
OLR Bill Analysis

SB 1027

AN ACT CONCERNING THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT'S RECOMMENDATIONS REGARDING THE JOBSCT TAX REBATE PROGRAM AND CERTAIN AEROSPACE MANUFACTURING PROJECTS.

SUMMARY

This bill eliminates a requirement that businesses receiving assistance from the JobsCT tax rebate program enter into a contract with the Department of Economic and Community Development (DECD). It makes conforming changes by requiring that specified terms instead be incorporated in other program documents.

The bill also allows the DECD commissioner to amend the assistance agreement with an eligible aerospace company (authorized by PA 22-4) to allow the company one additional year to use the tax benefits provided in the act (i.e., in a helicopter contract's first nine years, rather than its first eight, and no later than June 30, 2033, rather than June 30, 2032). It similarly allows the aerospace company one additional year (i.e., until June 30, 2033) to use any carry-forward amounts (i.e., corporation business tax credits that exceed the annual maximum).

Lastly, the bill makes technical changes.

EFFECTIVE DATE: Upon passage

JOBS CT

The JobsCT tax rebate program allows companies in specified industries to 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 a single filer would pay on this average wage.

Under current law, DECD must enter into a contract with a business approved for a rebate. The contract must at least include the business's consent for DECD to access data from other state agencies for audit and enforcement purposes. Additionally, if the DECD commissioner approves the business for FTEs who earn less than the program's general wage requirements (i.e., "discretionary FTEs"), the contract must include the required wage that the business must pay them.

The bill eliminates the requirement that the business enter into a contract with DECD and makes conforming changes. Under the bill, (1) a business's submission of a program application serves as consent for DECD to access data from state agencies and (2) discretionary FTEs' wage requirements must be set out in the rebate allocation notice (a notice the DECD commissioner issues an approved business that certifies its eligibility to claim the rebate if it meets the terms stated in the notice).

AEROSPACE MANUFACTURING ASSISTANCE AGREEMENT

PA 22-4 authorized the DECD commissioner to enter into an assistance agreement with an eligible aerospace company that intends to take on a qualifying helicopter production project in Connecticut. The agreement may provide the company with up to \$50 million or \$75 million in total tax benefits over its term, depending on whether it enters into federal contracts for one or two helicopter programs, respectively. These tax benefits may allow the company to first offset its sales and use tax liability and, if applicable, claim a corporation business tax credit, up to specified limits, for each year from FYs 23 to 32.

Benefit Period

Under current law, the agreement must require that the company earn and use the tax benefits during the first eight years of any federal helicopter production contract but no later than the "benefit period," which runs from the agreement's effective date to June 30, 2032.

The bill allows the DECD commissioner to amend the agreement to allow the company one additional year to use the tax benefits. Specifically, the amendment may allow the company to use the tax

benefits during the first nine years of a production contract's term but no later than one year after the end of the benefit period (i.e., June 30, 2033). It retains the requirement that the benefits be earned in the contract's first eight years but no later than June 30, 2032.

Carry-forwards

By law, the primary form of assistance to the company is a sales and use tax offset. If the company is unable to use all of the offset in a given year, it may claim the excess as a refundable corporation business tax credit of up to \$5 million in a given year. If the excess amount exceeds \$5 million, the company must carry forward the excess to future years until it is fully used.

Current law prohibits any carryforwards from extending beyond the end of the benefit period (i.e., June 30, 2032). The bill instead allows the company to carry forward the excess amount for one additional year (i.e., to June 30, 2033).

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference - FIN
Yea 21 Nay 2 (03/09/2023)

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 51 Nay 0 (04/18/2023)