
OLR Bill Analysis

sHB 5585

AN ACT CONCERNING ENTERPRISE ZONES.

SUMMARY

This bill changes the current fixed rate and term enterprise zone property tax exemptions to ones that must be negotiated between the (1) Department of Economic and Community Development (DECD) commissioner and (2) taxpayer and municipality.

Under current law, businesses that build or improve a qualifying facility in an enterprise zone qualify for a property tax exemption once they have been issued an eligibility certificate from DECD. The exemption is generally a five-year, 80% exemption for the eligible facility and machinery and equipment installed in it.

Beginning July 1, 2019, for businesses seeking to build or improve such facilities in an enterprise zone, the bill requires the DECD commissioner to negotiate the property tax exemption with the business and the municipality's chief elected official. The bill specifically requires the commissioner to negotiate the rate and duration of the facility's real property tax exemption and the rate of its machinery and equipment exemption. But it establishes conditions under which businesses may receive the exemptions under current law for qualifying facilities started or completed before July 1, 2019.

The bill also requires the DECD commissioner to develop certain benchmarks for assessing whether businesses certified to receive enterprise zone (EZ) benefits should continue to be eligible for them. The commissioner must (1) establish benchmarks for job creation and state and municipal revenue generation and (2) by January 1, 2019, report them to the Commerce; Planning and Development; and Finance, Revenue and Bonding committees.

EFFECTIVE DATE: Upon passage, except the conforming changes to the enterprise zone property tax exemptions are effective July 1, 2019.

ENTERPRISE ZONE PROPERTY TAX EXEMPTIONS

The bill's requirement for negotiated benefits varies depending on when a business starts a project and notifies the commissioner of its plans to apply for an enterprise zone eligibility certificate.

Projects Started On or After July 1, 2019

Beginning July 1, 2019, the bill requires businesses intending to build, substantially renovate, or expand a qualifying manufacturing or service facility in an enterprise zone to notify the DECD commissioner of their intent to do so (see BACKGROUND). They must file the notice of intent, in the form and manner the commissioner prescribes, at the same time they file any applicable land use or building permits with the municipality in which the zone is located. Upon receiving a notice of intent, the DECD commissioner must negotiate, with the business and the municipality's chief elected official, the (1) rate and duration of the enterprise zone property tax exemption for the facility and (2) rate of the exemption for the machinery and equipment installed in it. The negotiated exemptions may not exceed the maximum allowed under existing law (CGS §§ 12-81(59) and (60)).

The bill's requirements do not apply to businesses acquiring or leasing qualifying manufacturing or service facilities in an enterprise zone, which qualify for the property tax exemptions under certain conditions.

The bill is silent on whether a business still qualifies for an enterprise zone exemption if it fails to notify the commissioner.

Projects Started or Completed Before July 1, 2019

For a manufacturing or service facility that was completed or in the process or being built or improved between the bill's effective date and July 1, 2019, the bill requires businesses to notify the DECD commissioner that they intend to apply for an eligibility certificate.

They must file the notice of intent, in the form and manner the commissioner prescribes, before July 1, 2019, in order to qualify for the exemptions under current law. Under the bill, businesses that file the notices on or after July 1, 2019, are subject to the requirements described above.

BACKGROUND

Qualifying Manufacturing and Service Facilities

For the purpose of the enterprise zone program, a “manufacturing facility” is any plant, building, or other real property improvement that is located in an enterprise zone and used as follows:

1. for manufacturing, processing, or assembling raw materials, parts, or manufactured products;
2. for manufacturing-related research and development;
3. for servicing industrial machinery and equipment;
4. by a business that the commissioner determines (a) will materially contribute to the economy (i.e., an economic base business) or (b) is part of an economic cluster; or
5. by a business engaged in any of a number of specified industries, including fishing, hunting, and trapping; other types of manufacturing (e.g., food and beverage manufacturing); transportation and warehousing; certain financial and insurance services; certain educational services; child day care services; computer hardware, software, or networking; and telecommunications or communications (CGS § 32-9p(d)).

A “service facility” is a manufacturing facility that meets the requirements described above, except that it is located outside of an enterprise zone in a targeted investment community (i.e., a municipality with an enterprise zone).

Municipalities with Enterprise Zones

The state’s 18 enterprise zones are located in Bridgeport, Bristol,

East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Thomaston, Waterbury, and Windham.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 44 Nay 7 (04/05/2018)