
OLR Bill Analysis

sSB 1026

AN ACT ESTABLISHING CERTAIN INCENTIVES TO GROW THE BIOSCIENCE INDUSTRY IN THE STATE.

SUMMARY

This bill:

1. phases out the capital base tax on corporations over three income years, from 2020 to 2022 (§ 1);
2. increases the limit on specified corporation business tax credits from 70% to 100%, thus allowing corporations to use these credits to reduce all of their corporation tax liability in any income year (§ 2);
3. requires, rather than allows, the Department of Economic and Community Development (DECD) to establish a Connecticut development, research, and economic assistance matching grant program and earmarks at least \$5 million in existing Manufacturing Assistance Act (MAA) bond funds for the program (§§ 3 & 4);
4. requires Connecticut Innovations (CI) to contract with an advertising agency to create a marketing plan, social media campaign, and dedicated website to promote Connecticut as a bioscience hub and earmarks up to \$1 million in existing Connecticut Bioscience Innovation Fund bonds to fund the contract (§§ 5 & 6); and
5. requires the DECD commissioner, within available appropriations, to appoint a biotechnology ambassador (§ 7).

EFFECTIVE DATE: July 1, 2019, unless otherwise noted below.

§ 1 — CAPITAL BASE TAX

Under current law, the capital base tax rate is 3.1 mills per dollar of a corporation's capital base (i.e., its net worth apportioned to Connecticut). Under the bill, the rate decreases to 2.1 mills in 2020, 1.1 mills in 2021, and zero mills beginning in 2022.

The capital base tax is a component of the state's corporation business tax. Under current law, for most corporations, the tax rate is (1) 7.5% of net income, (2) 3.1 mills per dollar of capital base (up to \$1 million), or (3) \$250, whichever produces the larger tax.

EFFECTIVE DATE: Upon passage

§ 2 — CORPORATION TAX CREDIT LIMIT FOR EXCESS CREDITS

Existing law generally caps the amount of tax credits corporations may claim against the corporation business tax for any income year to 50.01% of their tax liability. Under current law, corporations with tax credits for research and experimental expenditures, research and development expenditures, or urban and industrial sites reinvestment projects (i.e., excess credits) that remain after applying the 50.01% cap, may use such excess credits to reduce up to 70% of their tax liability. The bill increases this limit from 70% to 100%, thus allowing corporations to use these credits to reduce all of their corporation tax liability in any income year.

EFFECTIVE DATE: July 1, 2019, and applicable to income and tax years beginning on or after January 1, 2019.

§§ 3 & 4 — CONNECTICUT DEVELOPMENT, RESEARCH, AND ECONOMIC ASSISTANCE MATCHING GRANT PROGRAM

Current law authorizes DECD to establish a Connecticut development, research, and economic assistance matching grant program to, within available appropriations, provide financial aid to (1) small businesses seeking help to commercialize certain research, (2) Connecticut businesses participating in the federal technology support program, and (3) micro businesses conducting research and development.

The bill (1) requires, rather than allows, DECD to establish the

program; (2) removes the restriction that it implements the program within available appropriations; and (3) earmarks at least \$5 million in existing MAA bond authorizations for the program (\$2.5 million per year for FYs 20 and 21).

EFFECTIVE DATE: October 1, 2020, for the matching grant program provision.

§§ 5 & 6 — BIOSCIENCE HUB PROMOTION

By February 1, 2020, the bill requires CI, in consultation with a bioscience trade group, to contract with an advertising agency to create a marketing plan, social media campaign, and dedicated website to promote Connecticut as a bioscience hub. It earmarks at least \$1 million of the existing \$25 million FY 20 bond authorization for the Connecticut Bioscience Innovation Fund to pay for the contract.

CI must, by January 1, 2021, report to the Commerce Committee on the results of the marketing plan, campaign, and website.

§ 7 — BIOTECHNOLOGY AMBASSADOR

The bill requires the DECD commissioner, within available appropriations, to appoint a biotechnology ambassador who has (1) at least 10 years of biotechnology industry experience, (2) a financial management background, and (3) familiarity with current state and federal biotechnology assistance programs.

The ambassador must:

1. be a liaison to the state's biotechnology companies and startups;
2. host regular forums for biotechnology companies to share their opinions and needs;
3. evaluate targeted financial incentives for growing biotechnology companies;
4. prioritize investments in the parts of the state with the highest concentration of biotechnology companies;

5. explore opportunities for capturing economic centers related to Yale University's new genomics and precision medicine effort;
6. partner with academic, medical, and private-sector stakeholders to create a biotechnology-specific incubator with lab space for early-state biotechnology companies;
7. work with CI to attract private venture capital to the state's biotechnology companies; and
8. expand mentorship capabilities and outreach to potential biotechnology entrepreneurs.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/19/2019)