

# Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

**Bill No.:** HB 6922  
**Title:** AN ACT CONCERNING THE BUSINESS OPERATING LOSS CARRY-OVER PERIOD  
**Vote Date:** 4/18/2023  
**Vote Action:** Joint Favorable Substitute  
**PH Date:** March 24, 2023  
**File No.:**

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## **SPONSORS OF BILL:**

Finance, Revenue and Bonding Committee on behalf of United Rentals.

Co-sponsor: Representative Jill Barry, 31st District.

## **REASONS FOR BILL:**

This legislation would extend, from 20 to 30 years, the period that corporations may carry forward a net operating loss (NOL) deduction for corporation business tax purposes for losses incurred in the 2015 income year or later.

Prior to a change in the law in 2015, Connecticut offset 100% of corporation operating losses for a period of 20 years. In 2015, the statute was amended to offset only 50% of operating losses and restrict the time that net operating loss income to be used.

## **SUBSTITUTE LANGUAGE:**

Changed the effective date of section 1 from " Effective October 1, 2023" to "Effective from passage". In lines 13 and 15, struck "2024" and inserted "2015" in lieu thereof.

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

None expressed.

## **NATURE AND SOURCES OF SUPPORT:**

[Eric Gjede, Vice President of Public Policy, Connecticut Business Industry Association](#) stated that Connecticut employers, particularly small businesses, continue to face a multitude of pandemic-related challenges. Most saw operating costs increase due to supply chain issues and inflation. An astounding 80% of employers continue to face workforce issues. Our state's

unemployment rate remains higher than the national average, and employers face looming tax increases in the coming months related to federal unemployment loans. On the bright side, smart, bipartisan fiscal policies put in place in 2017 and the influx of federal relief funds reduced the state's fiscal challenges. This created a unique, once in a generation opportunity to implement tax relief measures that will help cut the cost of living and the cost of doing business, make Connecticut more competitive, and boost our economy in ways that will benefit everyone. Net operating loss carry forwards permit a business suffering a loss in a certain year to deduct those losses on future tax filings. The ability to deduct operating losses is useful for emerging businesses and businesses with long developmental cycles before their products are ready for market.

[Ed Noonan, Director of Government Affairs, United Rentals](#) testified that Connecticut is currently an outlier when compared to the rest of the country and its neighboring states related to the treatment of net operating losses (NOL's). The current 50% limitation on the amount of annual income that can be offset against accumulated losses, without any additional time to utilize existing accumulated losses, is extremely punitive.

Many states have conformed their treatment of NOL's to Federal law, which allows a company to fully offset accumulated losses against 100% of their annual income for up to 20 years, for losses accumulated prior to December 31, 2017. For any losses incurred after December 31, 2017, companies are allowed to offset 80% of their annual income indefinitely. Most of the remaining states that did not conform to Federal policy allow companies to offset 100% of their annual income against accumulated losses for up to 20 years.

[Paul R. Pescatello, Senior Counsel and Executive Director, Connecticut Bioscience Growth Council](#), noted that biopharma companies are defined by research and development. It takes \$2.7 billion and ten to fifteen years to bring a new medicine from the research lab to pharmacy shelves as an FDA-approved treatment or cure. Since it takes over a decade to refine and test new medicines, biotech companies incur years of operating losses. They can attract investors, complete the research and development necessary to win FDA approval, and begin development of new medicine research projects in large part because they plan to use those operating losses against far-in-the-future income. Since the arc of new medicine development is so long, and because Connecticut allows an offset against income in any one year of only 50%, it is prudent to extend the net operating loss carry forward period to 30 years. This will ensure that biotech companies are able to utilize the full value of the investment losses they incur.

[Garrett Sheehan, President and Chief Executive Officer, Greater New Haven and Quinnipiac Chamber of Commerce](#) emphasized that businesses are still in a period of economic recovery. The past few years have been difficult on businesses in Connecticut as they continue to face a myriad of challenges related to labor shortages, supply chain issues, loss of revenue, and more. The extension of the carry forward period would support businesses facing operating losses, as well as minimize the short-term revenue impact on the state.

#### **NATURE AND SOURCES OF OPPOSITION:**

None expressed.

Reported by: Kathleen Zabel      Date: April 23, 2023

