



# House of Representatives

General Assembly

**File No. 539**

February Session, 2018

House Bill No. 5583

*House of Representatives, April 17, 2018*

The Committee on Finance, Revenue and Bonding reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

***AN ACT CONCERNING A TAX CREDIT FOR EMPLOYERS THAT EMPLOY INDIVIDUALS CONVICTED OF A FELONY AND ALLOWING ACCESS TO THE NEIGHBORHOOD ASSISTANCE ACT TAX CREDIT BY CERTAIN BUSINESS FIRMS.***

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

1 Section 1. (NEW) (*Effective July 1, 2019, and applicable to income or*  
2 *taxable years commencing on or after July 1, 2019*) (a) Any employer that  
3 employs an individual who was convicted of a felony, such  
4 employment beginning within one year from the date of such  
5 individual's date of conviction or release date from the custody of the  
6 Department of Correction, may claim a credit against the tax imposed  
7 under chapter 208 or 229 of the general statutes, as applicable.

8 (b) For the first year of such individual's employment, the amount  
9 of such credit shall be equal to twenty-five per cent of such  
10 individual's wages paid during such year, up to a maximum of ten  
11 thousand dollars. For the second year of such individual's  
12 employment, the amount of such credit shall be equal to ten per cent of

13 such individual's wages paid during such year, up to a maximum of  
14 five thousand dollars. The employer may claim the credit even if the  
15 period of such individual's employment is for less than one year.

16 (c) Any credit allowed under this section but not used by the  
17 employer may be carried forward to the two succeeding income or  
18 taxable years, as applicable. An employer that claims a credit under  
19 this section shall provide any documentation required by the  
20 Commissioner of Revenue Services in a form and manner prescribed  
21 by said commissioner.

22 Sec. 2. Section 12-635 of the 2018 supplement to the general statutes  
23 is repealed and the following is substituted in lieu thereof (*Effective July*  
24 *1, 2018*):

25 (a) The Commissioner of Revenue Services shall grant a credit  
26 against any tax due under the provisions of chapter 207, 208, 209, 210,  
27 211 or 212: (1) In an amount not to exceed one hundred per cent of the  
28 total cash amount invested during the taxable year by the business  
29 firm in programs operated or created pursuant to proposals approved  
30 pursuant to section 12-632 for energy conservation projects directed  
31 toward properties occupied by persons, at least seventy-five per cent  
32 of whom are at an income level not exceeding one hundred fifty per  
33 cent of the poverty level for the year next preceding the year during  
34 which such tax credit is to be granted; (2) in an amount equal to one  
35 hundred per cent of the total cash amount invested during the taxable  
36 year by the business firm in programs operated or created pursuant to  
37 proposals approved pursuant to section 12-632 for energy conservation  
38 projects at properties owned or occupied by charitable corporations,  
39 foundations, trusts or other entities as determined under regulations  
40 adopted pursuant to this chapter; (3) in an amount equal to one  
41 hundred per cent of the total cash amount invested during the taxable  
42 year by the business firm in a comprehensive college access loan  
43 forgiveness program located in an "educational reform district" as  
44 defined in section 10-262u, that has established minimum eligibility  
45 criteria including, but not limited to, years of enrollment in the

46 educational reform district, grade point average, attendance record  
 47 and loan forgiveness prerequisite; [or] (4) in an amount not to exceed  
 48 sixty per cent of the total cash amount invested during the taxable year  
 49 by the business firm (A) in employment and training programs  
 50 directed at youths, at least seventy-five per cent of whom are at an  
 51 income level not exceeding one hundred fifty per cent of the poverty  
 52 level for the year next preceding the year during which such tax credit  
 53 is to be granted; (B) in employment and training programs directed at  
 54 persons with physical disabilities; (C) in employment and training  
 55 programs for unemployed workers who are fifty years of age or older;  
 56 (D) in education and employment training programs for recipients in  
 57 the temporary family assistance program; or (E) in child care services;  
 58 or (5) in an amount equal to sixty per cent of the total cash amount  
 59 invested during the taxable year by the business firm in any nonprofit  
 60 organization that hires individuals released from the custody of the  
 61 Department of Correction.

62 (b) Any other program which serves persons at least seventy-five  
 63 per cent of whom are at an income level not exceeding one hundred  
 64 fifty per cent of the poverty level for the year next preceding the year  
 65 during which such tax credit is to be granted and which meets the  
 66 standards for eligibility under this chapter shall be eligible for a tax  
 67 credit under this section in an amount equal to sixty per cent of the  
 68 total cash invested by the business firm in such program.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2019, and applicable to income or taxable years commencing on or after July 1, 2019</i>	New section
Sec. 2	<i>July 1, 2018</i>	12-635

**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 19 \$	FY 20 \$
Department of Revenue Services	GF - Revenue Loss	None	Up to 1.9 million
Department of Revenue Services	GF - Cost	None	Up to 30,000

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill, which establishes a tax credit against the Corporation Business or Personal Income Tax for hiring individuals returning to the community, results in: 1) a significant annual revenue loss beginning in FY 20, and 2) a one-time cost of up to \$30,000 in FY 20 only.

**Section 1** results in a revenue loss of up to \$1.9 million in FY 20 and up to \$3.9 million in FY 21. The annualized revenue loss in FY 22 and beyond is expected to fluctuate between \$1 and \$2 million as the credit expires for certain individuals and other individuals become newly eligible.

**Section 1** also results in a one-time cost of up to \$30,000 to the Department of Revenue Services (DRS) in FY 20 associated with updates to the online Taxpayer Service Center and the agency's Integrated Tax Administration System.

**Section 2** establishes an additional credit-eligible investment under the Neighborhood Assistance Act (NAA) program. This does not result in any fiscal impact as it does not alter the \$5 million cap on the

total amount of credits available under the NAA program, and the program is fully utilized under current law.<sup>1</sup>

**The Out Years**

**State Impact:**

Agency Affected	Fund-Effect	FY 21 \$	FY 22 \$	FY 23 \$
Department of Revenue Services	GF - Revenue Loss	Up to 3.9 million	1 million to 2 million	1 million to 2 million
Department of Revenue Services	GF - Cost	None	None	None

Note: GF=General Fund

**Municipal Impact:** None

Sources: Congressional Research Service *The Work Opportunity Tax Credit*  
Department of Revenue Services *Neighborhood Assistance Act statistics*

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<sup>1</sup> Based on data from the 2016 program year, eligible donations totaled \$7.3 million yielding total credits of \$6.4 million among all program participants. Per statute, DRS must prorate the tax credits if the total amount of credits exceeds the \$5 million cap.

**OLR Bill Analysis****HB 5583*****AN ACT CONCERNING A TAX CREDIT FOR EMPLOYERS THAT EMPLOY INDIVIDUALS CONVICTED OF A FELONY AND ALLOWING ACCESS TO THE NEIGHBORHOOD ASSISTANCE ACT TAX CREDIT BY CERTAIN BUSINESS FIRMS.*****SUMMARY**

This bill establishes a tax credit for businesses that employ individuals who were convicted of a felony. To qualify for the credit, a business must hire such an individual within one year from the date of his or her conviction or release from the Department of Correction's (DOC) custody. Under the bill, the credit is equal to a portion of the qualifying employee's wages for the first two years of his or her employment: 25% of the wages, up to \$10,000, for the first year and 10% of the wages, up to \$5,000, for the second year. Businesses may claim a credit even if the qualifying employee is employed for less than one year. They may apply the credit against the personal income or corporation business taxes, as applicable.

To claim a credit, the business must provide any documentation supporting the claim that the Department of Revenue Services commissioner requires. Businesses who cannot claim the full credit in an income or tax year, as applicable, may apply the unused portion to future taxes for the two immediately succeeding years.

The bill also makes businesses eligible for Neighborhood Assistance Act (NAA) tax credits for cash investments in nonprofits that hire individuals that have been released from DOC custody (see BACKGROUND). Under the bill, the tax credit is 60% of the total cash amount the business invested during the tax year.

EFFECTIVE DATE: July 1, 2019, and applicable to income or tax

years beginning on or after that date, except the NAA provision is effective July 1, 2018.

**BACKGROUND**

***Neighborhood Assistance Act***

The NAA program provides business tax credits to businesses that contribute or invest at least \$250 in municipally- and DRS-approved community activities and programs, including neighborhood assistance, job training, education, child care, crime prevention, open space, and energy conservation programs. The tax credits are (1) 100% for contributions to qualifying energy conservation projects and college loan forgiveness programs and (2) 60% for all other eligible contributions and investments.

The annual limits on NAA credits are (1) generally \$150,000 per business and (2) \$5 million for all businesses. DRS must prorate the tax credits available to businesses if the total amount of credits claimed exceeds the \$5 million cap. The credits apply against the corporation, insurance premium, and other specified business taxes.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable  
Yea 51 Nay 0 (04/05/2018)