners receive an additional incentive, which is available for seven years, beginning in the eight years after business operations began at a remediated 7/7 program property. The incentive is a deduction against the personal income or corporation business tax for up to 8.57% of the eligible expenses the owner incurred to remediate the property.

Eligible expenditures are those the owner incurred to investigate and assess the nature and extent of the contamination and eliminate or mitigate it. These expenditures include:

1. investigating soil, groundwater, and infrastructure;
2. assessing the property's condition;
3. remediating the soil, sediment, groundwater, and surface water;
4. abating contamination;

5. removing and disposing of hazardous materials and waste;
6. implementing long-term groundwater or natural attenuation monitoring;
7. implementing institutional controls, such as environmental land use restrictions and activity and use limitations;
8. paying reasonable attorneys' fees;
9. retaining planners, engineers, and environmental consultants;  
and
10. remediating building and structural issues, including demolishing structures and abating or removing various hazardous substances, including asbestos.

Any expenditure funded under a DECD brownfield cleanup program does not qualify as an eligible expenditure.

**COMMITTEE ACTION**

## Commerce Committee

Joint Favorable Change of Reference - FIN  
Yea 21 Nay 0 (03/21/2017)

## Finance, Revenue and Bonding Committee

Joint Favorable  
Yea 51 Nay 0 (04/27/2017)