
OLR Bill Analysis

sHB 5299

AN ACT CONCERNING THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT'S RECOMMENDATIONS FOR REVISIONS TO THE JOBSCT PROGRAM AND THE COMMERCE STATUTES.

SUMMARY

This bill makes several changes affecting the JobsCT tax rebate program, including the following:

1. establishes a two-year lookback period for calculating a business's number of new full-time equivalents (FTEs), rather than a lookback to January 1, 2020, as current law requires;
2. adds new options for determining the wage requirements a business must meet to receive a rebate;
3. allows the Department of Economic and Community Development (DECD) commissioner to substitute another requirement or metric similar in intent to a requirement or metric that he determines the applicant cannot reasonably meet; and
4. changes how rebates are calculated for businesses employing at least one new FTE who is a person with intellectual disability.

The bill also delays, from January 1, 2024, to January 1, 2025, the requirement for DECD to post on its website specified information about JobsCT (e.g., information about rebates for employing people with intellectual disability).

Separately, the bill eliminates Community Investment Fund 2030 (CIF) funding for grants that are proposed by municipalities, community development corporations, or nonprofit corporations.

Under current law, these entities must use the grants to give certain loans to small businesses.

The bill also eliminates the (1) prohibition on Urban Act economic development projects being undertaken before the DECD commissioner approves plans, specifications, and estimated costs and (2) requirement that DECD adopt regulations as needed to implement the Urban Act provisions. (The department adopted regulations in 1984 but has not amended them since then.) It instead requires the commissioner to establish the terms and conditions of any grant-in-aid contract for an Urban Act economic development project and allows him to make any stipulation in connection with the contract (§ 3).

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Upon passage

§ 1 — JOBS CT

The JobsCT tax rebate program allows companies in specified industries (e.g., manufacturing and bioscience) to earn rebates against the corporation business, pass-through entity (PE), and insurance premiums taxes for reaching certain job creation targets. Under existing law, a business's rebate is based on (1) the number of new FTEs created or maintained, (2) their average wage, and (3) the state income tax that a single filer would pay on this average wage. Generally, it equals 25% of the average state income tax that these employees would pay, multiplied by the number of employees.

FTE Definition

By law, new FTEs are those that did not exist in the state when the business applied to the DECD commissioner for acceptance into the program. Under current law, the definition excludes, among other things, FTEs hired to replace FTEs that existed in the state after January 1, 2020.

The bill eliminates this exclusion and instead excludes FTEs hired to replace those that existed in the state in the two-year period

immediately before the date the business submits its rebate application.

Wage Requirements

Under current law, to qualify as a new FTE, an employee must be paid wages sourced to the state (i.e., qualified wages) of at least 85% of the median household income for the location where the position is primarily based or \$37,500, whichever is greater.

The bill replaces this requirement with two alternatives:

1. the greater of (a) 85% of median household income for the FTE's primary location or (b) 120% of the state minimum wage on the date the business applies to DECD for a rebate, multiplied by 2,000 hours (e.g., \$37,656 in 2024), or
2. the greater of (a) at least 100% of the median household income for the municipality with the lowest median household income of all municipalities contiguous to the position's primary location or (b) 100% of statewide median household income.

Alternative Metrics

The law requires the DECD commissioner, when reviewing a business's JobsCT application, to determine whether the (1) business can reasonably meet the hiring targets and other metrics stated in the application and (2) proposed job growth would (a) provide a net benefit to economic development and employment opportunities in the state and (b) exceed a baseline number of jobs. (The bill changes this baseline from the number that existed before January 1, 2020, to the number that existed before the two-year period prior to the business's program application.)

Under current law, the business must meet each of these requirements to be eligible for the rebate program. The bill allows the DECD commissioner, when he determines that a business cannot reasonably meet metrics and FTE hiring targets in its program application, to substitute another requirement or metric similar in intent to the requirement or metric the applicant could not reasonably meet.

People With Intellectual Disability

The bill changes the rebate calculation for companies employing at least one new FTE who is a person with intellectual disability. Under current law, if the business creates and maintains at least 15 new FTEs and at least one of these FTEs is a person with intellectual disability, the business qualifies for a 50% rebate for new FTEs (rather than the program's standard 25% rate), based on the state income tax that would be paid by the new FTEs.

The bill eliminates this provision and instead allows businesses meeting the above criteria to claim an additional rebate for each person with intellectual disability (i.e., DECD would calculate the business's overall rebate amount for new FTEs and then add an additional rebate based on each new FTE with intellectual disability). Under the bill, the additional rebate equals 25% of the calendar year wages paid to each of these people. The bill also allows these additional rebates to exceed the program's rebate cap of \$5,000 per new FTE.

§ 2 — COMMUNITY INVESTMENT FUND 2030

By law, the CIF is a five-year bonding program running through FY 27 to fund "eligible projects" in certain municipalities (i.e., those designated as public investment communities or alliance districts). Eligible projects may be proposed by a municipality, community development corporation, or nonprofit corporation and must further consistent and systematic fair, just, and impartial treatment of all individuals

Under current law, CIF may fund, as an eligible project, grants for (1) a revolving loan program, microloans, or gap financing to small businesses located within an eligible municipality or (2) start-up funds to establish a small business there. The bill eliminates CIF awards for this purpose.

The bill also makes technical and conforming changes (e.g., repealing language about the conditions proposed loans must meet). The law, unchanged by the bill, also allows CIF awards for projects that promote

economic or community development in eligible municipalities.

BACKGROUND

Related Bill

sSB 456, reported favorably by the Finance, Revenue and Bonding Committee, requires that projects identified in 10-year plans to reduce concentrated poverty in specified Census tracts be given priority for CIF awards.

COMMITTEE ACTION

Commerce Committee

Joint Favorable

Yea 24 Nay 0 (03/26/2024)