



General Assembly

January Session, 2017

**Raised Bill No. 1055**

LCO No. 6271



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:  
(FIN)

**AN ACT CONCERNING STRANDED TAX CREDITS AND STRATEGIC ECONOMIC DEVELOPMENT.**

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

- 1 Section 1. (NEW) (*Effective July 1, 2017*) (a) As used in this section:
- 2 (1) "Accumulated credits" means the amount of credits allowed, in  
3 accordance with the provisions of section 12-217n of the general  
4 statutes, that have not been taken through an applicant's last income  
5 year completed prior to the date of an application submitted as  
6 provided in subsection (b) of this section.
- 7 (2) "Commissioner" means the Commissioner of Economic and  
8 Community Development.
- 9 (b) The commissioner shall establish and administer a program to  
10 allow businesses in the state to utilize accumulated credits against the  
11 tax imposed under chapters 208 and 219 of the general statutes in  
12 exchange for capital projects, planned or underway, in the state that  
13 propose to (1) expand the scale or scope of such business, (2) increase

14 employment at such business, or (3) generate a substantial return to  
15 the state economy. A business seeking to utilize accumulated credits  
16 under this section shall submit to the commissioner, on forms  
17 provided by the commissioner, an application that shall include, but  
18 not be limited to: (A) A detailed plan outlining the capital project, (B)  
19 the term of such project, (C) the estimated costs of such project, and  
20 (D) the amount of accumulated credits the business proposes it be  
21 allowed to utilize under this section. The commissioner shall perform  
22 an econometric analysis of each application and shall only approve an  
23 application if he or she determines that such project will generate  
24 revenues for the state that exceed the amount of the accumulated  
25 credits proposed to be utilized. The amount of such accumulated  
26 credits shall be subject to confirmation, in accordance with the  
27 provisions of title 12 of the general statutes, by the Commissioner of  
28 Revenue Services in consultation with the commissioner.

29 (c) The commissioner shall determine, in consultation with the  
30 Commissioner of Revenue Services, when such accumulated credits  
31 may be utilized by the business, provided the commissioner shall not  
32 approve the utilization of the accumulated credits until the capital  
33 project under subsection (b) of this section generates revenues for the  
34 state that exceed the amount of the accumulated credits proposed to be  
35 utilized.

36 (d) The commissioner shall adopt regulations, in accordance with  
37 the provisions of chapter 54 of the general statutes, to implement the  
38 provisions of this section.

39 (e) Not later than July 1, 2018, and annually thereafter, the  
40 commissioner shall submit a report, in accordance with the provisions  
41 of section 11-4a of the general statutes, to the joint standing committees  
42 of the General Assembly having cognizance of matters relating to  
43 commerce and finance. Such report shall include (1) information on the  
44 number of applications received and the number of applications  
45 approved under this section, (2) the status of the capital projects

46 associated with such approved applications, (3) the amount of  
47 accumulated credits that are proposed to be utilized under this section,  
48 and (4) (A) the amount and type of state revenue generated in  
49 connection with each such capital project to date, and (B) the projected  
50 amount and type of such revenue for the five succeeding fiscal years  
51 after completion of such capital project.

52 Sec. 2. (NEW) (*Effective July 1, 2017*) (a) (1) As used in this section,  
53 (A) "accumulated credits" means credits allowed under sections 12-217j  
54 and 12-217n of the general statutes that have not been taken through  
55 the last income year completed prior to the date of an auction under  
56 this section, (B) "commissioner" means the Commissioner of Economic  
57 and Community Development, and (C) "chief executive officer" means  
58 the chief executive officer of Connecticut Innovations, Incorporated.

59 (2) The commissioner, in consultation with the Commissioner of  
60 Revenue Services and the chief executive officer, shall hold a Technical  
61 Education Cooperative (TEC) initiative tax credit auction and an  
62 innovation investment fund tax credit auction, at such time and as  
63 frequently as the commissioner deems appropriate and effective, to  
64 allow taxpayers with accumulated credits to utilize such credits in  
65 exchange for making an investment as provided under subsections (b)  
66 and (c) of this section.

67 (3) The commissioner shall specify, in consultation with the chief  
68 executive officer, for each tax credit auction, the deadline for  
69 submitting a bid and the information required to be included with  
70 such bid. Each bidder shall submit a sealed bid and the commissioner  
71 shall select, in consultation with the chief executive officer, the  
72 winning bid or bids based upon the amounts of accumulated credits  
73 the bidder proposes to exchange, the amounts the bidder proposes to  
74 invest for such exchange and any other criteria the commissioner and  
75 the chief executive officer deem appropriate to evaluate the bids,  
76 taking into consideration the total amount of investments sought, if  
77 any, from each auction.

78 (4) Credits allowed under this section may be claimed against the  
79 taxes imposed under chapters 207 and 219 of the general statutes and  
80 section 12-263b of the general statutes with respect to the following  
81 income years of the taxpayer: (A) With respect to the income year in  
82 which the taxpayer made the investment required under this section  
83 and the two next succeeding income years, zero per cent; and (B) with  
84 respect to the third full income year succeeding the year in which the  
85 taxpayer made the investment required under this section and the four  
86 next succeeding income years, twenty per cent.

87 (5) The total amount of accumulated credits exchanged in the  
88 aggregate under this section shall not exceed fifty million dollars.

89 (b) (1) The commissioner, in consultation with the chief executive  
90 officer, shall hold a TEC initiative tax credit auction, for which the  
91 minimum bid shall be eighty cents for each dollar of accumulated  
92 credit. The commissioner shall deposit the amount received from the  
93 auction in the TEC initiative account established pursuant to  
94 subsection (d) of this section.

95 (2) The commissioner shall administer, in consultation with the chief  
96 executive officer, the TEC initiative account to provide funding and  
97 expand education and training opportunities as set forth in this  
98 subdivision in order to prepare the state's workforce to fill existing and  
99 anticipated manufacturing jobs and increase the number of state high  
100 school and community college graduates with training and experience  
101 in manufacturing, computer programming, information technology  
102 and data management. Components of the TEC initiative shall include,  
103 but not be limited to:

104 (A) Providing funds to expand and enhance, in consultation with  
105 the Connecticut Center for Advanced Technology, Incorporated,  
106 manufacturing technology support programs and services offered to  
107 manufacturers in the state;

108 (B) Providing funds to expand to additional schools in the state, in

109 consultation with the Connecticut Center for Advanced Technology,  
110 Incorporated, programs to engage and encourage students to consider  
111 a technical education as a highly successful and desirable career path;

112 (C) Building new, proactive partnerships with employers and  
113 manufacturers in the state by (i) establishing employer-led job pipeline  
114 initiatives in each workforce development board region in the state to  
115 match open jobs with qualified workers identified by such board, (ii)  
116 providing funds to support the Subsidized Training and Employment  
117 program established pursuant to section 31-3pp of the general statutes  
118 and apprenticeship programs in the state, and (iii) providing funds to  
119 expand adult education programs and classes for workers seeking new  
120 skills for new careers; and

121 (D) Providing grants to partnerships between (i) local school  
122 districts, technical schools or community colleges, and (ii) private  
123 businesses, that are seeking to establish a technical education program  
124 or to expand the capacity of a technical education program at a public  
125 high school, technical school or community college. Preference for  
126 awarding grants under this subdivision shall be given to applications  
127 that include private matching funds.

128 (c) The commissioner, in consultation with the chief executive  
129 officer, shall hold an innovation investment fund tax credit auction, for  
130 which the minimum bid shall be eighty cents for each dollar of  
131 accumulated credit and the amounts received from the winning bidder  
132 or bidders shall be invested in the winning bidder's corporate venture  
133 fund, subject to the following requirements:

134 (1) All investments shall be made with a representative of  
135 Connecticut Innovations, Incorporated, who is a member of the  
136 corporate venture fund's investment committee;

137 (2) The amount invested in a corporate venture fund shall be not  
138 less than five million dollars and not more than ten million dollars;

139 (3) All such amounts invested shall be invested in (A) start-up  
140 businesses located in the state, or (B) spin-off companies from the  
141 bidder's research and development department;

142 (4) All profits from such investments shall be divided equally  
143 between the state and the bidder and the state's share shall be  
144 deposited in the General Fund; and

145 (5) The bidder agrees to reinvest the bidder's profits in the bidder's  
146 corporate venture fund.

147 (d) There is established an account to be known as the "TEC  
148 initiative account" which shall be a separate, nonlapsing account  
149 within the General Fund. The account shall contain any moneys  
150 required by law to be deposited in the account. Moneys in the account  
151 shall be expended by the commissioner, in consultation with the chief  
152 executive officer, for the purposes of subsection (b) of this section.

153 Sec. 3. Section 12-217jj of the general statutes is repealed and the  
154 following is substituted in lieu thereof (*Effective July 1, 2017*):

155 (a) As used in this section:

156 (1) "Commissioner" means the Commissioner of Revenue Services.

157 (2) "Department" means the Department of Economic and  
158 Community Development.

159 (3) (A) "Qualified production" means entertainment content created  
160 in whole or in part within the state, including motion pictures, except  
161 as otherwise provided in this subparagraph; documentaries; long-  
162 form, specials, mini-series, series, sound recordings, videos and music  
163 videos and interstitials television programming; interactive television;  
164 relocated television production; interactive games; videogames;  
165 commercials; any format of digital media, including an interactive web  
166 site, created for distribution or exhibition to the general public; and  
167 any trailer, pilot, video teaser or demo created primarily to stimulate

168 the sale, marketing, promotion or exploitation of future investment in  
169 either a product or a qualified production via any means and media in  
170 any digital media format, film or videotape, provided such program  
171 meets all the underlying criteria of a qualified production. For the state  
172 fiscal years ending June 30, 2014, June 30, 2015, June 30, 2016, and June  
173 30, 2017, "qualified production" shall not include a motion picture that  
174 has not been designated as a state-certified qualified production prior  
175 to July 1, 2013, and no tax credit voucher for such motion picture may  
176 be issued during said years, except, for the state fiscal years ending  
177 June 30, 2015, June 30, 2016, and June 30, 2017, "qualified production"  
178 shall include a motion picture for which twenty-five per cent or more  
179 of the principal photography shooting days are in this state at a facility  
180 that receives not less than twenty-five million dollars in private  
181 investment and opens for business on or after July 1, 2013, and a tax  
182 credit voucher may be issued for such motion picture.

183 (B) "Qualified production" shall not include any ongoing television  
184 program created primarily as news, weather or financial market  
185 reports; a production featuring current events, other than a relocated  
186 television production, sporting events, an awards show or other gala  
187 event; a production whose sole purpose is fundraising; a long-form  
188 production that primarily markets a product or service; a production  
189 used for corporate training or in-house corporate advertising or other  
190 similar productions; or any production for which records are required  
191 to be maintained under 18 USC 2257, as amended from time to time,  
192 with respect to sexually explicit content.

193 (4) "Eligible production company" means a corporation, partnership,  
194 limited liability company, or other business entity engaged in the  
195 business of producing qualified productions on a one-time or ongoing  
196 basis, and qualified by the Secretary of the State to engage in business  
197 in the state.

198 (5) "Production expenses or costs" means all expenditures clearly  
199 and demonstrably incurred in the state in the preproduction,

200 production or postproduction costs of a qualified production,  
201 including:

202 (A) Expenditures incurred in the state in the form of either  
203 compensation or purchases including production work, production  
204 equipment not eligible for the infrastructure tax credit provided in  
205 section 12-217kk, production software, postproduction work,  
206 postproduction equipment, postproduction software, set design, set  
207 construction, props, lighting, wardrobe, makeup, makeup accessories,  
208 special effects, visual effects, audio effects, film processing, music,  
209 sound mixing, editing, location fees, soundstages and any and all other  
210 costs or services directly incurred in connection with a state-certified  
211 qualified production;

212 (B) Expenditures for distribution, including preproduction,  
213 production or postproduction costs relating to the creation of trailers,  
214 marketing videos, commercials, point-of-purchase videos and any and  
215 all content created on film or digital media, including the duplication  
216 of films, videos, CDs, DVDs and any and all digital files now in  
217 existence and those yet to be created for mass consumer consumption;  
218 the purchase, by a company in the state, of any and all equipment  
219 relating to the duplication or mass market distribution of any content  
220 created or produced in the state by any digital media format which is  
221 now in use and those formats yet to be created for mass consumer  
222 consumption; and

223 (C) "Production expenses or costs" does not include the following:  
224 (i) On and after January 1, 2008, compensation in excess of fifteen  
225 million dollars paid to any individual or entity representing an  
226 individual, for services provided in the production of a qualified  
227 production and on or after January 1, 2010, compensation subject to  
228 Connecticut personal income tax in excess of twenty million dollars  
229 paid in the aggregate to any individuals or entities representing  
230 individuals, for star talent provided in the production of a qualified  
231 production; (ii) media buys, promotional events or gifts or public



232 relations associated with the promotion or marketing of any qualified  
233 production; (iii) deferred, leveraged or profit participation costs  
234 relating to any and all personnel associated with any and all aspects of  
235 the production, including, but not limited to, producer fees, director  
236 fees, talent fees and writer fees; (iv) costs relating to the transfer of the  
237 production tax credits; (v) any amounts paid to persons or businesses  
238 as a result of their participation in profits from the exploitation of the  
239 qualified production; and (vi) any expenses or costs relating to an  
240 independent certification, as required by subsection (g) of this section,  
241 or as the department may otherwise require, pertaining to the amount  
242 of production expenses or costs set forth by an eligible production  
243 company in its application for a production tax credit.

244 (6) "Sound recording" means a recording of music, poetry or  
245 spoken-word performance, but does not include the audio portions of  
246 dialogue or words spoken and recorded as part of a motion picture,  
247 video, theatrical production, television news coverage or athletic event.

248 (7) "State-certified qualified production" means a qualified  
249 production produced by an eligible production company that (A) is in  
250 compliance with regulations adopted pursuant to subsection (k) of this  
251 section, (B) is authorized to conduct business in this state, and (C) has  
252 been approved by the department as qualifying for a production tax  
253 credit under this section.

254 (8) "Interactive web site" means a web site, the production costs of  
255 which (A) exceed five hundred thousand dollars per income year, and  
256 (B) is primarily (i) interactive games or end user applications, or (ii)  
257 animation, simulation, sound, graphics, story lines or video created or  
258 repurposed for distribution over the Internet. An interactive web site  
259 does not include a web site primarily used for institutional, private,  
260 industrial, retail or wholesale marketing or promotional purposes, or  
261 which contains obscene content.

262 (9) "Post-certification remedy" means the recapture, disallowance,

263 recovery, reduction, repayment, forfeiture, decertification or any other  
264 remedy that would have the effect of reducing or otherwise limiting  
265 the use of a tax credit provided by this section.

266 (10) "Compensation" means base salary or wages and does not  
267 include bonus pay, stock options, restricted stock units or similar  
268 arrangements.

269 (11) "Relocated television production" means:

270 (A) An ongoing television program all of the prior seasons of which  
271 were filmed outside this state, and may include current events shows,  
272 except those referenced in subparagraph (B)(i) of this subdivision.

273 (B) An eligible production company's television programming in  
274 this state that (i) is not a general news program, sporting event or  
275 game broadcast, and (ii) is created at a qualified production facility  
276 that has had a minimum investment of twenty-five million dollars  
277 made by such eligible production company on or after January 1, 2012,  
278 at which facility the eligible production company creates ongoing  
279 television programming as defined in subparagraph (A) of this  
280 subdivision, and creates at least two hundred new jobs in Connecticut  
281 on or after January 1, 2012. For purposes of this subdivision, "new job"  
282 means a full-time job, as defined in section 12-217ii, that did not exist  
283 in this state prior to January 1, 2012, and is filled by a new employee,  
284 and "new employee" includes a person who was employed outside this  
285 state by the eligible production company prior to January 1, 2012, but  
286 does not include a person who was employed in this state by the  
287 eligible production company or a related person, as defined in section  
288 12-217ii, with respect to the eligible production company during the  
289 prior twelve months.

290 (C) A relocated television production may be a state-certified  
291 qualified production for not more than ten successive income years,  
292 after which period the eligible production company shall be ineligible  
293 to resubmit an application for certification.

294 (b) (1) The Department of Economic and Community Development  
295 shall administer a system of tax credit vouchers within the resources,  
296 requirements and purposes of this section for eligible production  
297 companies producing a state-certified qualified production in the state.

298 [(1) For income years commencing on or after January 1, 2006, but  
299 prior to January 1, 2010, any eligible production company incurring  
300 production expenses or costs in excess of fifty thousand dollars shall be  
301 eligible for a credit against the tax imposed under chapter 207 or this  
302 chapter equal to thirty per cent of such production expenses or costs.]

303 (2) [For income years commencing on or after January 1, 2010, (A)  
304 any] Any eligible production company incurring production expenses  
305 or costs shall be eligible for a credit (A) for income years commencing  
306 on or after January 1, 2010, but prior to January 1, 2018, against the tax  
307 imposed under chapter 207 or this chapter, and (B) for income years  
308 commencing on or after January 1, 2018, against the tax imposed under  
309 chapter 207 or 219 or this chapter, as follows: (i) For any such company  
310 incurring [production] such expenses or costs of not less than one  
311 hundred thousand dollars, but not more than five hundred thousand  
312 dollars, [shall be eligible for a credit against the tax imposed under  
313 chapter 207 or this chapter] a credit equal to ten per cent of such  
314 [production] expenses or costs, [(B)] (ii) any such company incurring  
315 such expenses or costs of more than five hundred thousand dollars,  
316 but not more than one million dollars, [shall be eligible for a credit  
317 against the tax imposed under chapter 207 or this chapter] a credit  
318 equal to fifteen per cent of such [production] expenses or costs, and  
319 [(C)] (iii) any such company incurring such expenses or costs of more  
320 than one million dollars, [shall be eligible for a credit against the tax  
321 imposed under chapter 207 or this chapter] a credit equal to thirty per  
322 cent of such [production] expenses or costs.

323 (3) If an eligible production company elects, for income years  
324 commencing on or after January 1, 2018, to claim a credit pursuant to  
325 this subsection against the tax imposed under chapter 219, the eligible

326 production company shall pay to the state a fee of six cents for each  
327 dollar of credit claimed. The commissioner shall deposit such fee in the  
328 TEC initiative account established pursuant to subsection (d) of section  
329 2 of this act.

330 (c) No eligible production company incurring an amount of  
331 production expenses or costs that qualifies for such credit shall be  
332 eligible for such credit unless on or after January 1, 2010, such  
333 company conducts (1) not less than fifty per cent of principal  
334 photography days within the state, or (2) expends not less than fifty  
335 per cent of postproduction costs within the state, or (3) expends not  
336 less than one million dollars of postproduction costs within the state.

337 [(d) (1) For income years commencing on or after January 1, 2009,  
338 but prior to January 1, 2010, fifty per cent of production expenses or  
339 costs shall be counted toward such credit when incurred outside the  
340 state and used within the state, and one hundred per cent of such  
341 expenses or costs shall be counted toward such credit when incurred  
342 within the state and used within the state.]

343 [(2)] (d) For income years commencing on or after January 1, 2010,  
344 no expenses or costs incurred outside the state and used within the  
345 state shall be eligible for a credit, and one hundred per cent of such  
346 expenses or costs shall be counted toward such credit when incurred  
347 within the state and used within the state.

348 (e) (1) On and after July 1, 2006, and for income years commencing  
349 on or after January 1, 2006, any credit allowed pursuant to this section  
350 may be sold, assigned or otherwise transferred, in whole or in part, to  
351 one or more taxpayers, provided (A) no credit, after issuance, may be  
352 sold, assigned or otherwise transferred, in whole or in part, more than  
353 three times, (B) in the case of a credit allowed for the income year  
354 commencing on or after January 1, 2011, and prior to January 1, 2012,  
355 any entity that is not subject to tax under chapter 207 or this chapter  
356 may transfer not more than fifty per cent of such credit in any one

357 income year, and (C) in the case of a credit allowed for an income year  
358 commencing on or after January 1, 2012, any entity that is not subject  
359 to tax under chapter 207 or this chapter may transfer not more than  
360 twenty-five per cent of such credit in any one income year.

361 (2) Notwithstanding the provisions of subdivision (1) of this  
362 subsection, any entity that is not subject to tax under this chapter or  
363 chapter 207 shall not be subject to the limitations on the transfer of  
364 credits provided in subparagraphs (B) and (C) of said subdivision (1),  
365 provided such entity owns not less than fifty per cent, directly or  
366 indirectly, of a business entity subject to tax under section 12-284b.

367 (3) Notwithstanding the provisions of subdivision (1) of this  
368 subsection, any qualified production that is created in whole or in  
369 significant part, as determined by the Commissioner of Economic and  
370 Community Development, at a qualified production facility shall not  
371 be subject to the limitations of subparagraph (B) or (C) of said  
372 subdivision (1). For purposes of this subdivision, "qualified production  
373 facility" means a facility (A) located in this state, (B) intended for film,  
374 television or digital media production, and (C) that has had a  
375 minimum investment of three million dollars, or less if the  
376 Commissioner of Economic and Community Development determines  
377 such facility otherwise qualifies.

378 (4) Any taxpayer to which a credit allowed pursuant to this section  
379 is sold, assigned or otherwise transferred, in whole or in part, shall pay  
380 the fee set forth in subdivision (3) of subsection (b) of this section if  
381 such taxpayer elects, for income years commencing on or after January  
382 1, 2018, to claim such credit against the tax imposed under chapter 219.

383 (f) (1) On and after July 1, 2006, and for income years commencing  
384 on or after January 1, 2006, all or part of any such credit allowed under  
385 this [subsection shall] section may be claimed against the tax imposed  
386 under chapter 207 or this chapter for the income year in which the  
387 production expenses or costs were incurred, or in the three

388 immediately succeeding income years.

389 (2) For production tax credit vouchers issued on or after July 1, 2015,  
390 all or part of any such credit [shall] may be claimed against (A) the tax  
391 imposed under chapter 207 or this chapter, or (B) for income years  
392 commencing on or after January 1, 2018, the tax imposed under  
393 chapter 207 or 219 or this chapter, for the income year in which the  
394 production expenses or costs were incurred, or in the five immediately  
395 succeeding income years.

396 (3) Any production tax credit allowed under this subsection shall be  
397 nonrefundable.

398 (g) (1) An eligible production company shall apply to the  
399 department for a tax credit voucher on an annual basis, but not later  
400 than ninety days after the first production expenses or costs are  
401 incurred in the production of a qualified production, and shall provide  
402 with such application such information as the department may require  
403 to determine such company's eligibility to claim a credit under this  
404 section. No production expenses or costs may be listed more than once  
405 for purposes of the tax credit voucher pursuant to this section, or  
406 pursuant to section 12-217kk or 12-217ll, and if a production expense  
407 or cost has been included in a claim for a credit, such production  
408 expense or cost may not be included in any subsequent claim for a  
409 credit.

410 (2) Not later than ninety days after the end of the annual period, or  
411 after the last production expenses or costs are incurred in the  
412 production of a qualified production, an eligible production company  
413 shall apply to the department for a production tax credit voucher, and  
414 shall provide with such application such information and independent  
415 certification as the department may require pertaining to the amount  
416 of such company's production expenses or costs. Such independent  
417 certification shall be provided by an audit professional chosen from a  
418 list compiled by the department. If the department determines that

419 such company is eligible to be issued a production tax credit voucher,  
420 the department shall enter on the voucher the amount of production  
421 expenses or costs that has been established to the satisfaction of the  
422 department and the amount of such company's credit under this  
423 section. The department shall provide a copy of such voucher to the  
424 commissioner, upon request.

425 (3) The department shall charge a reasonable administrative fee  
426 sufficient to cover the department's costs to analyze applications  
427 submitted under this section.

428 (h) If an eligible production company sells, assigns or otherwise  
429 transfers a credit under this section to another taxpayer, the transferor  
430 and transferee shall jointly submit written notification of such transfer  
431 to the department not later than thirty days after such transfer. If such  
432 transferee sells, assigns or otherwise transfers a credit under this  
433 section to a subsequent transferee, such transferee and such  
434 subsequent transferee shall jointly submit written notification of such  
435 transfer to the department not later than thirty days after such transfer.  
436 The notification after each transfer shall include the credit voucher  
437 number, the date of transfer, the amount of such credit transferred, the  
438 tax credit balance before and after the transfer, the tax identification  
439 numbers for both the transferor and the transferee, and any other  
440 information required by the department. Failure to comply with this  
441 subsection will result in a disallowance of the tax credit until there is  
442 full compliance on the part of the transferor and the transferee, and for  
443 a second or third transfer, on the part of all subsequent transferors and  
444 transferees. The department shall provide a copy of the notification of  
445 assignment to the commissioner upon request.

446 (i) Any eligible production company that submits information to the  
447 department that it knows to be fraudulent or false shall, in addition to  
448 any other penalties provided by law, be liable for a penalty equal to  
449 the amount of such company's credit entered on the production tax  
450 credit [certificate] voucher issued under this section.

451 (j) No tax credits transferred pursuant to this section shall be subject  
452 to a post-certification remedy, and the department and the  
453 commissioner shall have no right, except in the case of possible  
454 material misrepresentation or fraud, to conduct any further or  
455 additional review, examination or audit of the expenditures or costs  
456 for which such tax credits were issued. The sole and exclusive remedy  
457 of the department and the commissioner shall be to seek collection of  
458 the amount of such tax credits from the entity that committed the  
459 fraud or misrepresentation.

460 (k) The department, in consultation with the commissioner, shall  
461 adopt regulations, in accordance with the provisions of chapter 54, as  
462 may be necessary for the administration of this section.

463 Sec. 4. Subsection (i) of section 12-391 of the general statutes is  
464 repealed and the following is substituted in lieu thereof (*Effective July*  
465 *1, 2017*):

466 (i) [The] With respect to the estates of decedents who die on or after  
467 January 1, 2021, the tax calculated pursuant to the provisions of this  
468 section shall be reduced in an amount equal to half of the amount  
469 invested by a decedent in a private investment fund or fund of funds  
470 pursuant to subdivision (43) of section 32-39 or in the TEC initiative or  
471 an innovation investment fund pursuant to section 2 of this act,  
472 provided (1) any such reduction shall not exceed five million dollars  
473 for any such decedent, (2) any such amount invested by the decedent  
474 shall have been invested in such fund or fund of funds for [ten] four  
475 years or more, and (3) the aggregate amount of all taxes reduced under  
476 this subsection shall not exceed thirty million dollars.

477 Sec. 5. Section 12-217zz of the general statutes is repealed and the  
478 following is substituted in lieu thereof (*Effective July 1, 2017*):

479 (a) Notwithstanding any other provision of law, and except as  
480 otherwise provided in subsection (b) of this section and section 2 of  
481 this act, the amount of tax credit or credits otherwise allowable against



482 the tax imposed under this chapter shall be as follows:

483 (1) For any income year commencing on or after January 1, 2002,  
484 and prior to January 1, 2015, the amount of tax credit or credits  
485 otherwise allowable shall not exceed seventy per cent of the amount of  
486 tax due from such taxpayer under this chapter with respect to any such  
487 income year of the taxpayer prior to the application of such credit or  
488 credits;

489 (2) For any income year commencing on or after January 1, 2015, the  
490 amount of tax credit or credits otherwise allowable shall not exceed  
491 fifty and one one-hundredths per cent of the amount of tax due from  
492 such taxpayer under this chapter with respect to any such income year  
493 of the taxpayer prior to the application of such credit or credits;

494 (3) Notwithstanding the provisions of subdivision (2) of this  
495 subsection, any taxpayer that possesses excess credits may utilize the  
496 excess credits as follows:

497 (A) For income years commencing on or after January 1, 2016, and  
498 prior to January 1, 2017, the aggregate amount of tax credits and excess  
499 credits allowable shall not exceed fifty-five per cent of the amount of  
500 tax due from such taxpayer under this chapter with respect to any such  
501 income year of the taxpayer prior to the application of such credit or  
502 credits;

503 (B) For income years commencing on or after January 1, 2017, and  
504 prior to January 1, 2018, the aggregate amount of tax credits and excess  
505 credits allowable shall not exceed sixty per cent of the amount of tax  
506 due from such taxpayer under this chapter with respect to any such  
507 income year of the taxpayer prior to the application of such credit or  
508 credits;

509 (C) For income years commencing on or after January 1, 2018, and  
510 prior to January 1, 2019, the aggregate amount of tax credits and excess  
511 credits allowable shall not exceed sixty-five per cent of the amount of

512 tax due from such taxpayer under this chapter with respect to any such  
513 income year of the taxpayer prior to the application of such credit or  
514 credits;

515 (D) For income years commencing on or after January 1, 2019, the  
516 aggregate amount of tax credits and excess credits allowable shall not  
517 exceed seventy per cent of the amount of tax due from such taxpayer  
518 under this chapter with respect to any such income year of the  
519 taxpayer prior to the application of such credit or credits;

520 (4) For purposes of this subsection, "excess credits" means any  
521 remaining credits available under section 12-217j, 12-217n or 32-9t after  
522 tax credits are utilized in accordance with subdivision (2) of this  
523 subsection.

524 (b) (1) For an income year commencing on or after January 1, 2011,  
525 and prior to January 1, 2013, the amount of tax credit or credits  
526 otherwise allowable against the tax imposed under this chapter for  
527 such income year may exceed the amount specified in subsection (a) of  
528 this section only by the amount computed under subparagraph (A) of  
529 subdivision (2) of this subsection, provided in no event may the  
530 amount of tax credit or credits otherwise allowable against the tax  
531 imposed under this chapter for such income year exceed one hundred  
532 per cent of the amount of tax due from such taxpayer under this  
533 chapter with respect to such income year of the taxpayer prior to the  
534 application of such credit or credits.

535 (2) (A) The taxpayer's average monthly net employee gain for an  
536 income year shall be multiplied by six thousand dollars.

537 (B) The taxpayer's average monthly net employee gain for an  
538 income year shall be computed as follows: For each month in the  
539 taxpayer's income year, the taxpayer shall subtract from the number of  
540 its employees in this state on the last day of such month the number of  
541 its employees in this state on the first day of its income year. The  
542 taxpayer shall total the differences for the twelve months in such

543 income year, and such total, when divided by twelve, shall be the  
544 taxpayer's average monthly net employee gain for the income year. For  
545 purposes of this computation, only employees who are required to  
546 work at least thirty-five hours per week and only employees who were  
547 not employed in this state by a related person, as defined in section 12-  
548 217ii, within the twelve months prior to the first day of the income  
549 year may be taken into account in computing the number of  
550 employees.

551 (C) If the taxpayer's average monthly net employee gain is zero or  
552 less than zero, the taxpayer may not exceed the seventy per cent limit  
553 imposed under subsection (a) of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2017</i>	New section
Sec. 2	<i>July 1, 2017</i>	New section
Sec. 3	<i>July 1, 2017</i>	12-217jj
Sec. 4	<i>July 1, 2017</i>	12-391(i)
Sec. 5	<i>July 1, 2017</i>	12-217zz

**Statement of Purpose:**

To (1) establish additional methods for businesses to exchange certain stranded tax credits by investing in capital projects in the state, in technical education initiatives or in the business's corporate venture fund, (2) allow the film production tax credit to be claimed against the sales and use taxes, for a fee to fund technical education initiatives, and (3) allow the estate of a decedent who dies on or after January 1, 2021, to reduce the estate tax liability for certain amounts invested pursuant to a tax credit auction.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*