File No. 517

House Bill No. 5290

House of Representatives, April 14, 1998. The Committee on Finance, Revenue and Bonding reported through REP. SCHIESSL, 60th DIST., Chairman of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING MANUFACTURING FACILITIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Subsection (d) of section 32-9p of the general statutes is repealed and the following is substituted in lieu thereof:

(d) "Manufacturing facility" means any plant, building, other real property improvement, or part thereof, (1) which (A) is constructed or substantially renovated or expanded on or after July 1, 1978, in a distressed municipality, a targeted investment community as defined in section 32-222, or an enterprise zone designated pursuant to section 32-70, or (B) is acquired on or after July 1, 1978, in a distressed municipality, a targeted investment community as defined in section 32-222, or an enterprise zone designated pursuant to said section 32-70, by a business organization which is unrelated to and unaffiliated with the seller, after having been idle for at least one year prior to its acquisition and regardless of its previous use; (2) which is to be used for the manufacturing, processing or assembling of raw materials, parts or manufactured products, for research and development facilities directly related to manufacturing, for the significant servicing, overhauling or rebuilding of machinery and equipment for industrial use, or, except as provided in this subsection, for warehousing and distribution or, (i) if located in an enterprise zone designated pursuant to said section 32-70, which is to be used by an establishment, an auxiliary or an operating unit of an establishment as such terms are defined in the Standard Industrial Classification Manual, in the categories of depository institutions, nondepository credit institutions, insurance carriers, holding or other investment offices, business services, health services, fishing, hunting and trapping, motor freight transportation and warehousing, water transportation, transportation by air, transportation services, security and commodity brokers, dealers, exchanges and services, telemarketing or engineering, accounting, research, management and related services from the Standard Industrial Classification Manual, which establishment, auxiliary or operating unit shows a strong performance in exporting goods and services, as defined by the commissioner through regulations adopted under chapter 54 or (ii) if located in a municipality with an entertainment district designated under section 32-76 or established under section 2 of public act 93-311*, is to be used in the production of entertainment products, including multimedia products, or as part of the airing, display or provision of live entertainment for stage or broadcast, including support services such as set manufacturers, scenery makers, sound and video equipment providers and manufacturers, stage and screen writers, providers of capital for the entertainment industry and agents for talent, writers, producers and music properties and technological infrastructure support including, but not limited to, fiber optics, necessary to support multimedia and other entertainment formats, except entertainment provided by or shown at a gambling or gaming facility or a facility whose primary business is the sale or serving of alcoholic beverages; and (3) for which the department has issued an eligibility certificate in accordance with section 32-9r. In the case of facilities which are acquired, the department may waive the requirement of one year of idleness if it determines that, absent qualification as a manufacturing facility under subdivisions (59) and (60) of section 12-81, and sections 12-217e, 32-9p to 32-9s, inclusive, 32-23n and 32-23p, there is a high likelihood that the facility will remain idle for one year. In the case of facilities located in an enterprise zone designated pursuant to said section 32-70, (i) the idleness requirement in subparagraph (B) of subdivision (1), for business organizations which over the six months preceding such acquisition have had an average total employment of between six and nineteen employees, inclusive, shall be reduced to a minimum of six months, and (ii) the idleness requirement shall not apply to business organizations with an average total employment of five or fewer employees, provided no more than one eligibility certificate shall be issued under this subparagraph (ii) for the same facility within a three-year period. Of those facilities which are for warehousing and distribution, only those which are newly constructed or which represent an expansion of an existing facility OR A RENOVATION EQUALLING FIFTY PER CENT OR MORE OF THE ASSESSED VALUE OF THE PROPERTY SHALL qualify as manufacturing facilities. In the event that only a portion of a plant is acquired, constructed, renovated or expanded, only the portion acquired, constructed, renovated or expanded constitutes the manufacturing facility. A manufacturing facility which is leased may for the purposes of subdivisions (59) and (60) of section 12-81 and sections 12-217e, 32-9p to 32-9s, inclusive, 32-23n and 32-23p, be treated in the same manner as a facility which is acquired if the provisions of the lease serve to further the purposes of subdivisions (59) and (60) of section 12-81, and sections 12-217e, 32-9p to 32-9s, inclusive, 32-23n and 32-23p and demonstrate a substantial, long-term commitment by the occupant to use the manufacturing facility, including a contract for lease for an initial minimum term of five years with provisions for the extension of the lease at the request of the lessee for an aggregate term which shall not be less than ten years, or the right of the lessee to purchase the facility at any time after the initial five-year term, or both. For a facility located in an enterprise zone designated pursuant to said section 32-70, and occupied by a business organization with an average total employment of ten or fewer employees over the six-month period preceding acquisition, such contract for lease may be for an initial minimum term of three years with provisions for the extension of the lease at the request of the lessee for an aggregate term which shall not be less than six years, or the right of the lessee to purchase the facility at any time after the initial three-year term, or both, and may also include the right for the lessee to relocate to other space within the same enterprise zone, provided such space is under the same ownership or control as the originally leased space or if such space is not under such same ownership or control as the originally leased space, permission to relocate is granted by the lessor of such originally leased space, and such relocation shall not extend the duration of benefits granted under the original eligibility certificate. Except as provided in subparagraph (B) above, a manufacturing facility does not include any plant, building, other real property improvement or part thereof used or usable for such purposes which existed before July 1, 1978.

CE COMMITTEE VOTE: YEA 26 NAY 0 JF C/R FIN
FIN COMMITTEE VOTE: YEA 45 NAY 0 JF

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF 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 HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER HB 5290

STATE IMPACT	Potential Cost and Potential Revenue Loss, see explanation below
MUNICIPAL IMPACT	Potential Revenue Loss, see explanation below
STATE AGENCY(S)	Department of Economic and Community Development

EXPLANATION OF ESTIMATES:

STATE IMPACT: There is a potential revenue loss and a potential cost to the state to the degree that extending property tax abatements and corporate business tax credits to substantially renovated warehouses and distribution facilities in designated areas, provides financial incentives for business activity which would have occurred without the incentives. The exact impact cannot be determined.

Any increase in the workload of the Department of Economic and Community Development resulting from this expansion can be handled within existing budgetary resources.

MUNICIPAL IMPACT: There is a potential revenue loss from the 80% property tax abatement for expanded facilities and newly acquired equipment to the degree that firms take advantage of this incentive. The state provides a 50% PILOT to help defray the revenue loss to the town.

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OLR BILL ANALYSIS

HB 5290

AN ACT CONCERNING MANUFACTURING FACILITIES

SUMMARY: This bill extends property tax abatements and corporate business tax credits to substantially renovated warehouses and distribution facilities in designated areas, such as enterprise zones. A warehouse qualifies for these benefits if the renovation cost is at least half of its assessed value. Under current law, only newly built warehouses or those added to existing facilities qualify for the benefits.

EFFECTIVE DATE: October 1, 1998

BACKGROUND

__Locational Requirements__

Some of the state's tax incentives, such as those the bill extends to renovated warehouses and distribution facilities, are limited to businesses in designated geographic areas. Manufacturing, warehouse and distribution, and specified service facilities automatically qualify for benefits if they are located in enterprise zones or enterprise corridor zones.

Those facilities that are located in the towns with enterprise zones but not actually in the zones qualify for benefits at the economic and community development commissioner's discretion. He can approve the benefits if:

1. he determines that the possibility of obtaining the benefits encouraged the company to construct, expand, or renovate the facility and

2. the company shows that it needs the benefits or that the facility's development will benefit the state.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference
Yea 26 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Report
Yea 45 Nay 0