



General Assembly

January Session, 2021

Raised Bill No. 1108

LCO No. 6483



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT CONCERNING A CONNECTICUT NEW MARKETS TAX CREDIT PROGRAM.

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

- 1 Section 1. (NEW) (*Effective July 1, 2021*) (a) As used in this section:
- 2 (1) "CHEFA Community Development Corporation" means the
3 community development corporation established as a subsidiary of the
4 Connecticut Health and Educational Facilities Authority pursuant to
5 subsection (k) of section 10a-179 of the general statutes;
- 6 (2) "Community benefits" means activities that address a low-income
7 community's needs and social and economic priorities, primarily
8 through (A) the creation or retention of quality and accessible jobs, as
9 determined by the CHEFA Community Development Corporation,
10 within such community, (B) increasing access to high-quality goods or
11 services or healthy food for residents of such community, or (C) the
12 making or facilitation of environmental improvements to such
13 community;

14 (3) "Community business" means:

15 (A) Any organization exempt from taxation pursuant to Section
16 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent
17 corresponding internal revenue code of the United States, as amended
18 from time to time, that is located in the state and for which (i) a
19 substantial portion of the use of the tangible property of such business,
20 whether owned or leased, is within a low-income community, and (ii) a
21 substantial portion of the services performed for such business by its
22 employees are performed in a low-income community; or

23 (B) A subsidiary of such organization, which subsidiary (i) is located
24 in the state, (ii) satisfies the provisions of subparagraphs (A)(i) and
25 (A)(ii) of this subdivision, and (iii) has as its purpose the furtherance of
26 the charitable mission of the organization;

27 (4) "Community development entity" means a corporation or limited
28 liability company that (A) is a subsidiary established pursuant to
29 subdivision (2) of subsection (b) of this section of the CHEFA
30 Community Development Corporation, (B) has a primary mission of
31 serving or providing capital for low-income communities or residents
32 of low-income communities, and (C) maintains accountability to
33 residents of low-income communities through such residents'
34 representation on any governing board of such entity or any advisory
35 board of such entity;

36 (5) "Eligible costs" means, for purposes of the provision of a
37 community benefit: (A) Capitalization required for a program that is
38 developed, sponsored or managed by a community business and that
39 benefits a low-income community; (B) the costs (i) of construction and
40 for the acquisition of lands, structures, real or personal property, rights,
41 rights-of-way, franchises, easements and interest, necessary for a
42 project, (ii) of the demolition or removal of any buildings or structures
43 on land so acquired, and (iii) for the acquisition of any land to which
44 such buildings or structures may be moved; (C) the costs for (i) the
45 acquisition of machinery and equipment, (ii) the provision of working

46 capital, and (iii) enlargements, additions, extensions, replacements,
47 renovations and improvements; (D) the costs of engineering, financial
48 and legal services and for plans, specifications, studies, surveys and
49 estimates of costs and revenues; and (E) administrative expenses,
50 expenses necessary or incident to determining the feasibility or
51 practicability of constructing a project and such other expenses as may
52 be necessary or incident to (i) the construction and acquisition of a
53 project, (ii) the financing of such construction or acquisition, and (iii) the
54 placing of a project in operation;

55 (6) "Low-income community" means a census tract in the state for
56 which (A) the poverty rate for such tract is at least twenty per cent, (B)
57 the median family income for such tract, if such tract is not located in a
58 metropolitan area, does not exceed eighty per cent of the state-wide
59 median family income, or (C) the median family income for such tract,
60 if such tract is located in a metropolitan area, does not exceed eighty per
61 cent of the greater of the state-wide median family income or the
62 metropolitan area median family income;

63 (7) "Project" means a building or structure owned in its entirety by, or
64 suitable for use in accordance with the charitable mission of, a
65 community business, including machinery, equipment and other
66 similar items necessary or convenient for the operation of the building,
67 structure or community business;

68 (8) "Qualified equity investment" means an equity investment,
69 acquired at its original issuance on or after July 1, 2021, solely in
70 exchange for cash, in a community development entity and that is
71 designated as a qualified investment by the CHEFA Community
72 Development Corporation pursuant to subsection (b) of this section; and

73 (9) "Qualified low-income community investment" means an equity
74 investment in or a loan to a community business.

75 (b) There is established a Connecticut new markets tax credit
76 program to stimulate economic development in low-income
77 communities. The CHEFA Community Development Corporation shall

78 adopt written procedures in accordance with section 1-121 of the general
79 statutes to establish any requirements of the program and to implement
80 the provisions of this section.

81 (1) (A) Any taxpayer may make an equity investment in a community
82 development entity for the calendar years 2022 and 2023. For said
83 calendar years, the CHEFA Community Development Corporation may
84 designate an equity investment in a community development entity as
85 a qualified equity investment and the holder of such equity investment
86 shall be eligible for a credit against the tax imposed under chapter 207,
87 208, 208a, 209, 210, 211 or 212a of the general statutes or section 38a-743
88 of the general statutes, in accordance with the provisions of subsection
89 (d) of this section.

90 (B) The aggregate amount of qualified equity investments designated
91 under this section shall not exceed ten million dollars for calendar year
92 2022 and ten million dollars for calendar year 2023.

93 (2) The CHEFA Community Development Corporation may form
94 one or more subsidiaries for the purposes of carrying out the public
95 purposes of this section. Any such subsidiary may be organized as a
96 stock or nonstock corporation or a limited liability company. The
97 CHEFA Community Development Corporation shall adopt a resolution
98 prescribing the purposes for which such subsidiary is formed and the
99 powers of the CHEFA Community Development Corporation such
100 subsidiary shall have and may exercise.

101 (3) Each community development entity shall use substantially all of
102 the cash purchase price of a qualified equity investment, within twelve
103 months of the date of issuance of such investment, to make qualified
104 low-income community investments in a community business or
105 businesses. Thereafter, each community development entity shall
106 maintain not less than eighty-five per cent of such cash purchase price
107 in qualified low-income community investments in a community
108 business or businesses for the term of the qualified equity investment.

109 (c) (1) Any community business may apply to the CHEFA

110 Community Development Corporation for approval as a business
111 eligible to receive qualified low-income community investments under
112 this section. The application shall include (A) the name of the business
113 and a copy of the organizational documents of such business, (B) a
114 description of the community benefit such business provides or seeks to
115 provide, (C) a description of the eligible costs for which the community
116 business will use the proceeds of the qualified low-income community
117 investment and the expected amount of such eligible costs, and (D) such
118 other information as the CHEFA Community Development
119 Corporation may require.

120 (2) Any community business that receives a qualified low-income
121 community investment shall use the proceeds of such investment for
122 eligible costs. The aggregate amount of qualified low-income
123 community investments made in any community business shall not
124 exceed forty per cent of the expected eligible costs or two million dollars,
125 whichever is less.

126 (d) (1) The credit allowed under this section may be claimed as
127 follows: (A) For the income year in which a qualified equity investment
128 is made and for the next succeeding income year, ten per cent of the
129 amount of the qualified equity investment; and (B) for each of the next
130 succeeding five income years, sixteen per cent of the amount of the
131 qualified equity investment.

132 (2) If any credit or any portion of a credit allowed under this section
133 is not used because the amount of the credit exceeds the tax due and
134 owing by the taxpayer, the unused amount may be carried forward for
135 the five immediately succeeding income years or until the full credit has
136 been claimed, whichever occurs earlier.

137 (3) Any taxpayer allowed a credit under this section may sell, assign
138 or otherwise transfer such credit, in whole or in part, to one or more
139 taxpayers, provided such credit may not be sold, assigned or transferred
140 more than three times.

141 (4) Any taxpayer allowed a credit under this section may be subject

142 to a credit recapture if the qualified low-income community investment
143 ceases to be used for the purposes of providing a community benefit, a
144 qualified low-income community investment is repaid or returned to a
145 community development entity or a qualified equity investment is
146 repaid or returned to the holder of such qualified equity investment.

147 (f) (1) Not later than forty-five days after the CHEFA Community
148 Development Corporation designates an equity investment as a
149 qualified equity investment pursuant to subsection (b) of this section,
150 said corporation shall submit a form to the Department of Revenue
151 Services, in a form and manner prescribed by the Commissioner of
152 Revenue Services, that includes the date of issuance and the amount of
153 the qualified equity investment, the identity of the taxpayer that holds
154 such qualified equity investment and such other information the
155 department deems necessary.

156 (2) After the CHEFA Community Development Corporation
157 designates its first qualified equity investment under subsection (b) of
158 this section, said corporation shall submit a quarterly report to the
159 Department of Revenue Services that includes the amounts of qualified
160 low-income community investments made, the dates such qualified
161 low-income community investments were made and verification that
162 the qualified low-income community investments were made, and
163 continue to be invested, in eligible community businesses.

164 (g) If the CHEFA Community Development Corporation or the
165 Commissioner of Revenue Services determines that a recapture of a
166 credit or a portion of a credit allowed under this section is warranted,
167 the commissioner shall notify the affected taxpayer of the proposed
168 recapture. The affected taxpayer shall have ninety days after receipt of
169 such notice to cure any deficiency noted in the commissioner's recapture
170 notice. If the affected taxpayer fails or is unable to cure the deficiency,
171 the commissioner shall issue a final order of recapture to the affected
172 taxpayer that includes the amount and any penalty and interest to be
173 recaptured on such taxpayer's next tax return required to be filed, and
174 shall provide a copy of such final order to the CHEFA Community

175 Development Corporation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2021	New section

Statement of Purpose:

To establish a Connecticut new markets tax credit program for calendar years 2022 and 2023.

[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.]