

AN ACT CONCERNING THE INVEST CT FUND PROGRAM.

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

1 Section 1. Subsection (c) of section 38a-88a of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective October*
3 *1, 2024*):

4 (c) (1) As used in this subsection:

5 (A) "Allocation date" means the date an invest CT fund receives an
6 investment of eligible capital equaling the amount of credits against the
7 tax imposed under chapter 207 and section 38a-743 allocated to
8 taxpayers who invest in such invest CT fund;

9 (B) "Cybersecurity business" means an eligible business primarily
10 engaged in providing information technology products, goods or
11 services intended to detect, prevent or respond to activity intended to
12 result in unauthorized access to, exfiltration of, manipulation of, or
13 impairment to the integrity, confidentiality or availability of an
14 information technology system or information stored on, or transiting,
15 an information technology system;

16 (C) "Eligible business" means a business that has its principal
17 business operations in Connecticut, has fewer than two hundred fifty
18 employees at the time of investment and not more than ten million
19 dollars in net income in the previous year;

20 (D) "Eligible capital" means an investment of cash by a taxpayer in an

21 invest CT fund that fully funds the purchase price of an equity interest
22 in the invest CT fund or an eligible debt instrument issued by an invest
23 CT fund, at par value or a premium, that (i) has an original maturity
24 date of at least five years after the date of issuance, (ii) has a repayment
25 schedule that is not faster than a level principal amortization over five
26 years, and (iii) has no interest, distribution or payment features tied to
27 the invest CT fund's profitability or the success of the investments;

28 (E) "Green technology business" means an eligible business with not
29 less than twenty-five per cent of its employment positions being
30 positions in which green technology is employed or developed and may
31 include the occupation codes identified as green jobs by the Department
32 of Economic and Community Development and the Labor Department
33 for such purposes;

34 (F) "Income year" means the income year as determined in chapter
35 207 for the taxpayer;

36 (G) "Invest CT fund" means a Connecticut partnership, corporation,
37 trust or limited liability company, whether organized on a profit or not-
38 for-profit basis, that (i) is managed by at least two principals or persons
39 that have at least four years of experience each in managing venture
40 capital or private equity funds, with at least fifty million dollars of such
41 funds from people unaffiliated with the manager, (ii) has received an
42 equity investment of capital other than eligible capital equal to no less
43 than five per cent of the total amount of the eligible capital to be invested
44 in such invest CT fund on or before June 30, 2015, and equal to not less
45 than ten per cent of the total amount of eligible capital to be invested in
46 such invest CT fund on or after September 1, 2015, and (iii) is not, or will
47 not be after the receipt of eligible capital, controlled by or under
48 common control with, one or more insurance companies. An investment
49 of eligible capital shall not result in insurance company control unless
50 such investment exceeds forty million dollars per taxpayer and results
51 in insurance companies having the right to vote more than fifty per cent
52 of the equity interests of the invest CT fund cash invested in such invest

53 CT fund, provided this provision shall not prohibit the interim control
54 of an invest CT fund by one or more insurance companies upon a breach
55 of any payment obligation of the invest CT fund or contractual or other
56 agreement by the invest CT fund that is designed to ensure compliance
57 with this section; and

58 (H) "Principal business operations" means at least eighty per cent of
59 the business organization's employees reside in the state or eighty per
60 cent of the business payroll is paid to individuals living in this state.

61 (2) A taxpayer that makes an investment of eligible capital shall, in
62 the year of investment, earn a vested credit against the premium tax
63 imposed pursuant to chapter 207 and section 38a-743. Such credit shall
64 be available as follows: (A) With respect to investments of eligible
65 capital made on or before June 30, 2015, (i) commencing with the tax
66 return due for the first to third, inclusive, tax years, zero per cent; (ii)
67 commencing with the tax return due for the fourth to seventh, inclusive,
68 tax years, not more than ten per cent; and (iii) commencing with the tax
69 return due for the eighth to tenth, inclusive, tax years, not more than
70 twenty per cent; and (B) with respect to investments of eligible capital
71 made on or after September 1, 2015, (i) commencing with the tax return
72 due for the first to fifth, inclusive, tax years, zero per cent; and (ii)
73 commencing with the tax return due for the sixth to tenth, inclusive, tax
74 years, not more than twenty per cent. The maximum amount of eligible
75 capital for which credits may be allowed under this subsection shall not
76 result in more than forty million dollars of tax credits being used in any
77 one year exclusive of any carried forward credits and no fund shall
78 apply for more than the total amount of credits available under this
79 section.

80 (3) (A) On or before July 1, 2010, the Commissioner of Economic and
81 Community Development shall begin to accept applications for
82 certification as an invest CT fund and for allocations of tax credits under
83 this subsection with allocation dates of June 30, 2015, or earlier. On and
84 after September 1, 2015, the commissioner shall accept applications for

85 certification as an invest CT fund and for allocations of tax credits under
86 this subsection with allocation dates of September 1, 2015, or later.
87 Applications shall include: [(A)] (i) The amount of eligible capital the
88 applicant will raise; [(B)] (ii) a nonrefundable application fee of seven
89 thousand five hundred dollars; [(C)] (iii) evidence of satisfaction of the
90 requirements of the definition of "invest CT fund" pursuant to
91 subparagraph (G) of subdivision (1) of this subsection; [(D)] (iv) an
92 affidavit by each taxpayer committing an investment of eligible capital;
93 [(E)] (v) a business plan detailing [(i)] (I) the approximate percentage of
94 eligible capital the applicant will invest in eligible businesses by the
95 third, fifth, seventh and ninth anniversaries of its allocation date, [(ii)]
96 (II) the industry segments listed by the North American Industrial
97 Classification System code and percentage of eligible capital in which
98 the applicant will invest, [(iii)] (III) the number of jobs that will be
99 created or retained as a result of the applicant's investments once all
100 eligible capital has been invested, [(iv)] (IV) the percentage of eligible
101 capital to be invested in eligible businesses primarily engaged in
102 conducting research and development or manufacturing, processing or
103 assembling technology-based products, and [(v)] (V) a revenue impact
104 assessment demonstrating that the applicant's business plan has a
105 revenue neutral or positive impact on the state; [(F)] (vi) a commitment
106 to invest at least twenty-five per cent of its eligible capital in green
107 technology businesses; [(G)] (vii) with respect to applications submitted
108 on or before June 30, 2015, a commitment to invest, by the third
109 anniversary of its allocation date, three per cent of its eligible capital in
110 preseed investments, and with respect to applications submitted on or
111 after September 1, 2015, a commitment to invest, by the fourth
112 anniversary of the allocation date, seven per cent of its eligible capital in
113 preseed investments, in consultation with Connecticut Innovations,
114 Incorporated, pursuant to the corporation's program for preseed
115 financing established pursuant to section 32-41x; and [(H)] (viii) with
116 respect to applications submitted on or after September 1, 2015, a
117 commitment to invest at least three per cent of its eligible capital in
118 cybersecurity businesses and at least twenty-five per cent of its eligible

119 capital in eligible businesses located in municipalities with a population
120 greater than eighty thousand. The commissioner may require the
121 applicant to obtain a revenue impact assessment conducted by an
122 independent third party.

123 (B) (i) From October 1, 2024, to September 30, 2026, inclusive, an
124 applicant may submit to the commissioner a request, in such form and
125 manner prescribed by the commissioner, to consider as an eligible
126 business a business that does not have its principal business operations
127 in Connecticut. The commissioner may approve such a request if the
128 commissioner determines that such an approval would significantly
129 advance the objectives of the invest CT fund program, provided such
130 business complies with all other requirements under subparagraph (A)
131 of this subdivision.

132 (ii) Not later than January 1, 2026, the commissioner shall submit a
133 report, in accordance with the provisions of section 11-4a of the general
134 statutes, on any requests approved by the commissioner pursuant to
135 subparagraph (B)(i) of this subdivision during the period of October 1,
136 2024, to September 30, 2025, inclusive, to the joint standing committee
137 of the General Assembly having cognizance of matters relating to
138 commerce. Not later than January 1, 2027, the commissioner shall
139 submit a report, in accordance with the provisions of section 11-4a of the
140 general statutes, on any requests approved by the commissioner
141 pursuant to subparagraph (B)(i) of this subdivision during the period of
142 October 1, 2025 to September 30, 2026, inclusive, to the joint standing
143 committee of the General Assembly having cognizance of matters
144 relating to commerce. Such reports shall include, but need not be limited
145 to, a list of the applicants whose requests were approved by the
146 commissioner and an analysis of the benefit to and impact on the state
147 resulting from such approvals.

148 (4) Applications for tax credits pursuant to this subsection shall be
149 accepted and approved on a first-come, first-served basis with all
150 applications received on the same date deemed to be received

151 simultaneously and approvals being made on a pro rata basis if such
152 applications exceed the amount of remaining credits.

153 (5) The commissioner shall issue an allocation of credits subject to
154 confirmation by the fund on a form prescribed by the commissioner that
155 an investment of eligible capital was received within five business days.
156 If an invest CT fund does not receive an investment of eligible capital
157 equaling the amount of credits against the tax imposed under chapter
158 207 and section 38a-743 allocated to a taxpayer, for which it filed an
159 affidavit with its application prior to the fifth business day after receipt
160 of certification, the invest CT fund shall notify the commissioner by
161 overnight common carrier delivery service and that portion of eligible
162 capital allocated to the insurance company shall be forfeited. Such invest
163 CT fund and forfeiting taxpayer shall each be assessed a twenty-five-
164 thousand-dollar administrative penalty. The commissioner shall
165 reallocate the forfeited eligible capital among all other remaining
166 taxpayers that invested eligible capital.

167 (6) To continue to be certified, an invest CT fund shall (A) be in
168 compliance with the investment parameters set forth in its business
169 plan, provided an invest CT fund may apply to the commissioner to
170 amend its business plan based on unavoidable or reasonably
171 unanticipated changes to various conditions, including, but not limited
172 to, the general economic climate of the state or particular sectors of the
173 economy, technological advances and high employment and revenue
174 growth opportunities, with approval for such changes not to be
175 unreasonably withheld by the commissioner; (B) be in compliance with
176 the revenue impact assessment provided in the application
177 demonstrating that the fund's business plan continues to have a revenue
178 neutral or positive impact on the state; (C) have invested one hundred
179 per cent of its eligible capital in eligible businesses by the tenth
180 anniversary of its allocation date, with a minimum of twenty-five per
181 cent of eligible capital invested in green technology businesses; (D) for
182 allocation dates of June 30, 2015, or earlier: (i) Have invested sixty per
183 cent of its eligible capital in eligible businesses by the fourth anniversary

184 of such allocation date, and (ii) have invested a minimum of three per
185 cent of such eligible capital in preseed investments, as described in
186 subparagraph (A) of subdivision (3) of this subsection, by the third
187 anniversary of such allocation date; and (E) for allocation dates of
188 September 1, 2015, or later: (i) Have invested sixty per cent of its eligible
189 capital in eligible businesses by the sixth anniversary of such allocation
190 date, (ii) have invested a minimum of seven per cent of its eligible capital
191 in preseed investments, as described in subparagraph (A) of subdivision
192 (3) of this subsection, by the fourth anniversary of such allocation date,
193 (iii) have invested a minimum of three per cent of its eligible capital in
194 cybersecurity businesses, and (iv) have invested a minimum of twenty-
195 five per cent of its eligible capital in eligible businesses located in
196 municipalities with a population greater than eighty thousand. An
197 invest CT fund shall only invest eligible capital in eligible businesses,
198 bank deposits, certificates of deposit or other fixed income securities and
199 may not invest more than fifteen per cent of its eligible capital in any
200 one eligible business without prior approval of the commissioner.

201 (7) Not later than January thirty-first annually, each invest CT fund
202 shall report to the commissioner: (A) The amount of eligible capital
203 remaining at the end of the preceding year; (B) each investment in an
204 eligible business during the preceding year and, with respect to each
205 eligible business, its location and North American Industrial
206 Classification System code; (C) the percentage of eligible capital
207 invested in green technology businesses, preseed investments,
208 cybersecurity businesses and eligible businesses located in
209 municipalities with a population greater than eighty thousand; and (D)
210 distributions made by the invest CT fund in the preceding year. In the
211 annual report due in the third, fifth, seventh and ninth years after its
212 allocation date, each invest CT fund shall also report to the
213 commissioner its compliance with the investment parameters set forth
214 in its business plan and the revenue impact assessment provided in the
215 application demonstrating that the fund's business plan continues to
216 have a revenue neutral or positive impact on the state. Each invest CT
217 fund shall provide to the commissioner annual audited financial

218 statements.

219 (8) To make a distribution or payment, an invest CT fund certified by
220 the commissioner on or before June 30, 2015, must have invested one
221 hundred per cent of its eligible capital in eligible businesses, with a
222 minimum of twenty-five per cent of eligible capital invested in green
223 technology businesses and a minimum of three per cent of eligible
224 capital invested in preseed investment, as described in subparagraph
225 (A) of subdivision (3) of this subsection, with principal business
226 operations in this state at the time of such determination except: (A)
227 Distributions related to the payment of any projected increase in federal
228 or state taxes, including penalties and interest related to state and
229 federal income taxes, of the equity owners of the invest CT fund
230 resulting from the earnings or other tax liability of the invest CT fund to
231 the extent that the increase is related to the ownership, management or
232 operation of the invest CT fund; (B) payments of interest and principal
233 on the debt of the invest CT fund, provided after such payment, the
234 invest CT fund still has cash and other marketable securities in an
235 amount that, when added to the cumulative investments it has made in
236 eligible recipients, equals not less than sixty per cent of the eligible
237 capital invested in such reinvestment fund; or (C) payments related to
238 the reasonable costs and expenses of forming, syndicating, managing
239 and operating the fund, provided the distribution or payment is not
240 made directly or indirectly to an insurance company that has invested
241 eligible capital in the invest CT fund, including: (i) Reasonable and
242 necessary fees paid for professional services, including legal and
243 accounting services, related to the formation and operation of the invest
244 CT fund; and (ii) an annual management fee in an amount that does not
245 exceed two and one-half per cent of the eligible capital of the invest CT
246 fund. The state shall receive a share of any distribution, except as set
247 forth in subparagraphs (A), (B) and (C) of this subdivision and
248 distributions made to return any equity capital invested in the invest CT
249 fund that is not eligible capital, in the following percentages: (I) Ten per
250 cent when less than eighty per cent but more than sixty per cent of the
251 jobs set forth in the invest CT fund's business plan are created or

252 retained, and (II) twenty per cent when sixty per cent or less of the jobs
253 set forth in the invest CT fund's business plan are created or retained.

254 (9) To make a distribution or payment, an invest CT fund certified by
255 the commissioner on or after September 1, 2015, must have invested one
256 hundred per cent of its eligible capital in eligible businesses, with a
257 minimum of twenty-five per cent of eligible capital invested in green
258 technology businesses, a minimum of seven per cent of eligible capital
259 invested in preseed investments, as described in subparagraph (A) of
260 subdivision (3) of this subsection, a minimum of three per cent of eligible
261 capital invested in cybersecurity businesses, and a minimum of twenty-
262 five per cent of eligible capital invested in businesses located in
263 municipalities with a population greater than eighty thousand, with
264 principal business operations in this state at the time of such
265 determination, except: (A) Distributions related to the payment of any
266 projected increase in federal or state taxes, including penalties and
267 interest related to state and federal income taxes, of the equity owners
268 of the invest CT fund resulting from the earnings or other tax liability of
269 the invest CT fund to the extent that the increase is related to the
270 ownership, management or operation of the invest CT fund; (B)
271 payments of interest and principal on the debt of the invest CT fund,
272 provided after such payment, the invest CT fund still has cash and other
273 marketable securities in an amount that, when added to the cumulative
274 investments it has made in eligible recipients, equals not less than sixty
275 per cent of the eligible capital invested in such reinvestment fund; or (C)
276 payments related to the reasonable costs and expenses of forming,
277 syndicating, managing and operating the fund, provided the
278 distribution or payment is not made directly or indirectly to an
279 insurance company that has invested eligible capital in the invest CT
280 fund, including: (i) Reasonable and necessary fees paid for professional
281 services, including legal and accounting services, related to the
282 formation and operation of the invest CT fund; and (ii) an annual
283 management fee in an amount that does not exceed two and one-half
284 per cent of the eligible capital of the invest CT fund. The state shall
285 receive a share of any distribution, except as set forth in subparagraphs

286 (A), (B) and (C) of this subdivision and distributions made to return any
287 equity capital invested in the invest CT fund that is not eligible capital,
288 in the following percentages: (I) Ten per cent when less than eighty per
289 cent but more than sixty per cent of the jobs set forth in the invest CT
290 fund's business plan are created or retained, and (II) twenty per cent
291 when sixty per cent or less of the jobs set forth in the invest CT fund's
292 business plan are created or retained.

293 (10) The commissioner shall review each annual report to ensure
294 compliance with subdivisions (6), (7), (8) and (9) of this subsection. A
295 material variation from subdivision (6), (7), (8) or (9) of this subsection
296 is grounds for decertification of the invest CT fund. If the commissioner
297 determines that an invest CT fund is not in compliance with subdivision
298 (6), (7), (8) or (9) of this subsection or the investment parameters of its
299 business plan, the commissioner shall notify the officers of the invest CT
300 fund, in writing, that the invest CT fund may be subject to
301 decertification after the one hundred twentieth day after the date of
302 mailing the notice, unless the deficiencies are waived by the
303 commissioner or are corrected and the invest CT fund returns to
304 compliance with subdivisions (6), (7), (8) and (9) of this subsection.

305 (11) Decertification of an invest CT fund shall cause the forfeiture of
306 future credits against the tax imposed by chapter 207 and section 38a-
307 743 to be claimed with respect to an invest CT fund when (A) such
308 decertification occurs on or before the fourth anniversary of an
309 allocation date of June 30, 2015, or earlier, or on or before the sixth
310 anniversary of an allocation date of September 1, 2015, or later, and (B)
311 such fund has invested less than sixty per cent of its eligible capital in
312 eligible businesses by said anniversary. The commissioner shall send
313 written notice to the last-known address of each taxpayer whose credit
314 against the tax imposed by chapter 207 is subject to recapture or
315 forfeiture.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2024</i>	38a-88a(c)
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