

OFA BILL ANALYSIS

SHB 5876

AN ACT CONCERNING A CORPORATION BUSINESS TAX CREDIT FOR NEW MANUFACTURING OR ECONOMIC DEVELOPMENT ACTIVITIES

SUMMARY: The bill creates a Corporation Tax credit of up to 25% over seven years for manufacturing or other economic base business facilities receiving an eligibility certificate from the Department of Economic Development. The credit is calculated based on the amount of Corporation Tax liability allocated to the facility receiving the certification.

The criteria for eligibility and credit are as follows:

Class	Minimum Square Feet	Minimum New Employees	Corporation Tax Credit	7-Year Limit of Credit
1	250,000	1,000	10%	\$25 million
2	500,000	2,000	15%	\$50 million
3	750,000	3,000	21.5%	\$86 million
4	1,000,000	4,000	25%	\$100 million

The bill also provides for recapture of the tax credit if employment at the facility decreases to less than 750 for 60 days or more, during any of the 6 years following the income year in which certification was granted. The recapture percentages are: 90% the first year following certification, 65% the second year, 50% the third year, 30% the fourth year, 20% the fifth year, and 10% the sixth year.

Firms are not eligible to receive Corporation Tax credit for both this program and the Enterprise Zone program.

EFFECTIVE DATE: Upon passage and applicable to income years beginning on or after 1/1/93.

COMMENT: "Manufacturing or economic base business" means a business classified in accordance with the standard industrial classification system of the Bureau of Census of the United States Department of Commerce as belonging to major industry group numbered 20 to 39, inclusive; a business engaged in significant servicing, overhauling or rebuilding of machinery and equipment

for industrial use; or any establishment or auxiliary or operating unit thereof, as defined in the Standard Industrial Classification Manual, which the commissioner determines will materially contribute to the economy of the state by creating or retaining jobs, exporting products or services beyond the state's boundaries, encouraging innovation in products or services, adding value to products or services, or otherwise supporting or enhancing existing activities that are important to the economy of the state (CGS Section 32-222(k)).

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 34 Nay 0

Lm/las
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