



House of Representatives

General Assembly

File No. 597

February Session, 2022

House Bill No. 5127

House of Representatives, April 25, 2022

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT ESTABLISHING THE JOBSCT TAX REBATE PROGRAM.

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

1 Section 1. (NEW) (*Effective July 1, 2022, and applicable to taxable years*
2 *commencing on or after January 1, 2023*) (a) As used in this section:

3 (1) "Commissioner" means the Commissioner of Economic and
4 Community Development;

5 (2) "Discretionary FTE" means an FTE that is paid qualified wages
6 and does not meet the threshold wage requirements to be a qualified
7 FTE but is approved by the commissioner pursuant to subdivision (4) of
8 subsection (c) of this section;

9 (3) "Distressed municipality" has the same meaning as provided in
10 section 32-9p of the general statutes;

11 (4) "Full-time equivalent" or "FTE" means the number of employees
12 employed at a qualified business, calculated in accordance with
13 subsection (d) of this section;

14 (5) "Full-time job" means a job in which an employee is required to
15 work at least thirty-five or more hours per week. "Full-time job" does
16 not include a temporary or seasonal job;

17 (6) "Median household income" means the median annual household
18 income for residents in a municipality as calculated from the U.S.
19 Census Bureau's five-year American Community Survey or another
20 data source, at the sole discretion of the commissioner;

21 (7) "New employee" means a person or persons hired by the qualified
22 business to fill a full-time equivalent position. A new employee does not
23 include a person who was employed in this state by a related person
24 with respect to the qualified business within twelve months prior to a
25 qualified business' application to the commissioner for a rebate
26 allocation notice for a job creation rebate pursuant to subsection (c) of
27 this section;

28 (8) "New FTEs" means the number of FTEs that (A) did not exist in
29 this state at the time of a qualified business' application to the
30 commissioner for a rebate allocation notice for a job creation rebate
31 pursuant to subsection (c) of this section, (B) are not the result of FTEs
32 acquired due to a merger or acquisition, (C) are filled by a new
33 employee, (D) are qualified FTEs, and (E) are not FTEs hired to replace
34 FTEs that existed in the state after January 1, 2020. The commissioner
35 may issue guidance on the implementation of this definition;

36 (9) "New FTEs created" means the number of new FTEs that the
37 qualified business is employing at a point-in-time at the end of the
38 relevant time period;

39 (10) "New FTEs maintained" means the total number of new FTEs
40 employed throughout a relevant time period;

41 (11) "Opportunity zone" means a population census tract that is a
42 low-income community that is designated as a "qualified opportunity
43 zone" pursuant to the Tax Cuts and Jobs Act of 2017, P.L. 115-97, as
44 amended from time to time;

45 (12) "Part-time job" means a job in which an employee is required to
46 work less than thirty-five hours per week. "Part-time job" does not
47 include a temporary or seasonal job;

48 (13) "Qualified business" means a person that is (A) engaged in
49 business in an industry related to finance, insurance, manufacturing,
50 clean energy, bioscience, technology, digital media or any similar
51 industry, as determined by the sole discretion of the commissioner, and
52 (B) subject to taxation under chapter 207, 208 or 228z of the general
53 statutes;

54 (14) "Qualified FTE" means an FTE who is paid qualified wages of at
55 least eighty-five per cent of the median household income for the
56 location where the FTE position is primarily located, scaled in
57 proportion to the FTE fraction, or thirty-seven thousand five hundred
58 dollars, scaled in proportion to the FTE fraction, whichever is greater;

59 (15) "Qualified wages" means wages sourced to this state pursuant to
60 section 12-705 of the general statutes;

61 (16) "Rebate period" means the calendar years in which a tax rebate
62 provided for in this section is to be paid pursuant to a contract executed
63 pursuant to subsection (c) of this section; and

64 (17) "Related person" means (A) a corporation, limited liability
65 company, partnership, association or trust controlled by the qualified
66 business, (B) an individual, corporation, limited liability company,
67 partnership, association or trust that is in control of the qualified
68 business, (C) a corporation, limited liability company, partnership,
69 association or trust controlled by an individual, corporation, limited
70 liability company, partnership, association or trust that is in control of
71 the qualified business, or (D) a member of the same controlled group as
72 the qualified business. For the purposes of this subdivision, "control"
73 means (i) ownership, directly or indirectly, of stock possessing fifty per
74 cent or more of the total combined voting power of all classes of the
75 stock of a corporation entitled to vote, (ii) ownership, directly or
76 indirectly, of fifty per cent or more of the capital or profits interest in a

77 partnership, limited liability company or association, or (iii) ownership,
78 directly or indirectly, of fifty per cent or more of the beneficial interest
79 in the principal or income of a trust. The ownership of stock in a
80 corporation, of a capital or profits interest in a partnership, of a limited
81 liability company or association or of a beneficial interest in a trust shall
82 be determined in accordance with the rules for constructive ownership
83 of stock provided in Section 267(c) of the Internal Revenue Code of 1986,
84 or any subsequent corresponding internal revenue code of the United
85 States, as amended from time to time, other than paragraph (3) of said
86 section.

87 (b) There is established a JobsCT tax rebate program under which
88 qualified businesses that create jobs in this state, in accordance with the
89 provisions of this section, may be allowed a tax rebate, which shall be
90 treated as a credit against the tax imposed under chapter 208 or 228z of
91 the general statutes or as an offset of the tax imposed under chapter 207
92 of the general statutes.

93 (c) (1) To be eligible to claim a rebate under this section, a qualified
94 business shall apply to the commissioner in accordance with the
95 provisions of this subsection. The application shall be on a form
96 prescribed by the commissioner and may require information,
97 including, but not limited to, the number of new FTEs to be created by
98 the qualified business, the number of current FTEs employed by the
99 qualified business, feasibility studies or business plans for the increased
100 number of FTEs, projected state and local revenue that may reasonably
101 derive as a result of the increased number of FTEs and any other
102 information necessary to determine whether there will be net benefits to
103 the economy of the municipality or municipalities in which the qualified
104 business is primarily located and the state.

105 (2) Upon receipt of an application, the commissioner shall determine
106 (A) whether the qualified business making the application will be
107 reasonably able to meet the FTE hiring targets and other metrics as
108 presented in such application, (B) whether such qualified business'
109 proposed job growth would provide a net benefit to economic

110 development and employment opportunities in the state, and (C)
111 whether such qualified business' proposed job growth will exceed the
112 number of jobs at the business that existed prior to January 1, 2020. The
113 commissioner may require the applicant to submit additional
114 information to evaluate an application. Each qualified business making
115 an application shall satisfy the requirements of this subdivision, as
116 determined by the commissioner, to be eligible for the JobsCT tax rebate
117 program.

118 (3) The commissioner, upon consideration of an application and any
119 additional information, may approve an application in whole or in part
120 or may approve an application with amendments. If the commissioner
121 disapproves an application, the commissioner shall identify the defects
122 in such application and explain the specific reasons for the disapproval.
123 The commissioner shall render a decision on an application not later
124 than ninety days after the date of its receipt by the commissioner.

125 (4) The commissioner may approve an application in whole or in part
126 by a qualified business that creates new discretionary FTEs or may
127 approve such an application with amendments if a majority of such new
128 discretionary FTEs are individuals who (A) because of a disability, are
129 receiving or have received services from the Department of Aging and
130 Disability Services; (B) are receiving employment services from the
131 Department of Mental Health and Addiction Services or participating in
132 employment opportunities and day services, as defined in section 17a-
133 226 of the general statutes, operated or funded by the Department of
134 Developmental Services; (C) have been unemployed for at least six of
135 the preceding twelve months; (D) have been convicted of a
136 misdemeanor or felony; (E) are veterans, as defined in section 27-103 of
137 the general statutes; (F) have not earned any postsecondary credential
138 and are not currently enrolled in an postsecondary institution or
139 program; or (G) are currently enrolled in a workforce training program
140 fully or substantially paid for by the employer that results in such
141 individual earning a postsecondary credential.

142 (5) The commissioner may combine approval of an application with

143 the exercise of any of the commissioner's other powers, including, but
144 not limited to, the provision of other financial assistance.

145 (6) The commissioner shall enter into a contract with an approved
146 qualified business, which shall include, but need not be limited to, a
147 requirement that the qualified business consent to the Department of
148 Economic and Community Development's access of data compiled by
149 other state agencies, including, but not limited to, the Labor
150 Department, for the purposes of audit and enforcement and, if a
151 qualified business is approved by the commissioner in accordance with
152 subdivision (4) of this subsection, the required wage such business shall
153 pay new discretionary FTEs to qualify for the tax rebates provided for
154 in subsection (f) of this section.

155 (7) Upon signing a contract with an approved qualified business, the
156 commissioner shall issue a rebate allocation notice stating the maximum
157 amount of each rebate available to such business for the rebate period
158 and the specific terms that such business shall meet to qualify for each
159 rebate. Such notice shall certify to the approved qualified business that
160 the rebates may be claimed by such business if it meets the specific terms
161 set forth in the notice.

162 (d) For the purposes of this section, the FTE of a full-time job or part-
163 time job is based on the hours worked or expected to be worked by an
164 employee in a calendar year. A job in which an employee worked or is
165 expected to work one thousand seven hundred fifty hours or more in a
166 calendar year equals one FTE. A job in which an employee worked or is
167 expected to work less than one thousand seven hundred fifty hours
168 equals a fraction of one FTE, where the fraction is the number of hours
169 worked in a calendar year divided by one thousand seven hundred fifty.
170 The commissioner shall have the discretion to adjust the calculation of
171 FTE.

172 (e) (1) In each calendar year of the rebate period, a qualified business
173 approved by the commissioner pursuant to subdivision (3) of subsection
174 (c) of this section that employs at least twenty-five new FTEs in this state
175 by December thirty-first of the calendar year that is two calendar years

176 prior to the calendar year in which the rebate is being claimed shall be
177 allowed a rebate equal to the greater of the following amounts:

178 (A) The sum of:

179 (i) The lesser of (I) the new FTEs created in an opportunity zone or
180 distressed municipality on December thirty-first of the calendar year
181 that is two calendar years prior to the calendar year in which the rebate
182 is being claimed, or (II) the new FTEs maintained in an opportunity zone
183 or distressed municipality in the previous calendar year, multiplied by
184 fifty per cent of the income tax that would be paid on the average wage
185 of the new FTEs, as determined by the applicable marginal rate set forth
186 in chapter 229 of the general statutes for an unmarried individual based
187 solely on such wages; and

188 (ii) The lesser of (I) the new FTEs created on December thirty-first of
189 the calendar year that is two calendar years prior to the calendar year in
190 which the rebate is being claimed, or (II) the new FTEs maintained in a
191 location other than an opportunity zone or distressed municipality in
192 the previous calendar year, multiplied by twenty-five per cent of the
193 income tax that would be paid on the average wage of the new FTEs, as
194 determined by the applicable marginal rate set forth in chapter 229 of
195 the general statutes for an unmarried individual based solely on such
196 wages; or

197 (B) The greater of:

198 (i) One thousand dollars multiplied by the lesser of (I) the new FTEs
199 created by December thirty-first of the calendar year that is two calendar
200 years prior to the calendar year in which the rebate is being claimed, or
201 (II) the new FTEs maintained in the calendar year immediately prior to
202 the calendar year in which the rebate is being claimed; or

203 (ii) For tax credits earned, claimed or payable prior to January 1, 2024,
204 two thousand dollars multiplied by the lesser of (I) the new FTEs created
205 by December 31, 2022, or (II) the new FTEs maintained in the calendar
206 year immediately prior to the calendar year in which the rebate is being

207 claimed.

208 (2) In no event shall the rebate under this subsection exceed in any
209 calendar year of the rebate period five thousand dollars multiplied by
210 the lesser of (A) the new FTEs created by December thirty-first of the
211 calendar year that is two calendar years prior to the calendar year in
212 which the rebate is being claimed, or (B) the new FTEs maintained in the
213 calendar year immediately prior to the calendar year in which the rebate
214 is being claimed.

215 (3) In no event shall an approved qualified business receive a rebate
216 under this subsection in any calendar year of the rebate period if such
217 business has not maintained at least twenty-five new FTEs in the
218 calendar year immediately prior to the calendar year in which the rebate
219 is being claimed.

220 (f) (1) In each calendar year of the rebate period, a qualified business
221 approved by the commissioner pursuant to subdivision (4) of subsection
222 (c) of this section that employs at least twenty-five new discretionary
223 FTEs in this state by December thirty-first of the calendar year that is
224 two calendar years prior to the calendar year in which the rebate is being
225 claimed shall be allowed a rebate equal to the sum of the amount
226 calculated pursuant to subdivision (1) of subsection (e) of this section
227 and the greater of the following:

228 (A) The sum of:

229 (i) The lesser of the new discretionary FTEs (I) created in an
230 opportunity zone or distressed municipality on December thirty-first of
231 the calendar year that is two calendar years prior to the calendar year in
232 which the rebate is being claimed, or (II) maintained in an opportunity
233 zone or distressed municipality in the previous calendar year,
234 multiplied by fifty per cent of the income tax that would be paid on the
235 average wage of the new discretionary FTEs, as determined by the
236 applicable marginal rate set forth in chapter 229 of the general statutes
237 for an unmarried individual based solely on such wages; and

238 (ii) The lesser of the new discretionary FTEs (I) created on December
239 thirty-first of the calendar year that is two calendar years prior to the
240 calendar year in which the rebate is being claimed, or (II) maintained in
241 a location other than an opportunity zone or distressed municipality in
242 the previous calendar year, multiplied by twenty-five per cent of the
243 income tax that would be paid on the average wage of the new
244 discretionary FTEs, as determined by the applicable marginal rate set
245 forth in chapter 229 of the general statutes for an unmarried individual
246 based solely on such wages; or

247 (B) The greater of:

248 (i) Seven hundred fifty dollars multiplied by the lesser of the new
249 discretionary FTEs (I) created by December thirty-first of the calendar
250 year that is two calendar years prior to the calendar year in which the
251 rebate is being claimed, or (II) maintained in the calendar year
252 immediately prior to the calendar year in which the rebate is being
253 claimed; or

254 (ii) For tax credits earned, claimed or payable prior to January 1, 2024,
255 one thousand five hundred dollars multiplied by the lesser of (I) the new
256 FTEs created by December 31, 2022, or (II) the new FTEs maintained in
257 the calendar year immediately prior to the calendar year in which the
258 rebate is being claimed.

259 (2) In no event shall the rebate under this section exceed in any
260 calendar year of the rebate period five thousand dollars multiplied by
261 the lesser of the new discretionary FTEs (A) created by December thirty-
262 first of the calendar year that is two calendar years prior to the calendar
263 year in which the rebate is being claimed, or (B) maintained in the
264 calendar year immediately prior to the calendar year in which the rebate
265 is being claimed.

266 (3) In no event shall an approved qualified business receive a rebate
267 under this subsection in any calendar year of the rebate period if such
268 business has not maintained at least twenty-five new discretionary FTEs
269 in the calendar year immediately prior to the calendar year in which the

270 rebate is being claimed.

271 (g) (1) Notwithstanding the provisions of subdivisions (3) and (4) of
272 subsection (c) of this section, the commissioner may not approve an
273 application in whole or in part if the full amount of rebates that such
274 applicant may be paid pursuant to subsection (e) or (f) of this section
275 would result in the aggregate amount of rebates issued to all approved
276 qualified businesses under this section exceeding forty million dollars
277 in any fiscal year.

278 (2) Notwithstanding the provisions of subdivision (4) of subsection
279 (c) of this section, the commissioner may not approve an application in
280 whole or in part if the full amount of rebates that such applicant may be
281 paid pursuant to subsection (f) of this section would result in the
282 aggregate amount of rebates issued pursuant to subsection (f) of this
283 section exceeding ten million dollars in any fiscal year.

284 (h) (1) A rebate under this section may be granted to an approved
285 qualified business for not more than seven successive calendar years. A
286 rebate shall not be granted until at least twenty-four months after the
287 commissioner's approval of a qualified business' application.

288 (2) An approved qualified business that has fewer than twenty-five
289 new FTEs created in each of two consecutive calendar years or, if such
290 business is approved by the commissioner pursuant to subdivision (4)
291 of subsection (c) of this section, fewer than twenty-five new
292 discretionary FTEs in each of two consecutive calendar years shall
293 forfeit all remaining rebate allocations, unless the commissioner
294 recognizes mitigating circumstances of a regional or national nature,
295 including, but not limited to, a recession.

296 (i) Not later than January thirty-first of each year during the rebate
297 period, each approved qualified business shall provide information to
298 the commissioner regarding the number of new FTEs or new
299 discretionary FTEs created or maintained during the prior calendar year
300 and the qualified wages of such new employees. Any information
301 provided under this subsection shall be subject to audit by the

302 Department of Economic and Community Development.

303 (j) Not later than March fifteenth of each year during the rebate
304 period, the Department of Economic and Community Development
305 shall issue the approved qualified business a rebate voucher that sets
306 forth the amount of the rebate, as calculated pursuant to subsections (e)
307 and (f) of this section, and the taxable year against which such rebate
308 may be claimed. The approved qualified business shall claim such
309 rebate as a credit against the taxes due under chapter 208 or 228z of the
310 general statutes or as an offset of the tax imposed under chapter 207 of
311 the general statutes. The commissioner shall annually provide to the
312 Commissioner of Revenue Services a report detailing all rebate vouchers
313 that have been issued under this section.

314 (k) Beginning on January 1, 2023, and annually thereafter, the
315 commissioner, in consultation with the office of the State Comptroller
316 and the Auditors of Public Accounts, shall submit a report to the Office
317 of Policy and Management on the expenses of the JobsCT tax rebate
318 program and the number of FTEs and discretionary FTEs created and
319 maintained.

320 Sec. 2. (NEW) (*Effective July 1, 2022, and applicable to taxable years*
321 *commencing on or after January 1, 2023*) As used in this section, "affected
322 business entity" and "member" have the same meanings as provided in
323 subsection (a) of section 12-699 of the general statutes. An affected
324 business entity that receives a rebate under section 1 of this act shall
325 claim such rebate as a credit against the tax due under chapter 228z of
326 the general statutes. If the amount of the rebate allowed pursuant to
327 section 1 of this act exceeds the liability for the tax imposed under
328 chapter 228z of the general statutes, the Commissioner of Revenue
329 Services shall treat such excess as an overpayment and shall refund the
330 amount of such excess, without interest, to the taxpayer. With respect to
331 an affected business entity granted a rebate pursuant to section 1 of this
332 act, the credit available to the members of such entity pursuant to
333 subdivision (1) of subsection (g) of section 12-699 of the general statutes
334 shall be based upon the amount of tax due under chapter 228z of the

335 general statutes from such entity prior to the application of the rebate
336 granted pursuant to section 1 of this act and any other payments made
337 against such tax due.

338 Sec. 3. Subsection (b) of section 12-211a of the general statutes is
339 repealed and the following is substituted in lieu thereof (*Effective July 1,*
340 *2022, and applicable to taxable years commencing on or after January 1, 2023*):

341 [(b) (1) For a calendar year commencing on or after January 1, 2011,
342 and prior to January 1, 2013, the amount of tax credit or credits
343 otherwise allowable against the tax imposed under this chapter for such
344 calendar year may exceed the amount specified in subsection (a) of this
345 section only by the amount computed under subparagraph (A) of
346 subdivision (2) of this subsection, provided in no event may the amount
347 of tax credit or credits otherwise allowable against the tax imposed
348 under this chapter for such calendar year exceed one hundred per cent
349 of the amount of tax due from such taxpayer under this chapter with
350 respect to such calendar year of the taxpayer prior to the application of
351 such credit or credits.

352 (2) (A) The taxpayer's average monthly net employee gain for a
353 calendar year shall be multiplied by six thousand dollars.

354 (B) The taxpayer's average monthly net employee gain for a calendar
355 year shall be computed as follows: For each month in the calendar year,
356 the taxpayer shall subtract from the number of its employees in this state
357 on the last day of such month the number of its employees in this state
358 on the first day of the calendar year. The taxpayer shall total the
359 differences for the twelve months in the calendar year, and such total,
360 when divided by twelve, shall be the taxpayer's average monthly net
361 employee gain for the calendar year. For purposes of this computation,
362 only employees who are required to work at least thirty-five hours per
363 week and only employees who were not employed in this state by a
364 related person, as defined in section 12-217ii, within the twelve months
365 prior to the first day of the calendar year may be taken into account in
366 computing the number of employees.

367 (C) If the taxpayer's average monthly net employee gain is zero or
368 less than zero, the taxpayer may not exceed the amount specified in
369 subsection (a) of this section.]

370 (b) The amount of the rebate computed under section 1 of this act
371 shall be treated as an offset of the tax due under chapter 207 and may
372 exceed the amount specified in subsection (a) of this section. If the
373 amount of the rebate allowed pursuant to section 1 of this act exceeds
374 the taxpayer's liability for the tax imposed under this chapter, the
375 commissioner shall treat such excess as an overpayment and shall
376 refund the amount of such excess, without interest, to the taxpayer.

377 Sec. 4. Subsection (b) of section 12-217zz of the general statutes is
378 repealed and the following is substituted in lieu thereof (*Effective July 1,*
379 *2022, and applicable to taxable years commencing on or after January 1, 2023*):

380 [(b) (1) For an income year commencing on or after January 1, 2011,
381 and prior to January 1, 2013, the amount of tax credit or credits
382 otherwise allowable against the tax imposed under this chapter for such
383 income year may exceed the amount specified in subsection (a) of this
384 section only by the amount computed under subparagraph (A) of
385 subdivision (2) of this subsection, provided in no event may the amount
386 of tax credit or credits otherwise allowable against the tax imposed
387 under this chapter for such income year exceed one hundred per cent of
388 the amount of tax due from such taxpayer under this chapter with
389 respect to such income year of the taxpayer prior to the application of
390 such credit or credits.

391 (2) (A) The taxpayer's average monthly net employee gain for an
392 income year shall be multiplied by six thousand dollars.

393 (B) The taxpayer's average monthly net employee gain for an income
394 year shall be computed as follows: For each month in the taxpayer's
395 income year, the taxpayer shall subtract from the number of its
396 employees in this state on the last day of such month the number of its
397 employees in this state on the first day of its income year. The taxpayer
398 shall total the differences for the twelve months in such income year,

399 and such total, when divided by twelve, shall be the taxpayer's average
400 monthly net employee gain for the income year. For purposes of this
401 computation, only employees who are required to work at least thirty-
402 five hours per week and only employees who were not employed in this
403 state by a related person, as defined in section 12-217ii, within the twelve
404 months prior to the first day of the income year may be taken into
405 account in computing the number of employees.

406 (C) If the taxpayer's average monthly net employee gain is zero or
407 less than zero, the taxpayer may not exceed the seventy per cent limit
408 imposed under subsection (a) of this section.]

409 (b) The amount of the rebate computed under section 1 of this act
410 shall be treated as a credit and may exceed the amount specified in
411 subsection (a) of this section. If the amount of the rebate allowed
412 pursuant to section 1 of this act exceeds the taxpayer's liability for the
413 tax imposed under this chapter, the commissioner shall treat such excess
414 as an overpayment and shall refund the amount of such excess, without
415 interest, to the taxpayer.

416 Sec. 5. Section 12-217aa of the general statutes is repealed and the
417 following is substituted in lieu thereof (*Effective July 1, 2022, and*
418 *applicable to income years beginning on or after January 1, 2023*):

419 (a) Except as otherwise provided in section 12-217t and subsection (c)
420 of this section, whenever a company is eligible to claim more than one
421 corporation business tax credit, the credits shall be claimed for the
422 income year in the following order: (1) Any credit that may be carried
423 backward to a preceding income year or years shall first be claimed (A)
424 with any credit carry-back that will expire first being claimed before any
425 credit carry-back that will expire later or will not expire at all, and (B) if
426 the credit carry-backs will expire at the same time, in the order in which
427 the company may receive the maximum benefit; (2) any credit that may
428 not be carried backward to a preceding income year or years and that
429 may not be carried forward to a succeeding income year or years shall
430 next be claimed, in the order in which the company may receive the
431 maximum benefit; and (3) any credit that may be carried forward to a

432 succeeding income year or years shall next be claimed (A) with any
 433 credit carry-forward that will expire first being claimed before any
 434 credit carry-forward that will expire later or will not expire at all, and
 435 (B) if the credit carry-forwards will expire at the same time, in the order
 436 in which the company may receive the maximum benefit.

437 (b) In no event shall any credit be claimed more than once.

438 (c) The rebate allowed pursuant to section 1 of this act shall be
 439 claimed after all other credits have been claimed.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2022, and applicable to taxable years commencing on or after January 1, 2023</i>	New section
Sec. 2	<i>July 1, 2022, and applicable to taxable years commencing on or after January 1, 2023</i>	New section
Sec. 3	<i>July 1, 2022, and applicable to taxable years commencing on or after January 1, 2023</i>	12-211a(b)
Sec. 4	<i>July 1, 2022, and applicable to taxable years commencing on or after January 1, 2023</i>	12-217zz(b)
Sec. 5	<i>July 1, 2022, and applicable to income years beginning on or after January 1, 2023</i>	12-217aa

CE Joint Favorable C/R

FIN

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 23 \$	FY 24 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	None
Revenue Serv., Dept.	GF - Cost	None	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes the JobsCT tax rebate program against the insurance premiums, corporation business, and pass-through entity taxes, results in: 1) a General Fund revenue loss of up to \$40 million in FY 25 and annually thereafter, and 2) a one-time cost of less than \$100,000 in FY 25 to the Department of Revenue Services associated with updates to the online Taxpayer Service Center to allow passthrough entities to claim the credit on their tax forms.

It is anticipated the Department of Economic and Community Development (DECD) would not require additional resources to administer the program. DECD currently administers a similar jobs program that provides grants to eligible employers.

The Out Years

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$	FY 27 \$
Revenue Serv., Dept.	GF - Revenue Loss	Up to \$40 million	Up to \$40 million	Up to \$40 million
Revenue Serv., Dept.	GF - Cost	Less than \$100,000	None	None

Note: GF=General Fund

Municipal Impact: None

Sources: [Dept of Economic and Community Development: JobsCT Grant Program](#)

OLR Bill Analysis**HB 5127*****AN ACT ESTABLISHING THE JOBSCT TAX REBATE PROGRAM.*****SUMMARY**

This bill establishes the JobsCT tax rebate program under which companies in specified industries may earn rebates against the insurance premiums, corporation business, and pass-through entity (PE) taxes for reaching certain job creation targets. The rebate is based on (1) the number of new full-time equivalent employees (FTEs) the business creates and maintains, (2) these FTEs' average wage, and (3) the state income tax that would be paid on this average wage for a single filer.

Under the bill, the rebate program is administered by the Department of Economic and Community Development (DECD). A business is eligible for the program (i.e., a qualified business) if it is subject to at least one of the above taxes and in an industry related to finance, insurance, manufacturing, clean energy, bioscience, technology, digital media, or any similar industry, as determined by the DECD commissioner. Generally, the business must create and maintain at least 25 new FTEs to claim a rebate. The bill establishes minimum wage requirements that the new FTEs must meet to qualify for the rebate but allows the DECD commissioner to waive these requirements for FTEs meeting other criteria (i.e., "discretionary FTEs").

Generally, the rebate equals 25% of the state income tax paid by the new FTEs (50% for FTEs in an opportunity zone or distressed municipality). The bill establishes a minimum rebate of \$1,000 per new FTE (\$750 per discretionary FTE) and a maximum of \$5,000 per new or discretionary FTE. However, it doubles the minimum amounts for rebates earned, claimed, or payable before January 1, 2024 (i.e., \$2,000

per new FTE and \$1,500 per discretionary FTE). It allows businesses to receive rebates in up to seven successive years, beginning with the second year after it is accepted into the program. The rebate is refundable if it exceeds the business's tax liability and may exceed the existing insurance premiums and corporation business tax credit limits. The bill caps the aggregate rebate amount awarded at \$40 million per fiscal year.

Lastly, the bill repeals obsolete language about insurance premiums and corporation business tax credit caps.

EFFECTIVE DATE: July 1, 2022, and applicable to taxable years commencing on or after January 1, 2023, except that a provision about the order of corporation business tax credits is applicable to income years commencing on or after January 1, 2023.

§ 1 — JOBSCT REBATE PROGRAM ELIGIBILITY

Under the bill, an eligible business qualifies for the rebate if it creates and maintains at least 25 new or discretionary FTEs. New FTEs are those that did not exist in the state when the business applies to the DECD commissioner for acceptance into the program. They exclude FTEs (1) acquired due to a merger or acquisition, (2) employed in the state by a related person (e.g., entities controlled by the business) within the previous 12 months, or (3) hired to replace FTEs that existed in the state after January 1, 2020. The bill allows the DECD commissioner to issue implementation guidance.

To qualify as a new FTE, an employee must be paid wages sourced to the state (i.e., qualified wages) of at least 85% of the median household income for the location where the position is primarily located or \$37,500, whichever is greater. Both measures are proportionally reduced for fractional FTEs (e.g., the wage floor is \$18,750 for a 0.5 FTE).

The bill creates an exception to these wage requirements for new discretionary FTEs (see below).

§ 1 — PROGRAM APPLICATION***Application (§ 1(c))***

Under the bill, qualified businesses seeking the rebates must apply to the DECD commissioner on a form he prescribes. The form may require the following information:

1. the number of new FTEs the business will create,
2. the number of FTEs it currently employs,
3. feasibility studies or business plans for the projected number of new FTEs,
4. projected state and local revenue reasonably derived from the increased FTEs, and
5. any other information needed to determine whether there will be net benefits to the economy of the state and the municipality or municipalities where the business is located.

The bill allows the commissioner to require the business to submit additional information to evaluate an application.

DECD Review and Approval (§ 1(c))

The bill requires the DECD commissioner, when reviewing the application, to determine whether (1) the qualified business can reasonably meet the hiring targets and other metrics stated in the application and (2) the proposed job growth would (a) provide a net benefit to economic development and employment opportunities in the state and (b) exceed the number of jobs the business had before January 1, 2020. Under the bill, the business must meet each of these requirements to be eligible for the rebate program.

The bill requires the DECD commissioner to approve or reject the application within 90 days after receiving it. He may approve the application in whole, in part, or with amendments. If he rejects an application, he must identify the defects and explain the specific reasons for the rejection.

The bill allows the commissioner to combine the approval of an application with the exercise of any of his other powers, including providing other financial assistance.

Discretionary FTEs (§ 1(c))

Under the bill, a discretionary FTE is an FTE paid qualified wages who does not meet the bill's wage requirements (see above) but is approved by the DECD commissioner. The bill allows the commissioner to approve an application in whole, in part, or with amendments, if a majority of the new discretionary FTEs meet the following criteria:

1. are receiving, or have received, services from the Department of Aging and Disability Services because of a disability;
2. are receiving employment services from the Department of Mental Health and Addiction Services or participating in employment opportunities or day services operated or funded by the Department of Developmental Services;
3. have been unemployed for at least six of the preceding 12 months;
4. have been convicted of a misdemeanor or felony;
5. are veterans;
6. lack a postsecondary credential and are not currently enrolled in a postsecondary institution or program; or
7. are currently enrolled in a workforce training program fully or substantially funded by the employer that results in the individual earning a postsecondary credential.

§ 1 — AWARDING THE REBATE

Contract and Allocation Notice (§ 1(c))

The bill requires the DECD commissioner to enter into a contract with an approved qualified business. The contract must at least include the business's consent for DECD to access data from other state agencies,

including the Labor Department, for audit and enforcement purposes. Additionally, if the commissioner approves the business for new discretionary FTEs, the contract must include the required wage that the business must pay them.

After signing the contract, the bill requires the DECD commissioner to issue the approved qualified business a rebate allocation notice that certifies its eligibility to claim the rebate if it meets the terms stated in the notice. The notice must state the maximum rebate available for the rebate period and the specific terms the business must meet to qualify.

Voucher (§ 1(i) & (j))

The bill requires approved qualified businesses to provide information to the DECD commissioner, annually by January 31 during their rebate period, on the number of new or discretionary FTEs created or maintained during the previous calendar year and their qualified wages. It allows DECD to audit this information.

The bill requires DECD to issue a rebate voucher to an approved qualified business by March 15 in each year of the rebate period. The voucher must state the rebate amount and the taxable year against which the rebate may be claimed. The bill requires the DECD commissioner to annually provide the revenue services commissioner with a report detailing all rebate vouchers. (The bill does not specify a deadline for this report.)

Rebate Period (§ 1(h))

The bill allows a business to receive a rebate for up to seven successive calendar years. It prohibits DECD from granting a rebate until at least 24 months after the commissioner approves the business's application.

Annual Report (§ 1(k))

The bill requires the DECD commissioner to annually report to the Office of Policy and Management beginning January 1, 2023, on the rebate program's expenses and the number of FTEs and discretionary FTEs created and maintained. The commissioner must submit the report

in consultation with the state comptroller's office and state auditors.

§ 1 — REBATE CALCULATION

FTE Calculation (§ 1(d))

Under the bill, FTEs may be full-time (i.e., employees who work at least 35 hours per week) or part-time employees. One FTE consists of a job in which an employee works or is expected to work at least 1,750 hours in a calendar year (i.e., 35 hours per week for 50 weeks). For employees who work fewer than 1,750 hours, an FTE fraction is calculated by dividing the number of hours worked by 1,750. The bill allows the DECD commissioner to adjust the FTE calculation.

New FTEs (§ 1(e))

Under the bill, an approved qualified business must employ at least 25 new FTEs in Connecticut by December 31 in the calendar year that is two years before the calendar year in which it claims the rebate. For purposes of calculating the rebate, new FTEs refers to the number of new FTEs (1) created two years before the rebate year or (2) maintained in the year before the rebate year, whichever is less.

The rebate is based on (1) the number of new FTEs created or maintained (see above), (2) their average wage, and (3) the state income tax that would be paid on this average wage for a single filer. Generally, if the new FTEs are in an opportunity zone or distressed municipality (i.e., "designated locations," see BACKGROUND), the rebate equals 50% of the average state income tax that would be paid by these employees, multiplied by the number of employees. If the new FTEs are outside of these locations (i.e., "other locations"), the rebate equals 25% of the average state income tax that would be paid by these employees, multiplied by the number of employees.

Under the bill, the total rebate is calculated by adding the rebate amount from the designated locations to the amount from the other locations, as shown in Figure 1 below.

Figure 1: JobsCT Rebate Calculation

New FTEs in designated locations			New FTEs in other locations			
x	+	x	=			
50% of the income tax that would be paid on these employees' average wage		25% of the income tax that would be paid on these employees' average wage		Total rebate amount		

Rebate Floor and Ceiling. The bill generally establishes a rebate floor of \$1,000 per new FTE, regardless of where it is created. However, for tax credits earned, claimed, or payable before January 1, 2024, the rebate floor equals \$2,000 per new FTE. It caps the rebates at \$5,000 per new FTE.

Discretionary FTEs (§ 1(f))

Under the bill, the process for calculating the rebates for new discretionary FTEs is the same as the process for calculating the rebates for new FTEs (see above). Additionally, new discretionary FTEs have the same \$5,000 per FTE cap as new FTEs. However, the floor for new discretionary FTEs is (1) \$750 per FTE generally and (2) \$1,500 for credits earned, claimed, or payable before January 1, 2024.

FTE Minimum (§ 1(e), (f) & (h))

The bill prohibits a business from receiving a rebate if it does not maintain at least 25 new FTEs or new discretionary FTEs (as applicable) in the calendar year immediately before the calendar year in which the rebate is being claimed.

Additionally, if a business fails to create 25 new FTEs or new discretionary FTEs in two consecutive calendar years, it must forfeit all remaining rebate allocations unless the DECD commissioner recognizes mitigating circumstances of a regional or national nature, including a recession.

Rebate Caps (§ 1(g))

The bill limits the aggregate rebate amount that may be awarded in a fiscal year to (1) \$10 million for discretionary FTEs and (2) \$40 million

overall. It prohibits the DECD commissioner from approving an application in whole or in part if doing so would result in exceeding the applicable cap in any fiscal year.

§§ 2-5 — REBATES AND TAX CREDIT CAPS

Under the bill, JobsCT rebates are treated as credits against the corporation business and PE taxes and offsets against the insurance premiums tax. If the rebate against any of these taxes exceeds the business’s liability for that tax, then the DRS commissioner must treat the excess as an overpayment and refund it to the business without interest.

The bill allows the JobsCT rebate to exceed existing law’s caps on insurance premiums (generally 30-70% of the amount of tax owed by the business) and corporation business tax credits (50.01% of the tax due). Additionally, the bill requires that any JobsCT rebate against the corporation business tax be claimed only after the business has claimed any other available credits against the tax.

Under existing law, if a pass-through business (i.e., affected business entity) is subject to the PE tax, its members (i.e., owners) receive an offsetting credit at the personal or corporate income tax level that equals 87.5% of the member’s direct and indirect share of the PE tax paid by the pass-through business. The bill requires that the members’ personal income tax credit be calculated before any JobsCT rebate is applied to the business’s PE tax due.

BACKGROUND

Distressed Municipalities

By law, the DECD commissioner must annually designate distressed municipalities based on a combination of economic, education, demographic, and housing criteria. In 2021, he designated the following 25 municipalities as distressed:

Ansonia	Bridgeport	Chaplin
Derby	East Hartford	East Haven
Griswold	Groton	Hartford

Meriden	Montville	New Britain
New London	Norwich	Plainfield
Putnam	Sprague	Sterling
Stratford	Torrington	Voluntown
Waterbury	West Haven	Winchester
Windham		

Opportunity Zones

The federal Opportunity Zone program, created as part of the 2017 federal Tax Cuts and Jobs Act (P.L. 115-97), is designed to spur economic development and job creation in distressed communities by providing federal tax benefits for private investments in the zones. The program’s tax benefits are available to investors that reinvest gains earned on prior investments in a qualified opportunity zone fund that invests in zone businesses. Investors may receive additional tax benefits if they hold their investments in the fund for at least five, seven, or 10 years. Connecticut has 72 opportunity zones in 27 municipalities that were approved by the U.S. Treasury Department in 2018.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference - FIN
Yea 21 Nay 1 (03/22/2022)

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 46 Nay 5 (04/06/2022)