



Senate

General Assembly

File No. 673

January Session, 2023

Senate Bill No. 1027

Senate, May 2, 2023

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

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

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

1 Section 1. Section 32-7t of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) As used in this section:

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

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

10 (3) "Distressed municipality" has the same meaning as provided in

11 section 32-9p;

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

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

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

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

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

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

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

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

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

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

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;

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
63 executed] rebate allocation notice issued pursuant to subsection (c) of
64 this section; and

65 (17) "Related person" means (A) a corporation, limited liability
66 company, partnership, association or trust controlled by the qualified
67 business, (B) an individual, corporation, limited liability company,
68 partnership, association or trust that is in control of the qualified
69 business, (C) a corporation, limited liability company, partnership,
70 association or trust controlled by an individual, corporation, limited
71 liability company, partnership, association or trust that is in control of
72 the qualified business, or (D) a member of the same controlled group as

73 the qualified business. For the purposes of this subdivision, "control"
74 means (i) ownership, directly or indirectly, of stock possessing fifty per
75 cent or more of the total combined voting power of all classes of the
76 stock of a corporation entitled to vote, (ii) ownership, directly or
77 indirectly, of fifty per cent or more of the capital or profits interest in a
78 partnership, limited liability company or association, or (iii) ownership,
79 directly or indirectly, of fifty per cent or more of the beneficial interest
80 in the principal or income of a trust. The ownership of stock in a
81 corporation, of a capital or profits interest in a partnership, of a limited
82 liability company or association or of a beneficial interest in a trust shall
83 be determined in accordance with the rules for constructive ownership
84 of stock provided in Section 267(c) of the Internal Revenue Code of 1986,
85 or any subsequent corresponding internal revenue code of the United
86 States, as amended from time to time, other than paragraph (3) of said
87 section.

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

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 business's 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'] business's proposed job growth will
112 exceed the number of jobs at the business that existed prior to January
113 1, 2020. The commissioner may require the applicant to submit
114 additional information to evaluate an application. Each qualified
115 business making an application shall satisfy the requirements of this
116 subdivision, as determined by the commissioner, to be eligible for the
117 JobsCT tax rebate 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, operated or funded by the Department of Developmental Services;
134 (C) have been unemployed for at least six of the preceding twelve
135 months; (D) have been convicted of a misdemeanor or felony; (E) are
136 veterans, as defined in section 27-103; (F) have not earned any
137 postsecondary credential and are not currently enrolled in an
138 postsecondary institution or program; or (G) are currently enrolled in a
139 workforce training program fully or substantially paid for by the

140 employer that results in such individual earning a postsecondary
141 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] By submitting an
148 application, a qualified business consents to the Department of
149 Economic and Community Development's access of data compiled by
150 other state agencies, including, but not limited to, the Labor
151 Department, for the purposes of audit and enforcement. [and, if a
152 qualified business is approved by the commissioner in accordance with
153 subdivision (4) of this subsection, the required wage such business shall
154 pay new discretionary FTEs to qualify for the tax rebates provided for
155 in subsection (f) of this section.]

156 (7) [Upon signing a contract with an approved qualified business,
157 the] The commissioner shall issue a rebate allocation notice stating the
158 maximum amount of each rebate available to [such] an approved
159 qualified business for the rebate period and the specific terms that such
160 business shall meet to qualify for each rebate. Such notice shall certify
161 to the approved qualified business that the rebates may be claimed by
162 such business if it meets the specific terms set forth in the notice. Such
163 terms shall include the required wage, as determined by the
164 commissioner, such business shall pay new discretionary FTEs to
165 qualify for the tax rebates provided in subsection (f) of this section.

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

173 worked in a calendar year divided by one thousand seven hundred fifty.
174 The commissioner shall have the discretion to adjust the calculation of
175 FTE.

176 (e) (1) In each calendar year of the rebate period, a qualified business
177 approved by the commissioner pursuant to subdivision (3) of subsection
178 (c) of this section that employs at least twenty-five new FTEs in this state
179 by December thirty-first of the calendar year that is two calendar years
180 prior to the calendar year in which the rebate is being claimed shall be
181 allowed a rebate equal to the greater of the following amounts:

182 (A) The sum of:

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

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

200 (B) The greater of:

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

204 (II) the new FTEs maintained in the calendar year immediately prior to
205 the calendar year in which the rebate is being claimed; or

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

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

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

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

231 (A) The sum of:

232 (i) The lesser of the new discretionary FTEs (I) created in an
233 opportunity zone or distressed municipality on December thirty-first of
234 the calendar year that is two calendar years prior to the calendar year in

235 which the rebate is being claimed, or (II) maintained in an opportunity
236 zone or distressed municipality in the previous calendar year,
237 multiplied by fifty per cent of the income tax that would be paid on the
238 average wage of the new discretionary FTEs, as determined by the
239 applicable marginal rate set forth in chapter 229 for an unmarried
240 individual based solely on such wages; and

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

250 (B) The greater of:

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

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

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

267 calendar year immediately prior to the calendar year in which the rebate
268 is being claimed.

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

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

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

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

292 (2) An approved qualified business that has fewer than twenty-five
293 new FTEs created in each of two consecutive calendar years or, if such
294 business is approved by the commissioner pursuant to subdivision (4)
295 of subsection (c) of this section, fewer than twenty-five new
296 discretionary FTEs in each of two consecutive calendar years shall
297 forfeit all remaining rebate allocations, unless the commissioner
298 recognizes mitigating circumstances of a regional or national nature,

299 including, but not limited to, a recession.

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

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

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

323 Sec. 2. Section 32-4p of the general statutes is repealed and the
324 following is substituted in lieu thereof (*Effective from passage*):

325 (a) As used in this section:

326 (1) "Aerospace manufacturing project" means a project involving the
327 production of helicopters in this state that, if certified by the
328 commissioner as provided in subsection (b) of this section, will require
329 (A) primary helicopter production for current United States government

330 programs specified in the assistance agreement, as of the date of the
331 assistance agreement, to be carried out at one or more facilities in this
332 state, (B) the undertaking and maintaining of primary production for
333 helicopters to be produced during the term of the assistance agreement
334 under one or more future United States government programs specified
335 in the assistance agreement under production contracts entered into by
336 the eligible taxpayer after April 28, 2022, to be carried out at one or more
337 facilities in this state, and (C) minimum requirements for total
338 employment in this state, average employee wages in this state, supplier
339 spend and capital expenditures by an eligible taxpayer in furtherance of
340 such project continuing through at least June 30, 2042;

341 (2) "Annual recapture amount" means the total project tax benefits
342 utilized by an eligible taxpayer divided by ten;

343 (3) "Assistance agreement" means a contract entered into between the
344 commissioner and an eligible taxpayer in accordance with subsection (c)
345 of this section, including any amendments to or extensions of such
346 contract;

347 (4) "Average wage requirement" means, for compliance years
348 commencing on or after July 1, 2022, and prior to July 1, 2032, an average
349 annual wage for full-time employees in this state that is not less than the
350 amounts specified in the assistance agreement;

351 (5) "Benefit period" means the period commencing on the effective
352 date of the assistance agreement and ending on June 30, 2032;

353 (6) "Capital expenditure" means bona fide costs to the wholly-owned
354 subsidiary and its subsidiaries for: (A) Acquisition of lands, buildings,
355 machinery, equipment or any combination thereof; (B) site and
356 infrastructure improvements; (C) planning costs; (D) research and
357 development expenses, as defined in section 12-217n of the general
358 statutes, revision of 1958, revised to January 1, 2021, and including, but
359 not limited to, development of new products and markets; and (E)
360 development of diversification strategies, including plans for regional
361 diversification strategies and consultants required for the completion of

362 such strategies and plans;

363 (7) "Capital expenditure requirement" means, for compliance years
364 commencing on or after July 1, 2022, and prior to July 1, 2032, a total
365 annual amount of capital expenditures made in this state by the wholly-
366 owned subsidiary that is not less than:

367 (A) Seventy million two hundred thousand dollars for the
368 compliance year ending June 30, 2023;

369 (B) Seventy-one million one hundred thousand dollars for the
370 compliance year ending June 30, 2024;

371 (C) Seventy-two million nine hundred thousand dollars for the
372 compliance year ending June 30, 2025;

373 (D) Seventy-three million eight hundred thousand dollars for the
374 compliance year ending June 30, 2026;

375 (E) Seventy-five million six hundred thousand dollars for the
376 compliance year ending June 30, 2027;

377 (F) Seventy-seven million four hundred thousand dollars for the
378 compliance year ending June 30, 2028;

379 (G) Seventy-eight million three hundred thousand dollars for the
380 compliance year ending June 30, 2029;

381 (H) Eighty million one hundred thousand dollars for the compliance
382 year ending June 30, 2030;

383 (I) Eighty-one million nine hundred thousand dollars for the
384 compliance year ending June 30, 2031; and

385 (J) Eighty-three million seven hundred thousand dollars for the
386 compliance year ending June 30, 2032;

387 (8) "Commissioner" means the Commissioner of Economic and
388 Community Development;

389 (9) "Company" means an entity with a place of business or a wholly-
390 owned subsidiary located in this state and the direct and indirect
391 subsidiaries and affiliates of such entity;

392 (10) "Compliance year" means each twelve-month period
393 commencing July first and continuing through June thirtieth of the
394 following year, provided the initial compliance year shall commence on
395 July 1, 2022, and end on June 30, 2023, and the last compliance year shall
396 commence on July 1, 2031, and end on June 30, 2032. "Annual" refers to
397 a compliance year;

398 (11) "Contract year" means each twelve-month period commencing
399 July first and continuing through June thirtieth of the following year,
400 provided the initial contract year shall commence on July 1, 2022, and
401 end on June 30, 2023, and the last contract year shall commence on July
402 1, 2041, and end on June 30, 2042;

403 (12) "Corporation business tax" means the tax due under chapter 208;

404 (13) "Eligible taxpayer" means a company that, at the time application
405 is made under subsection (b) of this section, (A) is engaged in the
406 aerospace industry, (B) employs not less than seven thousand
407 individuals in this state, (C) operates the company's primary helicopter
408 production facility for its current United States government programs
409 in this state, (D) plans to bid on a production contract or contracts for a
410 helicopter under one or more United States government programs, and
411 (E) has a wholly-owned subsidiary with production facilities and its
412 headquarters, as set forth in the assistance agreement, in this state prior
413 to April 28, 2022;

414 (14) (A) "Employee requirement" means, for compliance years
415 commencing on or after July 1, 2022, and prior to July 1, 2032:

416 (i) A minimum level of full-time employees in this state that is not
417 less than an average of seven thousand three hundred seventy-five for
418 each compliance year if the eligible taxpayer has entered into a
419 production contract for one United States government program

420 specified in the assistance agreement; and

421 (ii) A minimum level of full-time employees in this state that is not
422 less than an average of seven thousand five hundred for each
423 compliance year if the eligible taxpayer has entered into production
424 contracts for two United States government programs specified in the
425 assistance agreement.

426 (B) The average number of full-time employees for each compliance
427 year shall be determined by adding the number of full-time employees
428 at the end of each quarter of the respective compliance year and
429 dividing the sum of such quarters by four;

430 (15) "Full-time employee" means an employee in this state of the
431 company who works a minimum of thirty-five hours per week. "Full-
432 time employee" does not include an employee working on a temporary
433 or seasonal basis or any individual who does not receive a federal Form
434 W-2 from the company;

435 (16) "Minimum requirements" means the minimum conditions the
436 eligible taxpayer must satisfy during each compliance year to qualify for
437 the sales and use tax offset for such compliance year and the refundable
438 tax credit for such compliance year, including, but not limited to, (A)
439 achieving the employee requirement, average wage requirement,
440 supplier spend requirement and capital expenditure requirement, (B)
441 the maintenance of the wholly-owned subsidiary's headquarters, as set
442 forth in the assistance agreement, in this state, (C) the maintenance and
443 operation of the company's primary helicopter production facility for its
444 current United States government programs, as of the date of the
445 assistance agreement, in this state, (D) the undertaking and maintaining
446 in this state of the company's primary production for helicopters to be
447 produced during the term of the assistance agreement under one or
448 more future United States government programs specified in the
449 assistance agreement under production contracts entered into by the
450 eligible taxpayer after April 28, 2022, and (E) the maintenance of
451 diversity and workforce training programs by the company in
452 accordance with the terms of the assistance agreement;

453 (17) "Production" means the various operations related to the
454 completion of a helicopter, including, but not limited to, procurement,
455 engineering, manufacture, assembly, integration and testing;

456 (18) "Production contract" means a contract with the United States
457 government for the production of helicopters;

458 (19) "Project tax benefit" means the total benefit accruing to an eligible
459 taxpayer with respect to the sales and use tax offset and the refundable
460 tax credit;

461 (20) "Refundable tax credit" means the credit described in subsection
462 (e) of this section;

463 (21) "Regular place of business" means any bona fide office, factory,
464 warehouse or other space in this state at which a supply company is
465 doing business in its own name in a regular and systematic manner and
466 which place is continuously maintained, occupied and used by the
467 supply company in carrying on its business through its employees
468 regularly in attendance to carry on the supply company's business in the
469 supply company's own name. "Regular place of business" does not
470 include a place of business for a statutory agent for service of process, a
471 temporary office or location used by the supply company only for the
472 duration of the contract or an office maintained, occupied and used by
473 a person affiliated with the supply company;

474 (22) "Sales and use tax" means the taxes due under chapter 219;

475 (23) "Sales and use tax offset" means the offset described under
476 subsection (d) of this section;

477 (24) "Supply company" means any commercial business with a
478 regular place of business in this state that supplies goods and services
479 necessary to support (A) the manufacturing of company products, or (B)
480 company operations. "Supply company" does not include any local,
481 state or federal revenue collection or taxing entity;

482 (25) (A) "Supplier spend requirement" means, for compliance years

483 commencing on or after July 1, 2022, and prior to July 1, 2032, the total
484 annual spend by the wholly-owned subsidiary and by the company, on
485 behalf of the wholly-owned subsidiary, with supply companies in this
486 state of not less than:

487 (i) Three hundred million dollars for compliance years commencing
488 on or after July 1, 2022, and prior to July 1, 2024;

489 (ii) Four hundred ten million dollars for compliance years
490 commencing on or after July 1, 2024, and prior to July 1, 2029; and

491 (iii) Four hundred seventy million dollars for compliance years
492 commencing on or after July 1, 2029, and prior to July 1, 2032.

493 (B) If an expenditure qualifies for both the supplier spend
494 requirement and the capital expenditures requirement, the eligible
495 taxpayer may choose between such categories for which such
496 expenditure may be counted. In no event shall any such expenditure be
497 counted towards more than one such category; and

498 (26) "Wholly-owned subsidiary" means a subsidiary of the company,
499 or such subsidiary's successor to its operations, that has its
500 headquarters, as set forth in the assistance agreement, in this state.
501 "Wholly-owned subsidiary" includes any direct or indirect subsidiary of
502 the company's wholly-owned subsidiary and any limited liability
503 company wholly owned directly or indirectly by the company's wholly-
504 owned subsidiary.

505 (b) (1) Any eligible taxpayer that intends to undertake an aerospace
506 manufacturing project may apply to the commissioner for certification
507 of such project as a certified aerospace manufacturing project. In order
508 to receive such certification, an eligible taxpayer shall apply to the
509 commissioner, in a form acceptable to the commissioner and including
510 such information as prescribed by the commissioner, including, but not
511 limited to, (A) a detailed plan outlining the aerospace manufacturing
512 project, (B) the term of such project, and (C) the estimated expenditures
513 for such project. The commissioner may require such eligible taxpayer

514 to submit such additional information as may be necessary to evaluate
515 the application.

516 (2) All decisions of the commissioner with respect to any application
517 received under subdivision (1) of this subsection shall be made in the
518 commissioner's discretion. The provisions of this subsection shall not be
519 construed to authorize suit against this state by any taxpayer that is
520 denied certification by the commissioner and shall not be construed as
521 a waiver of sovereign immunity.

522 (c) (1) Upon certification by the commissioner of an application as
523 provided in subsection (b) of this section, the commissioner may enter
524 into an assistance agreement with an eligible taxpayer pursuant to
525 which the commissioner may, in consideration of the eligible taxpayer's
526 agreement to meet the minimum requirements in a compliance year in
527 connection with the certified aerospace manufacturing project and as
528 further inducement for the eligible taxpayer to enter into an aerospace
529 manufacturing project, agree to permit the eligible taxpayer to offset its
530 sales and use tax liability and to claim a credit against its corporation
531 business tax liability up to a specified amount for the corresponding
532 compliance year.

533 (2) Such assistance agreement shall have a term of not less than
534 twenty years and shall list:

535 (A) The specifications of the certified aerospace manufacturing
536 project;

537 (B) The length of time the certified aerospace manufacturing project
538 will take to complete;

539 (C) The minimum requirements the eligible taxpayer agrees to meet
540 during each compliance year;

541 (D) The commitment by the eligible taxpayer to (i) maintain the
542 headquarters, as set forth in the assistance agreement, of the wholly-
543 owned subsidiary or its successor in this state, (ii) operate its primary
544 helicopter production facility for its current United States government

545 programs, as of the date of the assistance agreement, in this state, and
546 (iii) to undertake and maintain its primary production of helicopters to
547 be produced during the term of the assistance agreement under one or
548 more future United States government programs specified in the
549 assistance agreement in this state under production contracts entered
550 into by the eligible taxpayer after April 28, 2022;

551 (E) The amount of sales and use tax that the eligible taxpayer is
552 eligible to offset for each compliance year set forth in the assistance
553 agreement, provided the eligible taxpayer meets the minimum
554 requirements for each such compliance year;

555 (F) The terms and conditions of the repayment of any sales and use
556 tax offsets and other required financial penalties resulting from the
557 eligible taxpayer's failure to comply with the terms of the assistance
558 agreement;

559 (G) The amount of corporation business tax, subject to the limits set
560 forth in subsection (e) of this section, against which the eligible taxpayer
561 is eligible to claim a credit for each compliance year set forth in the
562 assistance agreement, provided the eligible taxpayer meets the
563 minimum requirements for each such compliance year;

564 (H) The manner and method for the eligible taxpayer to provide
565 notice of any disputed claim under the assistance agreement; and

566 (I) Any other terms and conditions the commissioner may require.

567 (3) The commissioner may amend the assistance agreement [shall] to
568 provide that the project tax benefit be earned [and utilized] during the
569 first eight years of the term of any production contract and utilized
570 within the first nine years of the term of any production contract,
571 provided no project tax benefit may be earned [or utilized] beyond the
572 benefit period or utilized beyond one year after the end of the benefit
573 period.

574 (4) Any eligible taxpayer that enters into an assistance agreement
575 with the commissioner under this subsection may, in the event of any

576 disputed claim under such assistance agreement, bring an action against
577 this state to the superior court for the judicial district of Hartford for the
578 purpose of having such claim determined, provided notice of such
579 disputed claim is first given to the commissioner in the manner and
580 method described in such assistance agreement. No such action shall be
581 allowed unless it is brought not later than two years after the date on
582 which the eligible taxpayer gave proper notice to the commissioner in
583 accordance with such assistance agreement. All legal defenses under
584 such assistance agreement, except sovereign immunity, are reserved to
585 this state.

586 (5) If the provisions of subsection (c) or (e) of section 32-223 or section
587 32-462 are in conflict with the assistance agreement, the provisions of
588 such assistance agreement shall supersede.

589 (6) Upon the execution of the assistance agreement, the commissioner
590 shall issue an allocation notice stating the maximum combined amount
591 of the sales and use tax offset and the refundable tax credit available to
592 the eligible taxpayer for the benefit period and the specific requirements
593 the eligible taxpayer shall meet to qualify for such offset and credit. Such
594 notice shall certify to the eligible taxpayer that the offsets and credits
595 may be claimed by the eligible taxpayer if the eligible taxpayer meets
596 the specific requirements set forth in the notice.

597 (d) (1) The assistance agreement shall provide for the offset of sales
598 and use tax amounts otherwise payable by the eligible taxpayer under
599 the provisions of chapter 219. Such offset shall be made in the form,
600 timing and manner determined by the commissioner in consultation
601 with the Commissioner of Revenue Services. The sales and use tax offset
602 amounts shall be calculated after the application of all other sales and
603 use tax exemptions set forth in chapter 219 in effect on April 28, 2022
604 and any subsequent amendments to said chapter that the eligible
605 taxpayer is eligible to claim. Nothing in this subsection shall affect the
606 eligible taxpayer's ability to claim the sales and use tax exemptions that
607 it otherwise qualifies for under any provision of the general statutes.

608 (2) Subsequent to a production contract taking effect for helicopters

609 to be produced during the term of the assistance agreement, not later
610 than sixty days after the end of each compliance year or, if the eligible
611 taxpayer requests and the commissioner approves an extended date, not
612 later than such extended date, the eligible taxpayer shall certify, subject
613 to a third-party audit performed in accordance with the Department of
614 Economic and Community Development audit guide or such protocols
615 as may be set forth in the assistance agreement, the actual employment,
616 wages, supplier spend and capital expenditure amounts to the
617 commissioner in accordance with the requirements of the assistance
618 agreement. If the results of such audit reveal that the eligible taxpayer
619 has claimed a sales and use tax offset in excess of the amount allowable,
620 the eligible taxpayer shall be subject to the repayment provisions as set
621 forth in the assistance agreement. At the end of each compliance year,
622 upon receipt of the eligible taxpayer's certification, the commissioner
623 shall notify the Commissioner of Revenue Services whether the eligible
624 taxpayer has met all minimum requirements necessary to qualify for the
625 sales and use tax offset or is required to repay the amount of such offset
626 in accordance with the terms of the assistance agreement.

627 (e) (1) If the results of the audit performed pursuant to subdivision
628 (2) of subsection (d) of this section reveal that the eligible taxpayer was
629 unable to utilize all of the sales and use tax offset to which it was entitled
630 under the assistance agreement for a compliance year against its sales
631 and use tax liability, the assistance agreement shall permit the eligible
632 taxpayer to claim the excess amount as a refundable tax credit, not to
633 exceed five million dollars for each compliance year, against the
634 corporation business tax. If the amount of the excess is greater than five
635 million dollars for any compliance year, the excess over five million
636 dollars shall be carried forward to future compliance years to offset the
637 eligible taxpayer's sales and use tax liability and then as refundable tax
638 credits of up to five million dollars for each compliance year against the
639 eligible taxpayer's corporation business tax liability, until the excess is
640 fully utilized, except that no carry-forward shall extend beyond one year
641 after the end of the benefit period. Such carry-forward shall be utilized
642 prior to any sales and use tax offset earned in any subsequent
643 compliance year.

644 (2) If the amount of the refundable tax credit exceeds the eligible
645 taxpayer's corporation business tax liability for the applicable income
646 year, the Commissioner of Revenue Services shall treat such excess as
647 an overpayment and shall refund the amount of such excess, without
648 interest, to the eligible taxpayer. In no event shall the refundable tax
649 credits allowed under this subsection exceed forty-five million dollars
650 in the aggregate over the term of the assistance agreement. The eligible
651 taxpayer shall claim the refundable tax credit allowed under this
652 subsection on its corporate tax return for the income year that ends
653 during the compliance year and such credit shall not be subject to the
654 limits set forth in section 12-217zz. Notwithstanding the provisions of
655 section 12-217aa, such credit shall be claimed after all other tax credits
656 have been claimed.

657 (3) Not later than thirty days after the commissioner receives an audit
658 performed pursuant to subdivision (2) of subsection (d) of this section
659 or as provided for in the assistance agreement, during each year of the
660 benefit period, the Department of Economic and Community
661 Development shall issue the eligible taxpayer a credit voucher that sets
662 forth the amount of the refundable tax credit permitted pursuant to this
663 subsection and the income year for which such credit may be claimed.
664 The commissioner shall annually provide to the Commissioner of
665 Revenue Services a report detailing all credit vouchers that have been
666 issued under this subsection.

667 (f) (1) The eligible taxpayer shall pay the total amount of project tax
668 benefit that was utilized by the eligible taxpayer for a particular
669 compliance year and any penalty set forth in the assistance agreement if
670 the commissioner determines that the eligible taxpayer failed to satisfy
671 any of the minimum requirements for such compliance year.

672 (2) The project tax benefit utilized by the eligible taxpayer under
673 subsections (d) and (e) of this section shall be subject to recapture during
674 the contract years commencing on or after July 1, 2032, and ending on
675 June 30, 2042, if the eligible taxpayer fails to satisfy during such time
676 period certain annual thresholds relating to employee head count,

677 average wages, supplier spend and capital expenditures, as detailed in
678 the assistance agreement, and such other requirements including (A) the
679 maintenance of the wholly-owned subsidiary's headquarters, as set
680 forth in the assistance agreement, in this state, (B) the maintenance and
681 operation of the company's primary helicopter production facility for its
682 current United States government programs, as of the date of the
683 assistance agreement, in this state, (C) the undertaking and maintaining
684 in this state of the company's primary production for helicopters to be
685 produced during the term of the assistance agreement under one or
686 more of its future United States government programs specified in the
687 assistance agreement under production contracts entered into by the
688 eligible taxpayer after April 28, 2022, and (D) the maintenance of
689 diversity and workforce training programs by the company in
690 accordance with the terms of the assistance agreement.

691 (3) If the eligible taxpayer enters into a production contract with the
692 United States government for one helicopter program specified in the
693 assistance agreement, the targeted job requirement shall be seven
694 thousand two hundred fifty, and the minimum job requirement shall be
695 six thousand for each of the years subject to the recapture under
696 subdivision (2) of this subsection. If the eligible taxpayer enters into
697 production contracts with the United States government for two
698 helicopter programs specified in the assistance agreement, the targeted
699 job requirement shall be seven thousand seven hundred fifty, and the
700 minimum job requirement shall be seven thousand for each of the years
701 subject to the recapture under subdivision (2) of this subsection. The
702 annual recapture amount shall be (A) repaid if the number of actual jobs
703 in any year subject to the recapture is less than the minimum job
704 requirement, and (B) prorated at ninety per cent value of the annual
705 recapture amount if the number of actual jobs is equal to or greater than
706 the minimum job requirement but less than the targeted job
707 requirement. In addition to the recapture job obligation, the
708 commissioner may require other criteria, including, but not limited to,
709 wage requirements, with respect to the recapture of the remaining ten
710 per cent of the annual recapture amount. In no event shall the amount
711 of the recapture exceed the annual recapture amount.

712 (g) The aggregate amount of the project tax benefit granted by the
 713 commissioner under this section shall not exceed (1) six million two
 714 hundred fifty thousand dollars for each compliance year or fifty million
 715 dollars during the term of the assistance agreement if the eligible
 716 taxpayer has entered into a production contract after April 28, 2022, with
 717 the United States government for one helicopter program specified in
 718 the assistance agreement, and (2) nine million three hundred seventy-
 719 five thousand dollars for each compliance year or seventy-five million
 720 dollars during the term of the assistance agreement if the eligible
 721 taxpayer has entered into production contracts after April 28, 2022, with
 722 the United States government for two helicopter programs specified in
 723 the assistance agreement.

724 (h) The commissioner shall not enter into any assistance agreement
 725 under subsection (c) of this section after January 31, 2023.

726 (i) The commissioner may make revisions to the terms of the
 727 assistance agreement to address a scenario where a delay, not caused by
 728 the eligible taxpayer, prevents the eligible taxpayer from entering into
 729 one or more production contracts by June 30, 2024. Such revisions may
 730 include changes to the timing of (1) the benefit period, (2) the
 731 compliance years, (3) the contract years, (4) the minimum requirements,
 732 and (5) the recapture period, and other conforming changes, provided
 733 in all cases, the project tax benefit shall be earned [and utilized] during
 734 the first eight years of the term of any such production contract and
 735 utilized not later than one year after the end of the benefit period.

736 (j) The commissioner may from time to time amend, supplement or
 737 modify the terms of the assistance agreement consistent with the
 738 provisions of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	32-7t
Sec. 2	<i>from passage</i>	32-4p

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 24 \$	FY 25 \$
Department of Economic & Community Development	GF - See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which extends by one year the timeline under which an eligible aerospace company must use the tax benefits provided in PA 22-4, *AAC Certain Aerospace Manufacturing Projects*. While this may result in a shift in the timing of the revenue loss under the program (from FY 32 to FY 33), it does not affect the overall magnitude.

The Out Years

The impact of the bill is limited to FY 32 and FY 33 only.

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)