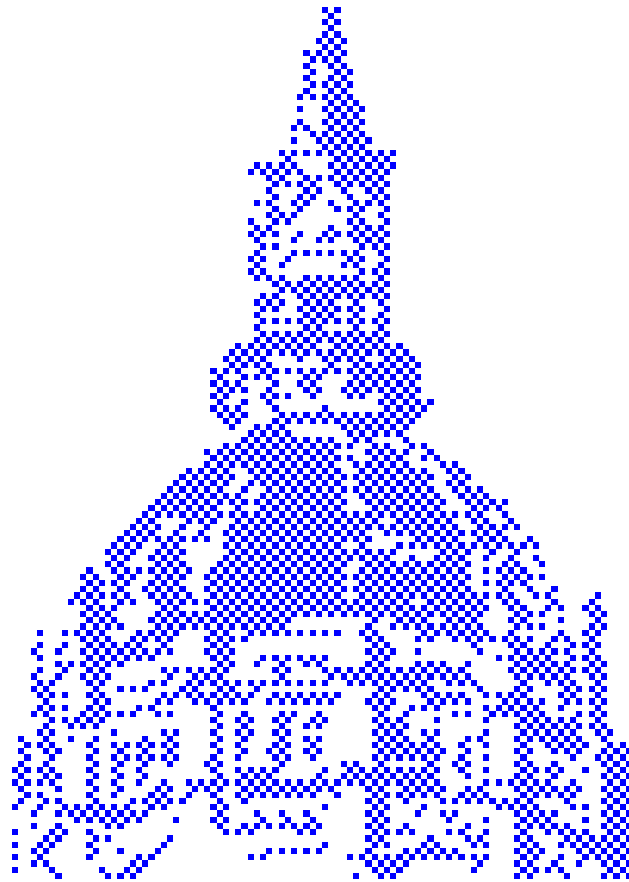




ACTS AFFECTING BUSINESS AND JOBS



2016-R-0125

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NOTICE TO READERS

This report provides highlights of new laws (public acts and special acts) enacted during the 2016 regular and special sessions that will potentially affect a significant number of Connecticut businesses, especially their ability to expand and create jobs. It does not include acts that (1) affect only specific types of businesses (e.g., car dealers, construction companies) or (2) apply only to businesses in industry sectors that are covered in other Acts Affecting reports (i.e., [ACTS AFFECTING AGRICULTURE](#), Acts Affecting Banking, [ACTS AFFECTING ENERGY](#), [ACTS AFFECTING HEALTH PROFESSIONS](#), and [ACTS AFFECTING INSURANCE](#)). It also does not include vetoed acts, unless they were overridden.

Each highlight indicates the public act (PA) or special act (SA) number and summarizes the act's major provisions. Complete summaries of 2016 public acts are available on OLR's webpage: [HTTP://CGA.CT.GOV/OLR/OLRPASUMS.ASP](http://CGA.CT.GOV/OLR/OLRPASUMS.ASP).

Readers are encouraged to obtain the full texts of the acts that interest them from the Connecticut State Library, the House Clerk's Office, or the General Assembly's website: [HTTP://WWW.CGA.CT.GOV](http://WWW.CGA.CT.GOV)

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ARMED FORCES MEMBERS AND VETERANS

Connecticut Family and Medical Leave Act and Active Duty Military Service

A new law requires certain private employers and the state to allow their employees to take unpaid time off to address an urgent need or problem arising from the employee's spouse, child, or parent being on active duty or notified of an impending call or order to active duty in the armed forces ([PA 16-195](#), effective upon passage).

Veteran-Owned Small Businesses

Under a new law, certain veteran-owned businesses will get up to a 15% price preference for certain Department of Administrative Services open market orders or contracts. To be eligible, these businesses must have gross revenue of no more than \$3 million in the most recently completed fiscal year and have at least 51% of the ownership held by one or more veterans ([PA 16-184](#), effective October 1, 2016).

BIOSCIENCE INDUSTRY

Assistance from Permit Ombudsman Office

A new law makes projects to develop bioscience businesses eligible for assistance from the Department of Economic and Community Development's (DECD) Permit Ombudsman office, which coordinates expedited permit reviews of eligible economic development projects with the

transportation, public health, and energy and environmental protection departments. The new law also requires the ombudsman's office to assist and provide guidance to bioscience companies seeking to expedite the review and approval of permits required by local zoning authorities ([PA 16-201](#), effective October 1, 2016).

Connecticut Bioscience Innovation Fund (CBIF) Changes

A new law allows the CBIF advisory committee to use CBIF funds to invest indirectly in eligible recipients by investing in private equity investment funds, including those organized, managed, and investing in businesses in- or out-of-state. The private funds must invest at least as much money as they receive from CBIF into CBIF-eligible recipients.

The new law also:

1. credits to Connecticut Innovations' (CI) unrestricted funds any income or earnings in excess of the original award amount that result from CBIF financial assistance awards, thus increasing funding for CI's other programs;
2. makes businesses' eligibility for CBIF contingent on annual commercial revenue rather than the age of the business and its current activities; and
3. allows CI to provide, through CBIF, additional funding to eligible recipients that have already received financial

assistance from CI or CBIF (“follow-on funding”) ([PA 16-201](#), effective July 1, 2016 and [PA 16-3, May Special Session \(MSS\)](#), §§ 11 & 22).

Right-to-try Experimental Drugs

Under a new law that allows terminally ill patients, under specified conditions, to access certain medications and devices not approved for general use by the federal Food and Drug Administration, investigational drug and device manufacturers may provide eligible patients with such drugs and devices and charge for those they provide. The act specifies that it does not create a private cause of action against a manufacturer for any harm caused by an investigational drug or device ([PA 16-214](#), effective October 1, 2016).

BUSINESS LAW AND PRACTICE

Gift Card Balances

A new law imposes new requirements on gift card transactions, requiring someone:

1. selling or issuing a gift card to provide the purchaser with an electronic or paper copy of a proof of purchase or gift receipt and
2. accepting a gift card as payment for goods or services to provide the purchaser, on request, with cash for the remaining balance on the card after the purchase if the (a) balance is under \$3 and (b) purchaser provides the proof of purchase or gift receipt.

The new law does not apply to certain types of gift cards, such as general-use prepaid cards and gift certificates sold only on paper, among other things ([PA 16-140](#), effective October 1, 2016).

Human Trafficking Notices and Training

Under a new law, hotel, motel, inn, and similar lodging operators must meet training and record keeping requirements aimed at addressing human trafficking. It also (1) requires hotels, motels, similar lodgings, and businesses that offer for sale or promote performances for adult audiences to post a specific notice about services for human trafficking victims and (2) expands the types of service stops and alcohol permit holders that must post the notice ([PA 16-71](#), §§ 3, 5, & 10 effective October 1, 2016).

Limited Liability Company (LLC) Governing Law

A new law makes many changes to the laws governing domestic and foreign LLCs. The laws generally apply when an LLC’s operating agreement does not cover a particular matter, except for certain items that the new law does not allow in an agreement or that an agreement cannot change. Among its major provisions, the new law:

1. adds more detailed provisions on fiduciary duties and charging orders against members (court orders to collect a debt);

2. changes when a member can bind the LLC as an agent;
3. adds provisions on derivative actions by a member;
4. makes changes to the provisions governing mergers between LLCs, including mergers with foreign LLCs, and adds provisions governing interest exchanges; and
5. allows an LLC's operating agreement to include certain aspects of its governance, such as designating whether it is managed by its members or a manager ([PA 16-97](#), effective July 1, 2017).

Liquor Law Changes

New laws extend the hours certain alcoholic liquor permittees may sell or dispense alcohol, generally allowing permittees that sell or dispense alcohol for on-premises consumption (e.g., restaurants, cafes, and taverns) and manufacturer permittees for a farm winery to sell and dispense alcohol an hour earlier on Sundays, starting at 10:00 a.m. instead of 11:00 a.m. ([PA 16-103](#), §§ 2 & 3; [PA 16-117](#), § 6, effective upon passage).

CONSUMER PROTECTION

Student Data Privacy

A new law restricts how website and mobile app operators and consultants who contract with boards of education may process or access student data. Among other things, it also requires operators and consultants to use

reasonable security practices to safeguard student data ([PA 16-189](#), effective October 1, 2016, with certain provisions taking effect upon passage).

ENTREPRENEURSHIP AND INNOVATION

Angel Investor Tax Credit

A new law extends the sunset date for the angel investor tax credit by three years, from July 1, 2016 to July 1, 2019, and allows taxpayers to sell, assign, or transfer all or part of the credit to other taxpayers ([PA 16-3, MSS](#), § 183, effective July 1, 2016 and applicable to tax years beginning on or after January 1, 2016).

CI Investments in Young Businesses

The legislature authorized several new mechanisms for CI to invest in young businesses. New laws allow CI to:

1. invest, under certain conditions, in out-of-state, growth-stage businesses as long as they relocate to Connecticut;
2. create, using its unrestricted funds, other incentives to encourage out-of-state growth-stage businesses and venture capital firms to relocate;
3. invest its unrestricted funds in private equity investment funds, as long as the private funds invest at least as much money as they received from CI in businesses located in or relocating to Connecticut; and

4. solicit investments from state residents and invest the money they collect into a private investment fund that invests in Connecticut businesses (residents can receive an estate tax credit for their investment).

A new law also requires most CI venture agreements to include at least one private investor partner ([PA 16-3, MSS](#), §§ 11 & 35, various effective dates, and [PA 16-204](#), effective July 1, 2016).

CTNext

As part of a package of initiatives intended to stimulate and support entrepreneurship and innovation in Connecticut, the legislature established a new CI subsidiary—CTNext—to support the entrepreneurship community and new business development and oversee several new initiatives. CTNext is governed by an 11-member board comprised mostly of experienced entrepreneurs and funded with \$25 million in previously authorized bonds ([PA 16-3, MSS](#), §§ 1-4 & 16, most provisions effective upon passage).

Entrepreneur Learner's Permit

The legislature created a two-year Entrepreneur Learner's Permit pilot program, administered by CI, to assist first-time entrepreneurs in the biotechnology, green technology, and information technology business sectors by reimbursing them for state fees associated with forming a business. CI

generally determines the criteria for approving applicants for reimbursement, but it must give priority to female and minority applicants. The program is capped at \$500,000 per year ([SA 16-1](#), effective July 1, 2016).

Higher Education Innovation and Entrepreneurship Working Group and Advisory Committee

As part of the package of entrepreneurship and innovation initiatives, the legislature created a higher education working group to examine innovation and entrepreneurship at in-state public and private colleges and universities. The group must establish a master plan that recommends initiatives and programs, addresses opportunities and risks, and identifies funding priorities for projects relating to entrepreneurship and innovation.

Another initiative in the package is the creation of a higher education entrepreneurship advisory committee to review applications for grants-in-aid to colleges and universities that submit applications in furtherance of the master plan designed by the working group. The law also funds the grants by earmarking \$10 million from previously authorized bond funds ([PA 16-3, MSS](#), §§ 10, 16, 27, & 28, various effective dates).

Incentive for Business Mentors

A new law allows the DECD commissioner to forgive a portion of state financial assistance awarded to technology-based businesses that mentor other businesses through CTNext's mentorship network ([PA 16-3, MSS](#), § 15, effective upon passage).

Innovation Place Program

The legislature established, within CTNext, an innovation place program to foster innovation and entrepreneurship in compact, mixed-use geographic areas with startups, "growth-stage businesses," "anchor institutions," and access to public transit. Entities such as corporations, municipalities, and higher education institutions may submit applications for the designation of an innovation place. The law earmarks \$29.5 million in previously authorized bond funds to fund grants to (1) entities preparing such applications and (2) successful applicants.

Under the new law, CI must establish a program to award, on a competitive basis, grants of up to \$50,000 to startups located in or relocating to municipalities with a designated innovation place and provide them with access to other support services, such as mentoring and co-working space. The law also allows eligible businesses and other eligible entities in innovation places to receive priority for financial assistance (1) from the Small Business Express Program and (2) awarded by specified state

officials (e.g., the DECD or DEEP commissioners) if the official determines that doing so would further the innovation place program's purpose ([PA 16-3, MSS](#), §§ 5-10, 17, 26, & 29, most provisions are effective July 1, 2016).

Knowledge Center Enterprise Zones

Under a new law, the DECD commissioner may establish up to 10 knowledge center enterprise zones in the state's distressed municipalities, based on proposals submitted by colleges and universities. Businesses that locate in knowledge center enterprise zones receive the same state and local tax benefits, subject to the same conditions, as those located in general enterprise zones ([PA 16-3, MSS](#), § 24, effective October 1, 2016).

Study of Innovation and Entrepreneurship in Connecticut

The legislature charged CTNext's board of directors with awarding a grant to a policy institute, higher education institution, or research organization to conduct certain analyses of innovation and entrepreneurship in the state. These include (1) biennial baseline assessments of the state's innovation and entrepreneurship, (2) annual audits and analyses of certain programs and activities, and (3) a one-time policy audit of laws and regulations affecting innovation and entrepreneurship ([PA 16-3, MSS](#), § 25, effective July 1, 2016).

Website that Advertises Businesses Seeking Investors

A new law requires CTNext, beginning July 1, 2017, to create and maintain a website that advertises Connecticut-based startups that (1) have been approved by CI to receive angel investments or (2) are seeking funding on reward-based or equity-based crowdfunding websites. Crowdfunding means funding a product, project, or venture by seeking small individual cash contributions from a large number of people ([PA 16-3, MSS](#), § 30, effective July 1, 2016).

FINANCE, INSURANCE, AND REAL ESTATE

Deposit Index

A new law changes the basis for determining the interest rate that must be paid on deposits held by certain deposit holders, such as landlords, public service companies, electric suppliers, telephone companies, and certified telecommunications providers ([PA 16-65](#), §§ 38-42, effective July 1, 2016).

Foreclosures and Small Loans

A new law changes provisions governing foreclosures, small loans, and other banking-related statutes. With regard to the foreclosure-related provisions, the law, among other things, creates a new process whereby a court may enter a judgment of loss mitigation as an alternative to foreclosure for certain “underwater mortgages,” authorizes foreclosure mediators to

excuse certain parties from mediation sessions for good cause, and simplifies the foreclosure by market sale process.

Regarding the changes to the small loan statutes, the law, among other things, expands the scope of activities that require licensure, simplifies the definition of a “small loan,” and converts the existing interest rate structure to an APR capped at the maximum 36% allowed under the federal Military Lending Act ([PA 16-65](#), various effective dates; the foreclosure provisions are effective October 1, 2016, and the small loans provisions are effective July 1, 2016).

International Trade and Investment Corporations

A new law authorizes the banking commissioner to issue licenses to international trade and investment corporations but does not require them to be licensed. These corporations are business entities or government agencies approved or seeking approval from the U.S. Export-Import Bank (EXIM), Overseas Private Investment Corporation (OPIC), or U.S. Department of Agriculture as a lender under various government financing guarantee programs. The new law imposes licensing requirements, fees, and recordkeeping requirements. It also authorizes the commissioner to adopt regulations to administer the bill’s provisions ([PA 16-65](#), §§ 65-71, effective upon passage).

GENERAL ECONOMIC DEVELOPMENT

Connecticut 500 Project

The legislature established the Connecticut 500 Project to achieve several long-term economic development goals, including creating a net increase of 500,000 new private sector jobs over the next 25 years. The Commission on Economic Competitiveness must administer the project in collaboration with the project's permanent governing board, which must represent a cross section of business, government, and community leaders ([PA 16-1, MSS](#), § 20, effective July 1, 2016).

Extending First Five Plus Program

The First Five Plus program was set to expire on June 30, 2016, but a new law extends it for three years, until June 30, 2019, and increases the maximum number of business development projects it can fund from 15 to 20. First Five Plus combines financial assistance and tax incentives under existing programs for projects that create jobs and make capital investments within the law's timeframes ([PA 16-3, MSS](#), § 18, effective July 1, 2016).

Financing for Minority-Owned Businesses

A new law establishes, within the Small Business Express (SBX) program, up to two revolving loan funds to support the growth of small minority-owned businesses. DECD must (1)

select up to two minority business development entities to administer the funds and (2) capitalize the funds with money from existing SBX bond authorizations ([PA 16-128](#), effective upon passage).

Grant to Connecticut Supplier Connection

The legislature earmarked a total of \$1.25 million in existing bond authorizations to provide, for five years, an annual grant of \$250,000 to the Connecticut Supplier Connection. The Connecticut Supplier Connection links Connecticut's larger corporations with the state's small suppliers ([PA 16-3, MSS](#), §10, effective upon passage).

Local Economic Development Property Tax Incentive

Prior law set parameters under which municipalities could stimulate new development and assess it for less than its fair market value. A new law eliminates those parameters, thus giving municipalities more latitude to set the terms and conditions for giving this property tax break ([PA 16-3, MSS](#), § 32, effective October 1, 2016 and applicable to assessment years beginning on or after that date).

Urban and Industrial Sites Credits

The bond act authorizes up to \$10 million for a DECD program to offer payments to holders of tax credit certificates under the urban and industrial reinvestment program to

replace the allowable credits under the certificates ([PA 16-4, MSS](#), § 9, effective July 1, 2016).

Working Group on Digital Infrastructure Needs

A new law establishes a health data collaborative working group to examine the anticipated digital infrastructure needs of various industries (e.g., the health care and insurance industries) and the potential economic and employment benefits that may result from developing digital infrastructure. The working group must also identify means to encourage the private development and investment of digital infrastructure ([SA 16-20](#), effective upon passage).

GOVERNMENT CONTRACTING

Grants to Procurement Technical Assistance Program

The legislature earmarked a total of \$1.5 million in existing bond authorizations to provide, for five years, an annual grant of \$300,000 to the Connecticut Procurement Technical Assistance Program (PTAP). PTAP provides marketing and procurement assistance to Connecticut businesses ([PA 16-3, MSS](#), §10, effective upon passage).

Public Works Contracts Retainage

A new law generally lowers the maximum retainage allowed in state contracts from 10% to 7.5% and requires the retainage amount to be reduced to 5% when the contract is 50% complete.

By law, public works contracts valued at more than \$100,000 must require the general contractor to furnish a payment bond from a surety company. A new law requires the surety company, if it fails to respond to a claim, to indemnify the claimant (e.g., subcontractor or supplier) for reasonable attorneys' fees and costs thereafter to recover any amount found to be due or owed ([PA 16-104](#), effective July 1, 2016).

LABOR

Criminal Record Questions on Applications

A new law prohibits employers from asking about a prospective employee's prior arrests, criminal charges, or convictions on an initial employment application unless (1) the employer must do so under state or federal law or (2) the prospective employee is applying for a position for which the employer must obtain a security or fidelity bond or equivalent bond ([PA 16-83](#), effective January 1, 2017).

Employee Pay Periods & Payroll Cards

In the past, employers had to pay their employees every week unless they received a waiver from DOL. But a new law allows employers to pay their employees biweekly without a DOL waiver ([PA 16-169](#), effective upon passage).

Employers can also start paying their employees through payroll cards, which are stored value cards (similar to a bank account debit card) linked to a payroll card account that the employer establishes at a bank or credit union. Among other things, employers using the cards must meet certain notice requirements and allow employees to switch from a payroll card to direct deposit or check. They cannot pass any of their costs for using the cards to employees ([PA 16-125](#), effective October 1, 2016).

Employee Retirement Account Program

Many private sector employees who previously did not have access to individual retirement accounts (IRAs) will be automatically enrolled in Roth IRAs under a new law, which applies to all private sector employers that employ at least five people who are each paid at least \$5,000. Employees must be at least 19 years old and have worked for the employer for at least 120 days.

If the employee does not affirmatively opt in (contribution options are provided) the employer must automatically enroll the employee with a contribution of 3% of the employee's taxable wages. An employee may opt out of the program by electing a contribution level of zero. Contributions are made by payroll deductions.

The law creates the Connecticut Retirement Security Authority to establish and administer the program. The law authorizes the authority to charge fees to help defray program costs and contains penalties for employers that fail to remit contributions or enroll employees ([PA 16-26](#), effective upon passage, and [PA 16-3, MSS](#), §§ 95-108, most provisions effective January 1, 2017).

State Board of Mediation and Arbitration Fee

An employer and employee must each pay a fee when submitting a grievance or dispute to the State Board of Mediation and Arbitration. A new law increases this fee from \$25 to \$200 ([PA 16-3, MSS](#), § 179, effective July 1, 2016).

Unemployment Notices, Hearings, & Appeals

The legislature made numerous changes to the unemployment compensation statutes to generally give the Department of Labor (DOL) greater flexibility in processing unemployment claims and appeals. Among other

things, these changes (1) allow DOL to deliver certain unemployment notices and decisions by means other than the mail (e.g., email); (2) require the period in which a party can appeal a DOL decision to start when the decision is “provided,” rather than mailed, to the party; and (3) allow the labor commissioner to prescribe different ways, other than a hearing, for employers and claimants to present their evidence and testimony in certain unemployment proceedings ([PA 16-169](#), effective October 1, 2016).

LAND USE AND ENVIRONMENT

Consumer Packaging Task Force

The legislature established a task force to study methods for reducing consumer packaging that generates solid waste. Among other things, the task force must study (1) how the consumer packaging and recycling industry reduces and minimizes the amount of consumer packaging, (2) incentives for producers to reduce packaging, and (3) strategies to reduce, by at least 25%, the consumer packaging in Connecticut’s waste stream beginning in 2024 ([SA 16-6](#), effective upon passage).

Reporting Environmental Spills

By law, anyone who discharges, spills, or otherwise releases certain substances, materials, or waste must report it to the state. A new law requires the energy and environmental protection commissioner to set in regulations numerical thresholds for

determining whether the responsible party must report the release ([PA 16-199](#), effective October 1, 2016).

MANUFACTURING

Encouraging Students to Consider Manufacturing Careers

A new law requires the education commissioner, in collaboration with the Board of Regents, to establish a committee to coordinate efforts to educate middle and high school students about manufacturing careers. Among other things, the committee must annually (1) compile a catalog of manufacturing training programs at public and private educational institutions in the state and (2) analyze, in consultation with the manufacturing industry, whether current programs available to Connecticut students are meeting workforce needs.

The education commissioner, in collaboration with specific partners, must also (1) develop a program to introduce students to manufacturing careers and (2) create a best practices guide to help boards of education incorporate relationships with the manufacturing industry into their curricula ([PA 16-114](#), effective upon passage).

Food Enrichment Requirements

A new law eliminates the mandatory enrichment requirement for rice, flour, macaroni, white bread or rolls, and corn meal or grits. It instead requires these food products to meet applicable federal

regulatory standards of identity, quality, and fill of container, or, if there are no such regulations, regulatory requirements that the consumer protection commissioner and the agricultural experiment station director may establish ([PA 16-172](#), effective July 1, 2016).

Manufacturing Teachers Task Force

A new law establishes a task force to study how to recruit manufacturing teachers in public schools, public higher education, and private institutions. The task force report is due to the Education Committee by January 1, 2017 ([SA 16-9](#), § 1, effective upon passage).

TAXES

Tax Changes

This session the legislature made numerous changes to the sales, property, corporation, and income tax laws that affect business. Among other things, the budget implementer act ([PA 16-3, MSS](#), various effective dates):

1. requires companies to use market-based sourcing to determine which service sales are attributable to Connecticut for corporation and personal income tax purposes (§§ 199 & 200);
2. changes the formula taxpayers must use to determine how much of a multistate company's gains and losses are attributable to Connecticut for personal income tax purposes (§§ 200 & 201);
3. requires the Department of Revenue Services (DRS) to make reasonable efforts to facilitate the issuance of tax warrants on "payment settlement entities" (i.e., banks or third-party settlement organizations, such as MasterCard, Paypal, and Visa) for payments they made to Connecticut retailers (§ 182); and
4. prohibits the DRS commissioner from issuing or renewing a (a) sales tax seller's permit; (b) cigarette dealer, distributor, or manufacturer license; or (c) tobacco product distributor or unclassified importer license for anyone who he determines has failed to file any required tax returns (§ 198).

For more information on tax changes that may affect businesses, see [Acts Affecting Taxes](#).

WORKFORCE DEVELOPMENT

DOL's Apprenticeship Website

A new law requires DOL to update the Office of Apprenticeship Training's website by March 1, 2017. At a minimum, the update must:

1. simplify the process by which current and prospective apprentices and employers can access comprehensive information about apprenticeship training;
2. provide an accurate list of occupations in which apprentices are employed in the state and the number of apprentices who

participated in each occupation during the previous calendar year; and

3. include comprehensive information about apprenticeship coursework, with a list of coursework providers, their websites and locations, the occupations in which they offer coursework, and associated costs ([PA 16-114](#), effective upon passage).

Eastern Connecticut Employment Transition Study

A new law requires DECD, by January 1, 2017, to report on the transition of former casino employees to jobs in other sections. Among other things, the report must (1) examine the availability of industry sectors into which former casino employees may gain employment (e.g., advanced manufacturing or health care) and (2) identify the training needed for these employees to transition to other sectors and the existing resources that provide the training ([SA 16-2](#), effective July 1, 2016).

Technology Talent Advisory Committee

A new law requires the DECD commissioner to establish a Technology Talent Advisory Committee to identify shortages of qualified employees in specific technology sectors and develop pilot programs to address those shortages. The commissioner chooses the members, which must include representatives of private industry and the state's public and independent institutions of higher education. The law also earmarks \$10 million in previously authorized bond funds for the committee's purposes ([PA 16-3, MSS](#), §§ 10(b)(6) & 23, effective upon passage).

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