



# House of Representatives

## File No. 632

General Assembly

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February Session, 2024 **(Reprint of File No. 362)**

Substitute House Bill No. 5300  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
May 1, 2024

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2 repealed and the following is substituted in lieu thereof (*Effective October*  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

147 (4) Applications for tax credits pursuant to this subsection shall be  
148 accepted and approved on a first-come, first-served basis with all  
149 applications received on the same date deemed to be received  
150 simultaneously and approvals being made on a pro rata basis if such  
151 applications exceed the amount of remaining credits.

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

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

181 allocation dates of June 30, 2015, or earlier: (i) Have invested sixty per  
182 cent of its eligible capital in eligible businesses by the fourth anniversary  
183 of such allocation date, and (ii) have invested a minimum of three per  
184 cent of such eligible capital in preseed investments, as described in  
185 subparagraph (A) of subdivision (3) of this subsection, by the third  
186 anniversary of such allocation date; and (E) for allocation dates of  
187 September 1, 2015, or later: (i) Have invested sixty per cent of its eligible  
188 capital in eligible businesses by the sixth anniversary of such allocation  
189 date, (ii) have invested a minimum of seven per cent of its eligible capital  
190 in preseed investments, as described in subparagraph (A) of subdivision  
191 (3) of this subsection, by the fourth anniversary of such allocation date,  
192 (iii) have invested a minimum of three per cent of its eligible capital in  
193 cybersecurity businesses, and (iv) have invested a minimum of twenty-  
194 five per cent of its eligible capital in eligible businesses located in  
195 municipalities with a population greater than eighty thousand. An  
196 invest CT fund shall only invest eligible capital in eligible businesses,  
197 bank deposits, certificates of deposit or other fixed income securities and  
198 may not invest more than fifteen per cent of its eligible capital in any  
199 one eligible business without prior approval of the commissioner.

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

215 have a revenue neutral or positive impact on the state. Each invest CT  
216 fund shall provide to the commissioner annual audited financial  
217 statements.

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



249 cent when less than eighty per cent but more than sixty per cent of the  
250 jobs set forth in the invest CT fund's business plan are created or  
251 retained, and (II) twenty per cent when sixty per cent or less of the jobs  
252 set forth in the invest CT fund's business plan are created or retained.

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

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

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

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

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2024</i>	38a-88a(c)

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.

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### **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** None

#### **Explanation**

The bill, which expands applicant eligibility under the Invest CT tax credit program, does not result in any fiscal impact to the state or municipalities. It does not alter the aggregate \$40 million cap on the amount of credits allowed annually, and current projections (January 16, 2024, Consensus Revenue) assume full credit utilization each fiscal year.

Additionally, the requirement that the Department of Economic and Community Development (DECD) report to the Commerce Committee an analysis of the benefit to and an impact on the state from applicants approved under the bill can be accomplished at no cost. DECD has the expertise and resources needed to meet these reporting requirements.

House "A" makes a clarifying change that does not result in any fiscal impact.

#### **The Out Years**

**State Impact:** None

**Municipal Impact:** None

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**OLR Bill Analysis****sHB 5300 (as amended by House "A")\******AN ACT CONCERNING THE INVEST CT FUND PROGRAM.*****SUMMARY**

This bill allows applicants for the Invest CT tax credit, from October 1, 2024, to September 30, 2026, to request that the Department of Economic and Community Development (DECD) commissioner consider a business without principal operations in Connecticut as an eligible business for investments under the program. The commissioner may approve the request if he determines that it would significantly advance the program's objectives. An applicant must apply to the commissioner as he prescribes and meet other program requirements (e.g., submit a business plan describing the amount of capital to be invested in an eligible business and the number of jobs expected to be created or retained).

The bill requires the DECD commissioner to report to the Commerce Committee by January 1, 2026 (covering October 1, 2024, to September 30, 2025), and January 1, 2027 (covering October 1, 2025, to September 30, 2026). The reports must include a list of applicants whose requests were approved by the commissioner under the bill's authority and an analysis of the benefit to and impact on the state from these approvals.

The bill also makes conforming changes.

By law, the Invest CT credits apply to the insurance premiums and surplus lines brokers tax, and investors qualify for them by investing in eligible businesses through state-certified Invest CT funds. Under existing law, an eligible business has the following:

1. its principal business operations in Connecticut (i.e., at least 80% of its employees reside in the state or at least 80% of its payroll is paid to people living in the state),
2. fewer than 250 employees at the time of the investment, and
3. no more than \$10 million in net income in the previous year.

\*House Amendment "A" requires the applicant, rather than the eligible business, to meet other program requirements when applying to the commissioner.

EFFECTIVE DATE: October 1, 2024

**COMMITTEE ACTION**

Commerce Committee

Joint Favorable Substitute

Yea 24 Nay 0 (03/22/2024)