



# House of Representatives

General Assembly

**File No. 601**

February Session, 2018

Substitute House Bill No. 5585

*House of Representatives, April 19, 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 substitute bill ought to pass.

## ***AN ACT CONCERNING ENTERPRISE ZONES.***

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

1       Section 1. (*Effective from passage*) The Commissioner of Economic  
2       and Community Development shall develop specific benchmarks for  
3       job creation and state and municipal revenue generated to be used by  
4       the Department of Economic and Community Development to assess  
5       whether businesses certified to receive enterprise zone benefits  
6       pursuant to section 32-70a of the general statutes shall continue to be  
7       eligible for such benefits. The commissioner shall submit a report, in  
8       accordance with the provisions of section 11-4a of the general statutes,  
9       of such benchmarks to the joint standing committees of the General  
10       Assembly having cognizance of matters relating to commerce,  
11       municipalities and finance, revenue and bonding, not later than  
12       January 1, 2019.

13       Sec. 2. (NEW) (*Effective from passage*) (a) On and after July 1, 2019,  
14       any business that intends to construct, substantially renovate or

15 expand a manufacturing facility or a service facility, as both terms are  
16 defined in section 32-9p of the general statutes, in an enterprise zone  
17 designated pursuant to section 32-70 of the general statutes, shall  
18 notify the Commissioner of Economic and Community Development,  
19 in such form and manner as the commissioner prescribes, upon the  
20 filing of any applicable permit with the zoning commission, planning  
21 commission, combined planning and zoning commission, inland  
22 wetlands commission or building department of the municipality in  
23 which the enterprise zone is located, of such business's intent. Upon  
24 receipt of such notice of intent, the commissioner shall negotiate with  
25 such business and the chief elected official of such municipality the  
26 rate and duration of the property tax exemption under subdivision (59)  
27 or (60) of section 12-81 of the general statutes, as amended by this act.  
28 No such negotiated exemption shall exceed the highest amount  
29 allowed for such business under said subdivisions.

30 (b) Any business that intends to apply for an eligibility certificate for  
31 a manufacturing facility or service facility in an enterprise zone that (1)  
32 has been constructed, substantially renovated or expanded on or  
33 before the effective date of this section, or (2) is in the process of being  
34 constructed, substantially renovated or expanded on or after the  
35 effective date of this section but prior to July 1, 2019, shall submit a  
36 notice, in such form and manner as the commissioner prescribes, that  
37 such business intends to apply for an eligibility certificate for such  
38 facility. Such notice of intent shall be submitted prior to July 1, 2019.  
39 Any notice of intent for such facility that is submitted on or after July 1,  
40 2019, shall be subject to the provisions of subsection (a) of this section.

41 Sec. 3. Subdivisions (59) and (60) of section 12-81 of the 2018  
42 supplement to the general statutes are repealed and the following is  
43 substituted in lieu thereof (*Effective July 1, 2019*):

44 (59) (a) [With] Except as otherwise provided under subparagraph  
45 (d) of this subdivision, with respect to assessment years commencing  
46 on or after October 1, 2012, any manufacturing facility, as defined in  
47 section 32-9p, acquired, constructed, substantially renovated or

48 expanded on or after July 1, 1978, in a distressed municipality, as  
49 defined in said section, in a targeted investment community, as  
50 defined in section 32-222, in an enterprise zone designated pursuant to  
51 section 32-70 or in an airport development zone established pursuant  
52 to section 32-75d and for which an eligibility certificate has been issued  
53 by the Department of Economic and Community Development, and  
54 any manufacturing plant designated by the Commissioner of  
55 Economic and Community Development under subsection (a) of  
56 section 32-75c as follows: To the extent of eighty per cent of its  
57 valuation for purposes of assessment in each of the five full assessment  
58 years following the assessment year in which the acquisition,  
59 construction, renovation or expansion of the manufacturing facility is  
60 completed, except that a manufacturing facility having a North  
61 American Industrial Classification Code of 325411 or 325412 and  
62 having at least one thousand full-time employees, as defined in  
63 subsection (f) of section 32-9j, shall be eligible to have the assessment  
64 period extended for five additional years upon approval of the  
65 commissioner, in accordance with all applicable regulations, provided  
66 such full-time employees have not been relocated from another facility  
67 in the state operated by the same eligible applicant;

68 (b) [Any] Except as otherwise provided under subparagraph (d) of  
69 this subdivision, any service facility, as defined in section 32-9p,  
70 acquired, constructed, substantially renovated or expanded on or after  
71 July 1, 1996, and for which an eligibility certificate has been issued by  
72 the Department of Economic and Community Development, as  
73 follows: (i) In the case of an investment of twenty million dollars or  
74 more but not more than thirty-nine million dollars in the service  
75 facility, to the extent of forty per cent of its valuation for purposes of  
76 assessment in each of the five full assessment years following the  
77 assessment year in which the acquisition, construction, renovation or  
78 expansion of the service facility is completed; (ii) in the case of an  
79 investment of more than thirty-nine million dollars but not more than  
80 fifty-nine million dollars in the service facility, to the extent of fifty per  
81 cent of its valuation for purposes of assessment in each of the five full  
82 assessment years following the assessment year in which the

83 acquisition, construction, renovation or expansion of the service  
84 facility is completed; (iii) in the case of an investment of more than  
85 fifty-nine million dollars but not more than seventy-nine million  
86 dollars in the service facility, to the extent of sixty per cent of its  
87 valuation for purposes of assessment in each of the five full assessment  
88 years following the assessment year in which the acquisition,  
89 construction, renovation or expansion of the service facility is  
90 completed; (iv) in the case of an investment of more than seventy-nine  
91 million dollars but not more than ninety million dollars in the service  
92 facility, to the extent of seventy per cent of its valuation for purposes of  
93 assessment in each of the five full assessment years following the  
94 assessment year in which the acquisition, construction, renovation or  
95 expansion of the service facility is completed; or (v) in the case of an  
96 investment of more than ninety million dollars in the service facility, to  
97 the extent of eighty per cent of its valuation for purposes of assessment  
98 in each of the five full assessment years following the assessment year  
99 in which the acquisition, construction, renovation or expansion of the  
100 service facility is completed, except that any financial institution, as  
101 defined in subsection (b) of section 32-236, having at least four  
102 thousand qualified employees, as determined in accordance with an  
103 agreement pursuant to subsection (b) of section 32-236, shall be eligible  
104 to have the assessment period extended for five additional years upon  
105 approval of the commissioner, in accordance with all applicable  
106 regulations, provided such full-time employees have not been  
107 relocated from another facility in the state operated by the same  
108 eligible applicant. In no event shall the definition of qualified  
109 employee be more favorable to the employer than the definition  
110 provided in subsection (b) of section 32-236;

111 (c) The completion date of a manufacturing facility, manufacturing  
112 plant or a service facility will be determined by the Department of  
113 Economic and Community Development taking into account the  
114 issuance of occupancy certificates and such other factors as it deems  
115 relevant. In the case of a manufacturing facility, manufacturing plant  
116 or a service facility which consists of a constructed, renovated or  
117 expanded portion of an existing plant, the assessed valuation of the

118 facility or manufacturing plant is the difference between the assessed  
119 valuation of the plant prior to its being improved and the assessed  
120 valuation of the plant upon completion of the improvements. In the  
121 case of a manufacturing facility, manufacturing plant or a service  
122 facility which consists of an acquired portion of an existing plant, the  
123 assessed valuation of the facility or manufacturing plant is the assessed  
124 valuation of the portion acquired. This exemption shall be applicable  
125 during each such assessment year regardless of any change in the  
126 ownership or occupancy of the facility or manufacturing plant. If  
127 during any such assessment year, however, any facility for which an  
128 eligibility certificate has been issued ceases to qualify as a  
129 manufacturing facility, manufacturing plant or a service facility, the  
130 entitlement to the exemption allowed by this subdivision shall  
131 terminate for the assessment year following the date on which the  
132 qualification ceases, and there shall not be a pro rata application of the  
133 exemption. Any person who desires to claim the exemption provided  
134 in this subdivision shall file annually with the assessor or board of  
135 assessors in the distressed municipality, targeted investment  
136 community, enterprise zone designated pursuant to section 32-70 or in  
137 a town within an airport development zone established pursuant to  
138 section 32-75d in which the manufacturing facility or service facility is  
139 located, on or before the first day of November, a written application  
140 claiming such exemption on a form prescribed by the Secretary of the  
141 Office of Policy and Management. Failure to file such application in  
142 this manner and form within the time limit prescribed shall constitute  
143 a waiver of the right to such exemption for such assessment year,  
144 unless (i) an extension of time is allowed pursuant to section 12-81k,  
145 and upon payment of the required fee for late filing, or (ii) the person  
146 claiming such exemption received a certificate of eligibility on or after  
147 October 1, 2009, and is located in a municipality in New Haven County  
148 with a population of not less than eighteen thousand five hundred and  
149 not more than nineteen thousand five hundred, as enumerated in the  
150 2010 federal decennial census;

151 (d) Any manufacturing facility or service facility, as both terms are  
152 defined in section 32-9p, in an enterprise zone designated pursuant to

153 section 32-70, for which a notice of intent was submitted on or after  
154 July 1, 2019, to the Commissioner of Economic and Community  
155 Development, in accordance with the provisions of subsection (a) of  
156 section 2 of this act, at the rate and duration negotiated pursuant to  
157 said subsection;

158 (60) (a) Except as otherwise provided under subparagraph (c) of this  
159 subdivision, (1) [Machinery] machinery and equipment which  
160 represents an addition to the assessment or grand list of the  
161 municipality in which this exemption is claimed and is installed in any  
162 manufacturing facility, as defined in section 32-9p, which facility is or  
163 has been constructed, or substantially renovated or expanded on or  
164 after July 1, 1978, in a distressed municipality, targeted investment  
165 community, enterprise zone designated pursuant to section 32-70 or in  
166 an airport development zone established pursuant to section 32-75d  
167 and for which an eligibility certificate has been issued by the  
168 Department of Economic and Community Development, concurrently  
169 with and directly attributable to such construction, renovation or  
170 expansion, (2) machinery and equipment which represents an addition  
171 to the assessment or grand list of the municipality in which this  
172 exemption is claimed and is installed, or machinery and equipment  
173 existing, in any manufacturing facility, as defined in section 32-9p,  
174 which facility is or has been acquired on or after July 1, 1978, in a  
175 distressed municipality, targeted investment community, enterprise  
176 zone designated pursuant to section 32-70 or in an airport  
177 development zone established pursuant to section 32-75d and for  
178 which an eligibility certificate has been issued by the Department of  
179 Economic and Community Development, and (3) machinery and  
180 equipment acquired and installed on or after October 1, 1986, in a  
181 manufacturing facility that is or has at one time been certified as  
182 eligible for the exemption under this subparagraph in accordance with  
183 section 32-9r, and which continues to be used for manufacturing  
184 purposes, provided such machinery and equipment is installed in  
185 conjunction with an expansion program that satisfies the requirements  
186 for a manufacturing facility, as defined in section 32-9p, and is  
187 contiguous to and represents an increase in square feet of floor space

188 of not less than fifty per cent of the floor space in the certified  
189 manufacturing facility, as follows: To the extent of eighty per cent of its  
190 valuation for purposes of assessment in each of the five full assessment  
191 years for which the manufacturing facility in which it is installed  
192 qualifies for an exemption under subdivision (59) of this section,  
193 except that a facility having a code classification 2833 or 2834 in the  
194 Standard Industrial Code Classification Manual, United States Office  
195 of Management and Budget, 1987 edition, wherein at least one  
196 thousand new full-time employees, as defined in subsection (f) of  
197 section 32-9j, are employed, shall be eligible to have the assessment  
198 period under this subdivision extended for five additional years upon  
199 approval of the commissioner, provided the commissioner approves  
200 an extension of the assessment period under subdivision (59) of this  
201 section for said facility;

202 (b) Except as otherwise provided under subparagraph (c) of this  
203 subdivision, (1) [Machinery] machinery and equipment which  
204 represents an addition to the assessment or grand list of the  
205 municipality in which this exemption is claimed and is installed in any  
206 service facility, as defined in section 32-9p, which facility is or has been  
207 constructed, or substantially renovated or expanded on or after July 1,  
208 1996, and for which an eligibility certificate has been issued by the  
209 Department of Economic and Community Development, concurrently  
210 with and directly attributable to such construction, renovation or  
211 expansion, (2) machinery and equipment which represents an addition  
212 to the assessment or grand list of the municipality in which this  
213 exemption is claimed and is installed, or machinery and equipment  
214 existing, in any service facility, as defined in section 32-9p, which  
215 facility is or has been acquired on or after July 1, 1996, and for which  
216 an eligibility certificate has been issued by the department, and (3)  
217 machinery and equipment acquired and installed on or after July 1,  
218 1996, in a service facility that is or has at one time been certified as  
219 eligible for the exemption under this subparagraph in accordance with  
220 section 32-9r and which continues to be used for service purposes,  
221 provided such machinery and equipment is installed in conjunction  
222 with an expansion program that satisfies the requirements for a service

223 facility, as defined in section 32-9p, and is contiguous to and represents  
224 an increase in square feet of floor space of not less than fifty per cent of  
225 the floor space in the certified service facility, as follows: (i) In the case  
226 of an investment of twenty million dollars or more but not more than  
227 thirty-nine million dollars in the service facility, to the extent of forty  
228 per cent of its valuation for purposes of assessment in each of the five  
229 full assessment years for which the service facility in which it is  
230 installed qualifies for an exemption under subdivision (59) of this  
231 section; (ii) in the case of an investment of more than thirty-nine  
232 million dollars but not more than fifty-nine million dollars in the  
233 service facility, to the extent of fifty per cent of its valuation for  
234 purposes of assessment in each of the five full assessment years for  
235 which the service facility in which it is installed qualifies for an  
236 exemption under subdivision (59) of this section; (iii) in the case of an  
237 investment of more than fifty-nine million dollars but not more than  
238 seventy-nine million dollars in the service facility, to the extent of sixty  
239 per cent of its valuation for purposes of assessment in each of the five  
240 full assessment years for which the service facility in which it is  
241 installed qualifies for an exemption under subdivision (59) of this  
242 section; (iv) in the case of an investment of more than seventy-nine  
243 million dollars but not more than ninety million dollars in the service  
244 facility, to the extent of seventy per cent of its valuation for purposes of  
245 assessment in each of the five full assessment years for which the  
246 service facility in which it is installed qualifies for an exemption under  
247 subdivision (59) of this section; or (v) in the case of an investment of  
248 more than ninety million dollars in the service facility, to the extent of  
249 eighty per cent of its valuation for purposes of assessment in each of  
250 the five full assessment years for which the service facility in which it  
251 is installed qualifies for an exemption under subdivision (59) of this  
252 section, except that any financial institution, as defined in section 32-  
253 236, having at least four thousand qualified employees, as determined  
254 in accordance with an agreement pursuant to subsection (c) of section  
255 32-236, shall be eligible to have the assessment period extended for five  
256 additional years upon approval of the commissioner, in accordance  
257 with all applicable regulations, provided such full-time employees



258 have not been relocated from another facility in the state operated by  
259 the same eligible applicant. In no event shall the definition of qualified  
260 employee be more favorable to the employer than the definition  
261 provided in section 32-236;

262 (c) Machinery and equipment described under subparagraph (a) of  
263 this subdivision, which is installed in any manufacturing facility or  
264 service facility, as both terms are defined in section 32-9p, which  
265 facility is in an enterprise zone designated pursuant to section 32-70  
266 and for which a notice of intent was submitted on or after July 1, 2019,  
267 to the Commissioner of Economic and Community Development, in  
268 accordance with the provisions of subsection (a) of section 2 of this act,  
269 at the rate negotiated pursuant to said subsection;

270 [(c) This] (d) The exemption under this subdivision shall terminate  
271 for the assessment year next following if the manufacturing facility or  
272 service facility in which such machinery and equipment is installed no  
273 longer qualifies for an exemption under said subdivision (59), and  
274 there shall not be a pro rata application of the exemption of such  
275 machinery and equipment in the assessment year of such termination.  
276 Any person who desires to claim the exemption provided in this  
277 subdivision shall file annually with the assessor or board of assessors  
278 in the distressed municipality, targeted investment community,  
279 enterprise zone designated pursuant to section 32-70 or a town in an  
280 airport development zone established pursuant to section 32-75d in  
281 which the manufacturing facility or service facility is located, on or  
282 before the first day of November, written application claiming such  
283 exemption on a form prescribed by the Secretary of the Office of Policy  
284 and Management. Failure to file such application in this manner and  
285 form within the time limit prescribed shall constitute a waiver of the  
286 right to such exemption for such assessment year, unless an extension  
287 of time is allowed pursuant to section 12-81k, and upon payment of the  
288 required fee for late filing. This exemption shall not apply to rolling  
289 stock;

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>July 1, 2019</i>	12-81(59) and (60)

**Statement of Legislative Commissioners:**

In Sections 3(59)(d) and (60)(c), "subdivision" was changed to "subsection" for accuracy.

**FIN**      *Joint Favorable Subst. -LCO*

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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.

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**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 19 \$</b>	<b>FY 20 \$</b>
Policy & Mgmt., Off.	GF - Cost/Savings	None	Potential

Note: GF=General Fund

**Municipal Impact:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 19 \$</b>	<b>FY 20 \$</b>
All Distressed Municipalities	Grand List Increase/Decrease	None	Potential

**Explanation**

The bill results in the following impacts:

**Section 1** of the bill has no fiscal impact by requiring the Department of Economic and Community Development (DECD) to develop specific benchmarks to assess continued eligibility of businesses for benefits under the enterprise zone program. DECD is currently developing such benchmarks.

While there is no cost to develop benchmarks, there may be a cost to DECD to apply benchmarks to the enterprise zone program. Such cost, if any, would depend upon the scope and frequency of business assessment required by the benchmarks yet to be developed.

Between 2013 and 2017, DECD certified 210 businesses as eligible for enterprise zone participants.

**Sections 2 and 3** allow the DECD and distressed municipalities to

negotiate certain property tax benefits for manufacturers located in enterprise zones.

The impact of the bill will depend on the monetary value of the benefits negotiated, relative to the benefits that eligible manufacturers currently receive. An expansion of these benefits results in a grand list reduction in effected municipalities, while a reduction in benefits results in a grand list expansion.

The bill results in a cost, or savings, to the Distressed Municipalities grant program within the Office of Policy and Management (OPM). OPM is required to reimburse municipalities for 50% of the tax loss related to the benefits provided to manufacturers located in enterprise zones. Any increase or decrease in the cost to fully fund the program will vary based on the value of the negotiated benefits.

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

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

Source: Dept of Economic and Community Development, Connecticut's Enterprise Zone Program Guide <http://www.ct.gov/ecd/cwp/view.asp?a=1099&q=249762>

**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)