Acts Affecting Business and Jobs

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June 11, 2018 | 2018-R-0132
Notice to Readers

This report provides summaries of new laws (public acts and special acts) enacted during the 2018 regular session that may affect a significant number of Connecticut businesses. Consequently, it does not summarize acts that affect only (1) specific types of businesses (e.g., garages or construction companies) or (2) business sectors covered in other acts affecting reports, such as those concerning agriculture, banking, and insurance. It does not summarize vetoed acts, unless they were overridden.

Each summary provides the act’s public act (PA) or special act (SA) number and highlights the act’s major provisions. Complete summaries of the 2018 acts are available on OLR’s webpage: https://www.cga.ct.gov/olr/. We encourage readers to obtain the full text 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.
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Business Law and Practice

Certain Occupational Credential Fees Made Nonrefundable

A new law makes all application fees for Department of Consumer Protection credentials nonrefundable unless the law expressly provides otherwise (PA 18-40, effective July 1, 2018).

E-Cigarettes Sales

A new law allows retail establishments to sell e-cigarettes (i.e., electronic delivery systems or vapor products) to consumers only through employee-assisted sales where customers cannot access the e-cigarettes without the employee’s assistance. It expressly prohibits these establishments from selling or offering for sale e-cigarettes through self-service displays. Exempted from these requirements are retail establishments that prohibit minors from entering and post notice of the prohibition clearly at all of the establishment’s entrances. Existing law prohibits selling e-cigarettes to minors (PA 18-109, effective October 1, 2018).

Extending Hours Alcohol May Be Served in Airport Lounges

The legislature extended the hours an airport airline club permittee may sell and dispense alcohol for on-premises consumption. A permittee may now sell and dispense (1) three hours earlier Monday through Saturday, starting at 6:00 a.m. instead of 9:00 a.m., and (2) four hours earlier on Sunday, starting at 6:00 a.m. instead of 10:00 a.m. (PA 18-66, effective upon passage).

Revised Uniform Arbitration Act

This session, the legislature enacted the Revised Uniform Arbitration Act (RUAA), thus codifying arbitration rules, standards, and common practices, some of which were previously not regulated by statute. The new law permits parties to waive or modify many rules, standards, and practices, but specifically bars such waiver for other provisions or allows it only under specified circumstances. It generally applies to agreements to arbitrate made on or after October 1, 2018.

The new law does not repeal the existing laws on arbitration proceedings (Chapter 909), specifying that proceedings governed by other laws related to an agreement to arbitrate, whenever entered, are subject to the existing arbitration law unless certain conditions are met (PA 18-94, effective October 1, 2018).
Security Freezes
A new law increases, from 12 to 24 months, the length of time certain businesses must provide identity theft mitigation services to customers after a data breach. The new law also prohibits credit rating agencies from (1) charging fees to place or remove a credit security freeze and (2) requiring a consumer, as a condition of placing a freeze, to limit claims he or she may have against the agency (PA 18-90, effective October 1, 2018).

Worker Cooperatives
A new law allows a nonprofit corporation to become a member of a worker cooperative, a type of business entity. In doing so, it allows the nonprofit to own ownership shares in the cooperative; serve on its board; and, like the worker-owners, receive a portion of the cooperative’s net earnings (i.e., patronage allocations) which, by law, must be apportioned to each member in proportion to the member’s share of the work performed by all members during a specified period (PA 18-27, effective October 1, 2018).

Consumer Protection
**Failure to Respond to Consumer Complaints**
A new law requires the Department of Consumer Protection (DCP) to process consumer complaints about goods and services in Connecticut. It authorizes DCP to notify in writing the party (i.e., respondent) against whom a compliant is received about the allegations and requires it to respond to DCP within 30 days of the notice. For respondents that DCP does not certify, license, permit, or register, failure to respond is treated like an infraction, and violators may be subject to a fine of up to $250 (PA 18-141, §§ 3 & 4, effective upon passage).

Entrepreneurship and Innovation
**Blockchain Technology**
Blockchain is a digital ledger in which transactions made in bitcoin or another cryptocurrency are recorded chronologically and publicly. This new technology has many potential applications, but represents uncharted waters. To understand how the state can support the development and diffusion of this technology, the legislature authorized the Commerce Committee’s leaders to convene a blockchain working group that includes industry experts, academic leaders, and state officials. The group must report its findings to the legislature by January 1, 2019 (SA 18-8, effective upon passage).
Expanded CTNext Mission

CTNext’s purposes now include overseeing the broader, macro-level ecosystem that supports innovation and entrepreneurial community buildings. CTNext is a subsidiary of Connecticut Innovations, Inc. (CI), a quasi-public agency specializing in high technology venture capital investments (PA 18-178, § 46 effective July 1, 2018).

Flexible Uses of CTNext Funds

The legislature broadened the purposes for which CTNext, a CI subsidiary, can use certain money in the CTNext Fund, allowing unspent funds that are not needed for specified purposes to be used for any of the fund’s statutory purposes, including making innovation place grants and funding higher education entrepreneurship programs (PA 18-46, effective July 1, 2018).

New Programmatic Initiatives at CTNext

A new law authorizes CTNext to:

1. establish and operate an Entrepreneur-in-Residence program that matches highly experienced entrepreneurs with entrepreneurs and businesses in CTNext’s network to provide advice and assistance and

2. jointly establish with CI a fund to make grants or investments in commercially viable research relevant to the state’s major industries (i.e., a proof of concept fund), earmarking up to $10 million in previously authorized Manufacturing Assistance Act (MAA) bonds for that purpose.

Encouraging the Formation of Connecticut-based Private Venture Capital Funds

The new law also authorizes CI to encourage the formation of at least one new private Connecticut-based venture capital fund and earmarks up to $10 million in previously authorized MAA bonds for that purpose. A private fund qualifies for a CI investment if the private capital equals at least one and a half times CI’s investment (PA 18-178, §§ 48, 49 & 51, effective July 1, 2018).

General Economic Development

Bioscience Strategic Plan

The bioscience industry, which includes pharmaceutical manufacturers and diagnostic testing laboratories, is one of the state’s key industries, and to ensure that it continues to grow, the legislature required CI to prepare a strategic development plan for that sector and a
complementary plan to market and promote it. As the state’s venture capital agency, CI invests in businesses that research and develop new technologies. CI must report to the legislature and several other entities on these plans by January 1, 2019 (SA 18-23, effective upon passage).

**Business Registration, Licensing, and Permitting Portal**

One of the major hurdles facing people trying to launch a new business is identifying the necessary registrations, licenses, and permits needed to operate it. A new law requires the state’s interagency information and telecommunications steering committee to study how the state’s electronic business portal could address that problem by providing a centralized and streamlined business registration and licensing system. The committee must report its findings to the Commerce and Government Administration and Elections committees by January 1, 2019 (SA 18-17, effective upon passage).

**Expanded Connecticut Port Authority Powers**

A new law expands the powers of the Connecticut Port Authority (CPA), authorizing it to, among other things, (1) enter into joint ventures to form businesses to advance the authority's purposes; (2) charge fees for its services; and (3) provide loans, grants, and other forms of financial assistance. By law, the CPA is a quasi-public agency charged with marketing and developing the state's ports and maritime economy (PA 18-163, effective October 1, 2018).

**Opportunity Zones**

The legislature directed the Department of Economic and Community Development commissioner to study how to best take advantage of a new federal law providing tax incentives for investing in low-income communities. That law—the Tax Cuts and Jobs Act of 2017—allows state chief executive officers to nominate such communities for designation as a qualified opportunity zone and establishes specific tax incentives for investing in these designated zones through a qualified fund. The commissioner must identify best practices for marketing the zones’ tax benefits and, by January 1, 2019, report her findings to the Commerce; Planning and Development; and Finance, Revenue and Bonding committees (PA 18-49, § 21, effective upon passage).

**Panel to Study the Commission on Fiscal Stability and Economic Growth’s Recommendations**

The legislature established a seven-member panel to study specific proposals to rebalance state taxes to better stimulate economic growth without raising net new taxes. The proposals come from the 14-member Commission on Fiscal Stability and Economic Growth the legislature created in 2017 to develop and recommend policies to stabilize the state’s finances and promote economic
growth and competitiveness within the state. The commission issued numerous recommendations in March 2018. As part of its study, the new panel must (1) review options for expanding municipal revenue sources and methods to broaden the sales and use tax base and (2) consider the commission’s and the 2015 State Tax Panel’s work (PA 18-81, § 56, effective upon passage).

**Veterans Small Business Price Preference**

A new law extends the veterans small business price preference for certain state open market orders and contracts to veterans who (1) were discharged under conditions other than dishonorable or for bad conduct and (2) have a qualifying condition (i.e., post-traumatic stress disorder, traumatic brain injury, or a military sexual trauma experience) (PA 18-47, §§ 1 & 2, effective October 1, 2018).

**Health Insurance**

**Prescription Drug Pricing**

Under a new law, pharmacy benefit managers and health carriers must report to the insurance commissioner information on prescription drug rebates and outpatient prescription drug costs and expenses, respectively. The law also requires, among other things, (1) the Office of Health Strategy (OHS) to annually identify up to 10 outpatient prescription drugs provided at substantial state cost, (2) drug manufacturers to report to OHS information on those drugs, and (3) health carriers to certify that they account for all rebates in plan premiums (PA 18-41, effective January 1, 2020).

**Health Carrier and Hospital Contract Disputes**

A new law seeks to lessen the impact health care contract disputes have on insureds. It requires health carriers and hospitals to continue following a contract’s terms and conditions for at least 60 days after a nonrenewal or termination unless they (1) mutually agree to end the contract early and (2) make a good faith effort to notify all impacted patients at least 30 days before the contract ends. If the parties renew or enter into a new contract during the 60-day period, the contract’s reimbursement terms must be retroactive to the date the original contract ended (PA 18-115, effective July 1, 2018, and applicable to contracts entered into, renewed, amended, or continued on or after that date).

**Labor**

**Employment Discrimination Based on Veteran Status**

A new law provides employment protections for veterans working on state and municipal projects. Under this law, the contracts awarded for these projects must require the contractor to (1) perform
the contract without unlawfully discriminating, or allowing others to discriminate, on the grounds of veteran status and (2) take affirmative action to ensure that applicants with job-related qualifications are employed and that employees are treated without regard to their status as veterans. The law already prohibits contracts from discriminating against various protected classes (e.g., on the basis of race, age, or disability) (PA 18-75, § 2, effective July 1, 2018).

**Minors Working in Hazardous Occupations**

A new law exempts certain registered pre-apprentices from the law banning minors age 16 and 17 from working in certain hazardous occupations, specifically pre-apprenticeships in manufacturing or mechanical establishments, technical education and career schools, and public schools. The exemption applies to students or minors (1) employed under a written agreement with a sponsor for a term of training and employment up to 2,000 hours or 24 months long and (2) registered with the Department of Labor (PA 18-126, § 8, effective October 1, 2018).

**Pay Equity**

A new law generally prohibits employers from asking about a prospective employee's salary history, but not if (1) the prospective employee voluntarily discloses his or her salary history or (2) a federal or state law specifically authorizes the disclosure or verification of salary history for employment purposes. Employers may ask about the other elements of a prospective employee's compensation structure, but not about their value (PA 18-8, effective January 1, 2019).

**Land Use and the Environment**

**Application Fees for State Highway Right-of-Way Encroachment Permits**

State highway right-of-way encroachment permit (SHRWE) applications are needed for a wide range of uses, including sidewalk construction, sign installation, and shrubbery planting. The FY 18-19 budget act limited the Department of Transportation (DOT) commissioner’s authority to charge fees for these applications to cover only those from open-air theaters, shopping centers, and other developments generating large volumes of traffic (i.e., major traffic generators). A new law restores the DOT commissioner’s authority to charge reasonable regulatory fees for all SHRWE applications, not only for those from major traffic generators (PA 18-167, § 2, effective October 1, 2018).
Broader Application of Notice of Activity and Use Limitation (NAUL)

A NAUL is a legal instrument used to minimize exposure to contamination by limiting or controlling how a contaminated property may be used. A new law sets conditions under which NAULs can be used on those properties where a prior holder of interest, such as a lender, holds an interest that allows activities the NAUL otherwise prohibits (PA 18-85, effective October 1, 2018).

Permit Turnaround Time by Department of Energy and Environmental Protection (DEEP)

Under a new law, the Department of Energy and Environmental Protection (DEEP) must make best efforts to review and make a final determination on 29 specified permit applications within 90 days after receiving a permit application, as long as it is complete.

The new law also (1) requires the DEEP commissioner to establish a pilot program to expedite the issuance of permits and (2) eliminates a requirement under which applications were automatically approved if DEEP did not make a final determination on them within 90 days of submission (PA 18-121, effective upon passage).

Services for Businesses Applying for DEEP Permits

A new law requires DEEP to provide certain services to businesses that request a meeting with the department before applying for permits necessary for specified business purposes (i.e., starting or expanding a business or initiating a new manufacturing production line). The services include (1) identifying the information the agency needs to process the permit application and (2) providing the applicant with an estimated final decision date (PA 18-146, effective October 1, 2018).

State Brownfield Remediation Loan Program

The legislature extended, from 20 to 30 years, the maximum amount of time for borrowers to repay Department of Economic and Community Development (DECD) brownfield remediation loans, which are capped at $4 million per year (PA 18-85, effective July 1, 2018, and applicable to loans issued on or after that date).

Taxes

Asset Expensing Deduction

A new law requires personal income and corporation business taxpayers to apportion the federal asset expensing deduction over five years, beginning on or after January 1, 2018. Under this law, they (1) must add back 80% of the federal deduction in the first year and (2) may deduct 25% of
the disallowed portion of the deduction in each of the four succeeding tax years (i.e., 20% a year for five years) (**PA 18-49**, §§ 11 & 12, upon passage; the personal income tax provisions are applicable to tax years beginning on or after January 1, 2017).

**Bonus Depreciation Deduction**

Beginning with the 2017 tax year, a new law requires individuals receiving income from pass-through businesses (e.g., limited liability partnerships and limited liability corporations) to apportion the federal bonus depreciation deduction over four tax years. For property placed in service after September 27, 2017, it requires taxpayers, when calculating their Connecticut adjusted gross income for the state personal income tax, to add back the federal bonus depreciation deduction. But it allows them to deduct 25% of the disallowed deduction for each of the four succeeding tax years (**PA 18-49**, § 11, upon passage and applicable to tax years beginning on or after January 1, 2017).

**Business Interest Deduction**

The federal Tax Cuts and Jobs Act of 2017 generally limits the amount of business interest a company may deduct from gross income to 30% of its adjusted taxable income. (The limitation generally applies to all taxpayers, except small businesses with average gross receipts of $25 million or less, adjusted for inflation.) For income years beginning on or after January 1, 2018, a new law requires businesses to determine the interest deduction for state corporation business tax purposes the same way they do for federal tax purposes, but without the limitation (**PA 18-49**, § 13 and **PA 18-169**, § 41, upon passage and applicable to income years beginning on or after January 1, 2017).

**Contributions to a Corporation’s Capital from the State or Local Government**

Under federal law, contributions to a corporation’s capital are generally excluded from a corporation’s gross income. However, under the federal Tax Cuts and Jobs Act of 2017, certain contributions made by governmental entities are taxable as of December 22, 2017. A new state law establishes a corporation business tax deduction for the amount of any contributions made by the State of Connecticut or its political subdivisions on or after December 23, 2017, to the extent that such contributions are included in a corporation’s gross income under federal law (**PA 18-49**, § 13 and **PA 18-169**, § 41, upon passage and applicable to income years beginning on or after January 1, 2017).
Dividends Received Deduction

Existing law generally allows corporations to deduct from their gross income the dividends they receive from other corporations in which they have an ownership stake. But the law disallows any deduction for expenses related to those dividends. A new law provides that expenses related to dividends equal 5% of all dividends received by a company during an income year. For multi-state companies or financial service companies, it requires the net income associated with the disallowed expenses to be apportioned according to the existing statutory requirements for doing so (PA 18-49, § 13 and PA 18-169, § 41, upon passage and applicable to income years beginning on or after January 1, 2017).

Eliminated Tax Credits

The legislature ended two seldom used economic development tax credit programs, the 10-year corporation business tax credit for establishing a new business in one of the state’s 18 enterprise zones and the 10-year corporation business tax credit for acquiring or developing business facilities in the zones and other designated areas. (Businesses that were awarded credits for the latter before July 1, 2018, may continue to claim them until the end of the 10-year period.) (PA 18-145, effective July 1, 2018, except the changes ending the credit for acquiring or developing facilities in designated areas take effect on or after that date and are applicable to income years beginning on or after January 1, 2018).

Income Tax Deduction for Bioscience Venture Capital Investments

Under a new law, a qualified venture capital fund’s general partners can now deduct from their personal income taxes their share of the investment and management income they receive from the fund’s investments in eligible Connecticut-based bioscience businesses, including pharmaceutical and medical equipment manufacturers and diagnostic testing laboratory operators (PA 18-147, effective July 1, 2018, and applicable to taxable years beginning on or after January 1, 2018).

Local Option Brownfield Remediation Property Tax Incentives

The legislature (1) allowed municipalities to extend property tax abatements to people and entities that intend to acquire, remediate, and redevelop brownfields (i.e., prospective purchasers) under the same conditions that apply to current owners and (2) broadened the range of state programs under which the recipients of this and the other property tax incentives must remediate the properties (PA 18-85, § 6, effective October 1, 2018).


**Marketplace Facilitators**

A new law requires “marketplace facilitators” to be considered retailers for the sales they facilitate for sellers on their forum and collect and remit sales tax on those sales. Marketplace facilitators are generally businesses that facilitate the sale of goods and services for sellers by providing a forum that lists or advertises the sellers’ goods and services, collect receipts from customers, and remit payments to sellers (PA 18-152, §§ 3-5, effective December 1, 2018).

**Pass-Through Entity Tax**

A new law allows taxpayers to work around the new $10,000 cap on the federal deduction for state and local taxes (SALT) by imposing an entity-level income tax on most pass-through businesses that is (1) levied at the top personal income tax rate of 6.99% and (2) offset by a state personal or corporation income tax credit for the entity's members. Because entity-level taxes remain deductible at the federal level, pass-through businesses will be able to claim this new state tax as a deductible expense against their federal taxes and pass along the benefit of the deduction to their members (PA 18-49, §§ 1-8, effective upon passage and applicable to taxable years beginning on or after January 1, 2018).

**Personal Property Tax Exemption for Certain Business Property**

A new law exempts from the property tax tangible personal property owned by a business entity for 10 full assessment years and whose original value did not exceed $250 (PA 18-79, effective October 1, 2018, and applicable to assessment years beginning on or after that date).

**Referrer Notice Requirements**

A new law establishes sales and use tax notice and reporting requirements for referrers (i.e., people and businesses who connect sellers and consumers for a commission or fee). It requires them to:

1. post a notice to customers on their medium (e.g., website) about sales and use tax obligations on Connecticut purchases;

2. beginning July 1, 2019, provide a quarterly notice to sellers to whom they transferred sales during the previous year that, among other things, informs them of the requirement to collect and remit sales and use tax on sales made to Connecticut purchasers; and

3. beginning January 31, 2020, submit an annual report to DRS providing the name and address of each seller who received the quarterly notice in the prior year and each seller that the referrer knows collected and remitted Connecticut sales and use taxes (PA 18-152, § 6, effective December 1, 2018).
Sales Taxes Nexus

State law requires “retailers” to collect Connecticut sales tax if they are “engaged in the business” of making retail sales in the state. If a retailer is engaged in business in Connecticut, it is said to have a significant presence (i.e., nexus) here. A new law generally expands the conditions under which certain out-of-state retailers must collect and remit sales tax in Connecticut. It also provides that the definition of “engaged in business in the state” applies to the extent not prohibited by the U.S. Constitution (PA 18-152, §§ 2 & 3, effective December 1, 2018).

Stranded Tax Credit Program Expanded

The legislature added a new component to the program that allows business taxpayers to redeem some or all of the value of research and development tax credits they earned but cannot use in exchange for making certain capital improvements or investments. Instead of redeeming the unusable credits in exchange for the improvements and investments, the new component allows taxpayers to sell, assign, or otherwise transfer them to another taxpayer, who may only exchange them under the program (PA 18-178, § 50, effective July 1, 2018).

Workforce Development

Apprenticeship Connecticut Initiative

The legislature established the Apprenticeship Connecticut initiative and earmarked $50 million in previously authorized bonds to finance it. The initiative must develop workforce pipeline programs to train qualified entry-level workers for jobs with manufacturers and employers in sectors experiencing workforce shortages. The Labor Department must administer the program and, by January 1, 2019, issue a request for qualifications (RFQ) to solicit proposals for workforce pipeline programs from eligible regional industry partnerships.

The new law also requires each regional workforce development board to submit to the General Assembly, before the RFQ's submission deadline, a report indicating its region's most pressing workforce needs and the industry sector or sectors with the greatest needs (PA 18-178, §§ 45 & 51, effective July 1, 2018).

Insurance Industry Workforce Task Force

A new act establishes a task force to study and develop strategies to improve Connecticut's insurance industry workforce. The study must include (1) an evaluation and analysis of the status of the insurance industry workforce; (2) the insurance industry's employment needs; and (3) ways of
developing, expanding, and improving the insurance industry workforce in the state. The task force must report its findings and recommendations to the Insurance and Real Estate Committee by January 1, 2019 (SA 18-21, effective upon passage).

**Mobile Manufacturing Labs**

A new law requires the economic development commissioner, in consultation with the labor commissioner and the Manufacturing Innovation Advisory Board, to issue a request for proposals to operate “mobile manufacturing training labs.” The labs must support manufacturing careers by providing various services, such as continuing education for manufacturing employees and advanced manufacturing demonstrations to middle and high school students (SA 18-24, effective upon passage).

For more information about 2018 tax law changes, see Acts Affecting Taxes.

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