



General Assembly

February Session, 2006

Raised Bill No. 484

LCO No. 2480



Referred to Committee on **COMMERCE**

Introduced by:
(CE)

AN ACT EXTENDING THE FILING DEADLINE FOR CERTAIN TAX EXEMPTIONS, CONCERNING MAIL DISTRIBUTION SERVICES FROM THE PROPERTY TAX, EXEMPTIONS FROM THE GROSS EARNINGS TAX ON NATURAL GAS AND STATE PAYMENTS IN LIEU OF TAXES FOR MACHINERY AND EQUIPMENT.

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

- 1 Section 1. (*Effective from passage*) Notwithstanding the provisions of
2 subparagraph (B) of subdivision (72) of section 12-81 of the 2006
3 supplement to the general statutes, any person otherwise eligible for a
4 2004 grand list exemption pursuant to said subdivision in the city of
5 Waterbury, except that such person failed to file the required
6 exemption application within the time period prescribed, shall be
7 regarded as having filed said application in a timely manner if such
8 person files said application not later than thirty days after the
9 effective date of this section and pays the late filing fee pursuant to
10 section 12-81k of the general statutes. Upon confirmation of the receipt
11 of such fee and verification of the exemption eligibility of the
12 machinery and equipment included in such application, the assessor
13 shall approve the exemption for such property. If taxes have been paid
14 on the property for which such exemption is approved, the city of

15 Waterbury shall reimburse such person in an amount equal to the
16 amount by which such taxes exceed the taxes payable if the application
17 had been filed in a timely manner. Notwithstanding the provisions of
18 subsection (a) of section 12-94b of the general statutes, and section 12-
19 94e of the general statutes, the assessor of the city of Waterbury may
20 submit such approved exemption application to the Secretary of the
21 Office of Policy and Management together with a request for
22 reimbursement of the tax loss resulting from such exemption. Subject
23 to the secretary's review and approval of such exemption, such
24 reimbursement shall be included in the next certification the secretary
25 makes to the Comptroller under the provisions of section 12-94b of the
26 general statutes.

27 Sec. 2. Subparagraph (A) of subdivision (72) of section 12-81 of the
28 2006 supplement to the general statutes is repealed and the following
29 is substituted in lieu thereof (*Effective from passage and applicable to*
30 *assessment years commencing on or after October 1, 2006*):

31 (72) (A) Effective for assessment years commencing on or after
32 October 1, 2002, new machinery and equipment, as defined in this
33 subdivision, acquired after October 1, 1990, and newly-acquired
34 machinery and equipment, as defined in this subdivision, acquired on
35 or after July 1, 1992, by the person claiming exemption under this
36 subdivision, provided this exemption shall only be applicable in the
37 five full assessment years following the assessment year in which such
38 machinery or equipment is acquired, subject to the provisions of
39 subparagraph (B) of this subdivision. Machinery and equipment
40 acquired on or after July 1, 1996, and used in connection with
41 biotechnology shall qualify for the exemption under this subsection.
42 For the purposes of this subdivision: (i) "Machinery" and "equipment"
43 means tangible personal property which is installed in a
44 manufacturing facility and claimed on the owner's federal income tax
45 return as either five-year property or seven-year property, as those
46 terms are defined in Section 168(e) of the Internal Revenue Code of
47 1986, or any subsequent corresponding internal revenue code of the

1067

484

48 United States, as from time to time amended, and the predominant use
49 of which is for manufacturing, processing or fabricating; for research
50 and development, including experimental or laboratory research and
51 development, design or engineering directly related to manufacturing;
52 for the significant servicing, overhauling or rebuilding of machinery
53 and equipment for industrial use or the significant overhauling or
54 rebuilding of other products on a factory basis; for measuring or
55 testing or for metal finishing; or used in the production of motion
56 pictures, video and sound recordings. "Machinery" means the basic
57 machine itself, including all of its component parts and contrivances
58 such as belts, pulleys, shafts, moving parts, operating structures and
59 all equipment or devices used or required to control, regulate or
60 operate the machinery, including, without limitation, computers and
61 data processing equipment, together with all replacement and repair
62 parts therefor, whether purchased separately or in conjunction with a
63 complete machine, and regardless of whether the machine or
64 component parts thereof are assembled by the taxpayer or another
65 party. "Equipment" means any device separate from machinery but
66 essential to a manufacturing, processing or fabricating process. (ii)
67 "Manufacturing facility" means that portion of a plant, building or
68 other real property improvement used for manufacturing, processing
69 or fabricating, for research and development, including experimental
70 or laboratory research and development, design or engineering
71 directly related to manufacturing, for the significant servicing,
72 overhauling or rebuilding of machinery and equipment for industrial
73 use or the significant overhauling or rebuilding of other products on a
74 factory basis, for measuring or testing or for metal finishing. (iii)
75 "Manufacturing" means the activity of converting or conditioning
76 tangible personal property by changing the form, composition, quality
77 or character of the property for ultimate sale at retail or use in the
78 manufacturing of a product to be ultimately sold at retail. Changing
79 the quality of property shall include any substantial overhaul of the
80 property that results in a significantly greater service life than such
81 property would have had in the absence of such overhaul or with

CONNECTICUT
STATE LIBRARY
LEGISLATIVE REFERENCE
SECTION

82 significantly greater functionality within the original service life of the
83 property, beyond merely restoring the original functionality for the
84 balance of the original service life. (iv) "Fabricating" means to make,
85 build, create, produce or assemble components or tangible personal
86 property work in a new or different manner. [, but does not include the
87 presorting, sorting, coding, folding, stuffing or delivery of direct or
88 indirect mail distribution services.] (v) "Processing" means the physical
89 application of the materials and labor in a manufacturing process
90 necessary to modify or change the characteristics of tangible personal
91 property. (vi) "Measuring or testing" includes both nondestructive and
92 destructive measuring or testing, and the alignment and calibration of
93 machinery, equipment and tools, in the furtherance of the
94 manufacturing, processing or fabricating of tangible personal property.
95 (vii) "Biotechnology" means the application of technologies, including
96 recombinant DNA techniques, biochemistry, molecular and cellular
97 biology, genetics and genetic engineering, biological cell fusion
98 techniques, and new bioprocesses, using living organisms, or parts of
99 organisms, to produce or modify products, to improve plants or
100 animals, to develop microorganisms for specific uses, to identify
101 targets for small molecule pharmaceutical development, or to
102 transform biological systems into useful processes and products.

103 Sec. 3. Subsection (c) of section 12-265 of the general statutes is
104 repealed and the following is substituted in lieu thereof (*Effective from*
105 *passage*):

106 (c) (1) The rate of tax on the sale, furnishing or distribution of
107 electricity or natural gas for use directly by a company engaged in a
108 manufacturing production process, in accordance with the Standard
109 Industrial Classification Manual, United States Office of Management
110 and Budget, 1987 edition, classifications 2000 to 3999, inclusive, or
111 Sector 31, 32 or 33 in the North American Industrial Classification
112 System United States Manual, United States Office of Management and
113 Budget, 1997 edition, shall be four per cent with respect to calendar
114 quarters commencing on or after January 1, 1994, and prior to January

115 1, 1995, three per cent with respect to calendar quarters commencing
 116 on or after January 1, 1995, and prior to January 1, 1996, and two per
 117 cent with respect to calendar quarters commencing on or after January
 118 1, 1996, and prior to January 1, 1997. The sale, furnishing or
 119 distribution of electricity or natural gas for use by a company as
 120 provided in this subsection shall not be subject to the provisions of this
 121 chapter with respect to calendar quarters commencing on or after
 122 January 1, 1997. Not later than thirty days after May 19, 1993, and
 123 thirty days after the effective date of each rate decrease provided for in
 124 this section, each electric and gas public service company, as defined in
 125 section 16-1, as amended, which does not have a proposed rate
 126 amendment under section 16-19 pending before the Department of
 127 Public Utility Control at such time, shall request the department to
 128 reopen the proceeding under section 16-19 on the company's most
 129 recent rate amendment, solely for the purpose of decreasing the
 130 company's rates to reflect the decreases required under this section.
 131 The department shall immediately reopen such proceedings, solely for
 132 such purpose.

133 (2) For purposes of this subsection, the sale, furnishing or
 134 distribution of natural gas for use as fuel in the operation of a
 135 cogeneration facility providing electricity or steam to a company
 136 engaged in a manufacturing production process described in
 137 subdivision (1) of this subsection shall be deemed to be a sale,
 138 furnishing or distribution of natural gas for use directly by such
 139 company in such process where such cogeneration facility is located
 140 entirely on the premises owned or controlled by such company,
 141 whether or not the cogeneration facility is owned or operated by such
 142 company, provided such sale, furnishing or distribution of natural gas
 143 occurs on or after March 10, 2003.

144 Sec. 4. Section 12-94b of the general statutes is repealed and the
 145 following is substituted in lieu thereof (*Effective October 1, 2006*):

146 On or before March fifteenth, annually, commencing March 15,

CONNECTICUT
 STATE LIBRARY
 LEGISLATIVE REFERENCE
 SECTION

147 1998, the assessor or board of assessors of each municipality shall
148 certify to the Secretary of the Office of Policy and Management, on a
149 form furnished by said secretary, the amount of exemptions approved
150 under the provisions of subdivisions (72) and (74) of section 12-81 of
151 the 2006 supplement to the general statutes, as amended by senate bill
152 348 of the current session, together with such supporting information
153 as said secretary may require including the number of taxpayers with
154 approved claims under said subdivisions (72) and (74) and the original
155 copy of the applications filed by them. Said secretary shall review each
156 such claim as provided in section 12-120b. Not later than December
157 first next succeeding the conclusion of the assessment year for which
158 the assessor approved such exemption, the secretary shall notify each
159 claimant of the modification or denial of the claimant's exemption, in
160 accordance with the procedure set forth in section 12-120b. Any
161 claimant aggrieved by the results of the secretary's review shall have
162 the rights of appeal as set forth in section 12-120b. With respect to
163 property first approved for exemption under the provisions of
164 subdivisions (72) and (74) of section 12-81 of the 2006 supplement to
165 the general statutes, as amended by senate bill 348 of the current
166 session, for the assessment years commencing on or after October 1,
167 2000, but before October 1, 2007, the grant payable for such property to
168 any municipality under the provisions of this section shall be equal to
169 eighty per cent of the property taxes which, except for the exemption
170 under the provisions of subdivisions (72) and (74) of section 12-81 of
171 the 2006 supplement to the general statutes, as amended by senate bill
172 348 of the current session, would have been paid. With respect to
173 property first approved for exemption under the provisions of
174 subdivisions (72) and (74) of section 12-81 of the 2006 supplement to
175 the general statutes, as amended by senate bill 348 of the current
176 session, for the assessment years commencing on or after October 1,
177 2007, the grant payable for such property to any municipality under
178 the provisions of this section shall be equal to one hundred per cent of
179 the property taxes which, except for the exemption under the
180 provisions of subdivisions (72) and (74) of section 12-81 of the 2006

181 supplement to the general statutes, as amended by senate bill 348 of
 182 the current session, would have been paid. The secretary shall, on or
 183 before December fifteenth, annually, certify to the Comptroller the
 184 amount due each municipality under the provisions of this section,
 185 including any modification of such claim made prior to December first,
 186 and the Comptroller shall draw an order on the Treasurer on or before
 187 the twenty-fourth day of December following and the Treasurer shall
 188 pay the amount thereof to such municipality on or before the thirty-
 189 first day of December following. If any modification is made as the
 190 result of the provisions of this section on or after the December
 191 fifteenth following the date on which the assessor has provided the
 192 amount of the exemption in question, any adjustments to the amount
 193 due to any municipality for the period for which such modification
 194 was made shall be made in the next payment the Treasurer shall make
 195 to such municipality pursuant to this section. The amount of the grant
 196 payable to each municipality in any year in accordance with this
 197 section shall be reduced proportionately in the event that the total of
 198 such grants in such year exceeds the amount appropriated for the
 199 purposes of this section with respect to such year. As used in this
 200 section, "municipality" means each town, city, borough, consolidated
 201 town and city and consolidated town and borough and each district, as
 202 defined in section 7-324, and "next succeeding" means the second such
 203 date.

204 Sec. 5. Section 32-9s of the 2006 supplement to the general statutes is
 205 repealed and the following is substituted in lieu thereof (*Effective*
 206 *October 1, 2006*):

207 [The] For the assessment years commencing on or before October 1,
 208 2007, the state shall make an annual grant payment to each
 209 municipality, to each district, as defined in section 7-325, which is
 210 located in a distressed municipality, targeted investment community
 211 or enterprise zone and to each special services district created pursuant
 212 to chapter 105a which is located in a distressed municipality, targeted
 213 investment community or enterprise zone in the amount of fifty per

CONNECTICUT
 STATE LIBRARY
 LEGISLATIVE REFERENCE
 SECTION

214 cent of the amount of that tax revenue which the municipality or
 215 district would have received except for the provisions of subdivisions
 216 (59), (60) and (70) of section 12-81 of the 2006 supplement to the
 217 general statutes, as amended by senate bill 348 of the current session.
 218 For the assessment years commencing on or after October 1, 2007, the
 219 amount of such annual grant payment shall be one hundred per cent of
 220 the amount of that tax revenue which the municipality or district
 221 would have received except for the provisions of subdivisions (59), (60)
 222 and (70) of section 12-81 of the 2006 supplement to the general statutes,
 223 as amended by senate bill 348 of the current session. On or before the
 224 first day of August of each year, each municipality and district shall
 225 file a claim with the Secretary of the Office of Policy and Management
 226 for the amount of such grant payment to which such municipality or
 227 district is entitled under this section. The claim shall be made on forms
 228 prescribed by the secretary and shall be accompanied by such
 229 supporting information as the secretary may require. Any municipality
 230 or district which neglects to transmit to the secretary such claim and
 231 supporting documentation as required by this section shall forfeit two
 232 hundred fifty dollars to the state, provided the secretary may waive
 233 such forfeiture in accordance with procedures and standards adopted
 234 by regulation in accordance with chapter 54. The secretary shall review
 235 each such claim as provided in section 12-120b. Any claimant
 236 aggrieved by the results of the secretary's review shall have the rights
 237 of appeal as set forth in section 12-120b. The secretary shall, on or
 238 before the December fifteenth next succeeding the deadline for the
 239 receipt of such claims, certify to the Comptroller the amount due
 240 under this section, including any modification of such claim made
 241 prior to December fifteenth, to each municipality or district which has
 242 made a claim under the provisions of this section. The Comptroller
 243 shall draw an order on the Treasurer on or before the fifth business
 244 day following December fifteenth, and the Treasurer shall pay the
 245 amount thereof to each such municipality or district on or before the
 246 following December thirty-first. If any modification is made as the
 247 result of the provisions of this section on or after the December first

0067

484

248 following the date on which the municipality or district has provided
 249 the amount of tax revenue in question, any adjustment to the amount
 250 due to any municipality or district for the period for which such
 251 modification was made shall be made in the next payment the
 252 Treasurer shall make to such municipality or district pursuant to this
 253 section. In the fiscal year commencing July 1, 2003, and in each fiscal
 254 year thereafter, the amount of the grant payable to each municipality
 255 and district in accordance with this section shall be reduced
 256 proportionately in the event that the total amount of the grants
 257 payable to all municipalities and districts exceeds the amount
 258 appropriated.

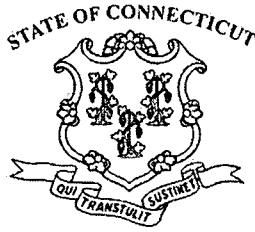
259 Sec. 6. (Effective July 1, 2006) The sum of one hundred forty-five
 260 million dollars is appropriated to the Office of Policy and
 261 Management, from the General Fund, for the fiscal year ending June
 262 30, 2007, for grants to municipalities for payments in lieu of taxes
 263 pursuant to sections 12-94b of the general statutes and 32-9s of the 2006
 264 supplement to the general statutes, as amended by this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage and applicable to assessment years commencing on or after October 1, 2006</i>	12-81(72)(A)
Sec. 3	<i>from passage</i>	12-265(c)
Sec. 4	<i>October 1, 2006</i>	12-94b
Sec. 5	<i>October 1, 2006</i>	32-9s

Statement of Purpose:

To make changes to certain tax exemption statutes.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]



CONNECTICUT STATE LIBRARY
LEGISLATIVE REFERENCE SECTION

General Assembly

Substitute Bill No. 484

February Session, 2006



AN ACT EXTENDING THE FILING DEADLINE FOR CERTAIN TAX EXEMPTIONS, CONCERNING MAIL DISTRIBUTION SERVICES FROM THE PROPERTY TAX, EXEMPTIONS FROM THE GROSS EARNINGS TAX ON NATURAL GAS AND STATE PAYMENTS IN LIEU OF TAXES FOR MACHINERY AND EQUIPMENT AND PROVIDING A TAX CREDIT FOR BUSINESS EMPLOYMENT EXPANSION PROJECTS.

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

1 Section 1. (*Effective from passage*) Notwithstanding the provisions of
2 subparagraph (B) of subdivision (72) of section 12-81 of the 2006
3 supplement to the general statutes, any person otherwise eligible for a
4 2004 grand list exemption pursuant to said subdivision in the city of
5 Waterbury, except that such person failed to file the required
6 exemption application within the time period prescribed, shall be
7 regarded as having filed said application in a timely manner if such
8 person files said application not later than thirty days after the
9 effective date of this section and pays the late filing fee pursuant to
10 section 12-81k of the general statutes. Upon confirmation of the receipt
11 of such fee and verification of the exemption eligibility of the
12 machinery and equipment included in such application, the assessor
13 shall approve the exemption for such property. If taxes have been paid
14 on the property for which such exemption is approved, the city of
15 Waterbury shall reimburse such person in an amount equal to the
16 amount by which such taxes exceed the taxes payable if the application
17 had been filed in a timely manner. Notwithstanding the provisions of

18 subsection (a) of section 12-94b of the general statutes, and section 12-
 19 94e of the general statutes, the assessor of the city of Waterbury may
 20 submit such approved exemption application to the Secretary of the
 21 Office of Policy and Management together with a request for
 22 reimbursement of the tax loss resulting from such exemption. Subject
 23 to the secretary's review and approval of such exemption, such
 24 reimbursement shall be included in the next certification the secretary
 25 makes to the Comptroller under the provisions of section 12-94b of the
 26 general statutes.

27 Sec. 2. Subparagraph (A) of subdivision (72) of section 12-81 of the
 28 2006 supplement to the general statutes is repealed and the following
 29 is substituted in lieu thereof (*Effective from passage and applicable to*
 30 *assessment years commencing on or after October 1, 2006*):

31 (72) (A) Effective for assessment years commencing on or after
 32 October 1, 2002, new machinery and equipment, as defined in this
 33 subdivision, acquired after October 1, 1990, and newly-acquired
 34 machinery and equipment, as defined in this subdivision, acquired on
 35 or after July 1, 1992, by the person claiming exemption under this
 36 subdivision, provided this exemption shall only be applicable in the
 37 five full assessment years following the assessment year in which such
 38 machinery or equipment is acquired, subject to the provisions of
 39 subparagraph (B) of this subdivision. Machinery and equipment
 40 acquired on or after July 1, 1996, and used in connection with
 41 biotechnology shall qualify for the exemption under this subsection.
 42 For the purposes of this subdivision: (i) "Machinery" and "equipment"
 43 means tangible personal property which is installed in a
 44 manufacturing facility and claimed on the owner's federal income tax
 45 return as either five-year property or seven-year property, as those
 46 terms are defined in Section 168(e) of the Internal Revenue Code of
 47 1986, or any subsequent corresponding internal revenue code of the
 48 United States, as from time to time amended, and the predominant use
 49 of which is for manufacturing, processing or fabricating; for research
 50 and development, including experimental or laboratory research and
 51 development, design or engineering directly related to manufacturing;

52 for the significant servicing, overhauling or rebuilding of machinery
53 and equipment for industrial use or the significant overhauling or
54 rebuilding of other products on a factory basis; for measuring or
55 testing or for metal finishing; or used in the production of motion
56 pictures, video and sound recordings. "Machinery" means the basic
57 machine itself, including all of its component parts and contrivances
58 such as belts, pulleys, shafts, moving parts, operating structures and
59 all equipment or devices used or required to control, regulate or
60 operate the machinery, including, without limitation, computers and
61 data processing equipment, together with all replacement and repair
62 parts therefor, whether purchased separately or in conjunction with a
63 complete machine, and regardless of whether the machine or
64 component parts thereof are assembled by the taxpayer or another
65 party. "Equipment" means any device separate from machinery but
66 essential to a manufacturing, processing or fabricating process. (ii)
67 "Manufacturing facility" means that portion of a plant, building or
68 other real property improvement used for manufacturing, processing
69 or fabricating, for research and development, including experimental
70 or laboratory research and development, design or engineering
71 directly related to manufacturing, for the significant servicing,
72 overhauling or rebuilding of machinery and equipment for industrial
73 use or the significant overhauling or rebuilding of other products on a
74 factory basis, for measuring or testing or for metal finishing. (iii)
75 "Manufacturing" means the activity of converting or conditioning
76 tangible personal property by changing the form, composition, quality
77 or character of the property for ultimate sale at retail or use in the
78 manufacturing of a product to be ultimately sold at retail. Changing
79 the quality of property shall include any substantial overhaul of the
80 property that results in a significantly greater service life than such
81 property would have had in the absence of such overhaul or with
82 significantly greater functionality within the original service life of the
83 property, beyond merely restoring the original functionality for the
84 balance of the original service life. (iv) "Fabricating" means to make,
85 build, create, produce or assemble components or tangible personal
86 property work in a new or different manner. [, but does not include the

87 presorting, sorting, coding, folding, stuffing or delivery of direct or
 88 indirect mail distribution services.] (v) "Processing" means the physical
 89 application of the materials and labor in a manufacturing process
 90 necessary to modify or change the characteristics of tangible personal
 91 property. (vi) "Measuring or testing" includes both nondestructive and
 92 destructive measuring or testing, and the alignment and calibration of
 93 machinery, equipment and tools, in the furtherance of the
 94 manufacturing, processing or fabricating of tangible personal property.
 95 (vii) "Biotechnology" means the application of technologies, including
 96 recombinant DNA techniques, biochemistry, molecular and cellular
 97 biology, genetics and genetic engineering, biological cell fusion
 98 techniques, and new bioprocesses, using living organisms, or parts of
 99 organisms, to produce or modify products, to improve plants or
 100 animals, to develop microorganisms for specific uses, to identify
 101 targets for small molecule pharmaceutical development, or to
 102 transform biological systems into useful processes and products.

103 Sec. 3. Subsection (c) of section 12-265 of the general statutes is
 104 repealed and the following is substituted in lieu thereof (*Effective from*
 105 *passage*):

106 (c) (1) The rate of tax on the sale, furnishing or distribution of
 107 electricity or natural gas for use directly by a company engaged in a
 108 manufacturing production process, in accordance with the Standard
 109 Industrial Classification Manual, United States Office of Management
 110 and Budget, 1987 edition, classifications 2000 to 3999, inclusive, or
 111 Sector 31, 32 or 33 in the North American Industrial Classification
 112 System United States Manual, United States Office of Management and
 113 Budget, 1997 edition, shall be four per cent with respect to calendar
 114 quarters commencing on or after January 1, 1994, and prior to January
 115 1, 1995, three per cent with respect to calendar quarters commencing
 116 on or after January 1, 1995, and prior to January 1, 1996, and two per
 117 cent with respect to calendar quarters commencing on or after January
 118 1, 1996, and prior to January 1, 1997. The sale, furnishing or
 119 distribution of electricity or natural gas for use by a company as
 120 provided in this subsection shall not be subject to the provisions of this

1067

121 chapter with respect to calendar quarters commencing on or after
 122 January 1, 1997. Not later than thirty days after May 19, 1993, and
 123 thirty days after the effective date of each rate decrease provided for in
 124 this section, each electric and gas public service company, as defined in
 125 section 16-1, as amended, which does not have a proposed rate
 126 amendment under section 16-19 pending before the Department of
 127 Public Utility Control at such time, shall request the department to
 128 reopen the proceeding under section 16-19 on the company's most
 129 recent rate amendment, solely for the purpose of decreasing the
 130 company's rates to reflect the decreases required under this section.
 131 The department shall immediately reopen such proceedings, solely for
 132 such purpose.

133 (2) For purposes of this subsection, the sale, furnishing or
 134 distribution of natural gas for use as fuel in the operation of a
 135 cogeneration facility providing electricity or steam to a company
 136 engaged in a manufacturing production process described in
 137 subdivision (1) of this subsection shall be deemed to be a sale,
 138 furnishing or distribution of natural gas for use directly by such
 139 company in such process where such cogeneration facility is located
 140 entirely on the premises owned or controlled by such company,
 141 whether or not the cogeneration facility is owned or operated by such
 142 company, provided such sale, furnishing or distribution of natural gas
 143 occurs on or after March 10, 2003.

144 Sec. 4. Section 12-94b of the general statutes is repealed and the
 145 following is substituted in lieu thereof (*Effective October 1, 2006*):

146 On or before March fifteenth, annually, commencing March 15,
 147 1998, the assessor or board of assessors of each municipality shall
 148 certify to the Secretary of the Office of Policy and Management, on a
 149 form furnished by said secretary, the amount of exemptions approved
 150 under the provisions of subdivisions (72) and (74) of section 12-81 of
 151 the 2006 supplement to the general statutes, together with such
 152 supporting information as said secretary may require including the
 153 number of taxpayers with approved claims under said subdivisions

154 (72) and (74) and the original copy of the applications filed by them.
 155 Said secretary shall review each such claim as provided in section 12-
 156 120b. Not later than December first next succeeding the conclusion of
 157 the assessment year for which the assessor approved such exemption,
 158 the secretary shall notify each claimant of the modification or denial of
 159 the claimant's exemption, in accordance with the procedure set forth in
 160 section 12-120b. Any claimant aggrieved by the results of the
 161 secretary's review shall have the rights of appeal as set forth in section
 162 12-120b. With respect to property first approved for exemption under
 163 the provisions of subdivisions (72) and (74) of section 12-81 of the 2006
 164 supplement to the general statutes for the assessment years
 165 commencing on or after October 1, 2000, but before October 1, 2007,
 166 the grant payable for such property to any municipality under the
 167 provisions of this section shall be equal to eighty per cent of the
 168 property taxes which, except for the exemption under the provisions of
 169 subdivisions (72) and (74) of section 12-81 of the 2006 supplement to
 170 the general statutes, would have been paid. With respect to property
 171 first approved for exemption under the provisions of subdivisions (72)
 172 and (74) of section 12-81 of the 2006 supplement to the general statutes,
 173 for the assessment years commencing on or after October 1, 2007, the
 174 grant payable for such property to any municipality under the
 175 provisions of this section shall be equal to one hundred per cent of the
 176 property taxes which, except for the exemption under the provisions of
 177 subdivisions (72) and (74) of section 12-81 of the 2006 supplement to
 178 the general statutes, would have been paid. The secretary shall, on or
 179 before December fifteenth, annually, certify to the Comptroller the
 180 amount due each municipality under the provisions of this section,
 181 including any modification of such claim made prior to December first,
 182 and the Comptroller shall draw an order on the Treasurer on or before
 183 the twenty-fourth day of December following and the Treasurer shall
 184 pay the amount thereof to such municipality on or before the thirty-
 185 first day of December following. If any modification is made as the
 186 result of the provisions of this section on or after the December
 187 fifteenth following the date on which the assessor has provided the
 188 amount of the exemption in question, any adjustments to the amount

189 due to any municipality for the period for which such modification.
 190 was made shall be made in the next payment the Treasurer shall make
 191 to such municipality pursuant to this section. The amount of the grant
 192 payable to each municipality in any year in accordance with this
 193 section shall be reduced proportionately in the event that the total of
 194 such grants in such year exceeds the amount appropriated for the
 195 purposes of this section with respect to such year. As used in this
 196 section, "municipality" means each town, city, borough, consolidated
 197 town and city and consolidated town and borough and each district, as
 198 defined in section 7-324, and "next succeeding" means the second such
 199 date.

200 Sec. 5. Section 32-9s of the 2006 supplement to the general statutes is
 201 repealed and the following is substituted in lieu thereof (*Effective*
 202 *October 1, 2006*):

203 [The] For the assessment years commencing on or before October 1,
 204 2007, the state shall make an annual grant payment to each
 205 municipality, to each district, as defined in section 7-325, which is
 206 located in a distressed municipality, targeted investment community
 207 or enterprise zone and to each special services district created pursuant
 208 to chapter 105a which is located in a distressed municipality, targeted
 209 investment community or enterprise zone in the amount of fifty per
 210 cent of the amount of that tax revenue which the municipality or
 211 district would have received except for the provisions of subdivisions
 212 (59), (60) and (70) of section 12-81 of the 2006 supplement to the
 213 general statutes. For the assessment years commencing on or after
 214 October 1, 2007, the amount of such annual grant payment shall be one
 215 hundred per cent of the amount of that tax revenue which the
 216 municipality or district would have received except for the provisions
 217 of subdivisions (59), (60) and (70) of section 12-81 of the 2006
 218 supplement to the general statutes. On or before the first day of
 219 August of each year, each municipality and district shall file a claim
 220 with the Secretary of the Office of Policy and Management for the
 221 amount of such grant payment to which such municipality or district is
 222 entitled under this section. The claim shall be made on forms

223 prescribed by the secretary and shall be accompanied by such
 224 supporting information as the secretary may require. Any municipality
 225 or district which neglects to transmit to the secretary such claim and
 226 supporting documentation as required by this section shall forfeit two
 227 hundred fifty dollars to the state, provided the secretary may waive
 228 such forfeiture in accordance with procedures and standards adopted
 229 by regulation in accordance with chapter 54. The secretary shall review
 230 each such claim as provided in section 12-120b. Any claimant
 231 aggrieved by the results of the secretary's review shall have the rights
 232 of appeal as set forth in section 12-120b. The secretary shall, on or
 233 before the December fifteenth next succeeding the deadline for the
 234 receipt of such claims, certify to the Comptroller the amount due
 235 under this section, including any modification of such claim made
 236 prior to December fifteenth, to each municipality or district which has
 237 made a claim under the provisions of this section. The Comptroller
 238 shall draw an order on the Treasurer on or before the fifth business
 239 day following December fifteenth, and the Treasurer shall pay the
 240 amount thereof to each such municipality or district on or before the
 241 following December thirty-first. If any modification is made as the
 242 result of the provisions of this section on or after the December first
 243 following the date on which the municipality or district has provided
 244 the amount of tax revenue in question, any adjustment to the amount
 245 due to any municipality or district for the period for which such
 246 modification was made shall be made in the next payment the
 247 Treasurer shall make to such municipality or district pursuant to this
 248 section. In the fiscal year commencing July 1, 2003, and in each fiscal
 249 year thereafter, the amount of the grant payable to each municipality
 250 and district in accordance with this section shall be reduced
 251 proportionately in the event that the total amount of the grants
 252 payable to all municipalities and districts exceeds the amount
 253 appropriated.

254 Sec. 6. (NEW) (*Effective from passage and applicable to projects with a*
 255 *commencement date on or after July 1, 2005*) (a) As used in this section:

256 (1) "Approved employment expansion project" means an

257 employment expansion project approved by the commissioner
258 pursuant to subsection (e) of this section.

259 (2) "Commencement date" means the commencement date of the
260 approved employment expansion project as provided in the certificate
261 of eligibility issued by the commissioner pursuant to subsection (f) of
262 this section.

263 (3) "Commissioner" means the Commissioner of Economic and
264 Community Development.

265 (4) "Constituent corporation" means any corporation that holds or
266 has held an interest in the sponsor of an approved employment
267 expansion project (A) as a general partner, limited partner, member or
268 otherwise, and (B) is subject to tax under chapter 208 of the general
269 statutes either directly or by virtue of holding an interest in such
270 sponsor.

271 (5) "Employment expansion project" means a project that will result
272 in the creation of at least four hundred new jobs in this state over a
273 period of not more than five full income years following the income
274 year in which the commencement date occurs (A) for which the
275 allowance to the constituent corporations of credits under this section
276 will be necessary to attract the project to this state; (B) that will be
277 economically viable and will generate direct and indirect economic
278 benefits to the state; and (C) that is, in the judgment of the
279 commissioner, consistent with the strategic economic development
280 priorities of the state and the municipality or municipalities in which
281 the new jobs are to be created.

282 (6) "Income year" shall have the same meaning as in subdivision (5)
283 of subsection (a) of section 12-213 of the 2006 supplement to the
284 general statutes.

285 (7) "New employee" means a person hired or assigned by a sponsor
286 or a constituent corporation to fill a new job in this state. The aggregate
287 number of new employees at the end of any income year shall be equal

288 to the excess, if any, of the aggregate number of employees employed
289 in this state by the sponsor and constituent corporations at the end of
290 any income year, not including the aggregate number of employees
291 employed in this state by the sponsor and constituent corporations on
292 the commencement date. A person shall be deemed to be a "new
293 employee" only if the duties of such person for the sponsor or a
294 constituent corporation are on a regular, full time, or equivalent
295 thereof, and permanent basis.

296 (8) "New job" means a job in this state in the business of the sponsor
297 or a constituent corporation that did not exist prior to the
298 commencement date and that is filled by a new employee, not
299 including a job created when an employee is shifted from an existing
300 location in this state of the sponsor or any constituent corporation to
301 such job.

302 (9) "Sponsor" means a partnership, limited partnership, limited
303 liability company or other entity that is treated as a pass-through
304 entity for federal income tax purposes that will be the direct or indirect
305 employer of some or all of the new employees.

306 (b) (1) There shall be allowed to each constituent corporation such
307 credits that the constituent corporation otherwise would have been
308 allowed under chapter 208 of the general statutes had such constituent
309 corporation itself conducted its pro rata share of the business
310 conducted by the sponsor during any relevant income year.

311 (2) Credits shall be allowable under this section for those income
312 years for which a certificate of eligibility has been issued by the
313 Commissioner of Economic and Community Development, and for
314 those income years beginning prior to the commencement date for
315 which credits were reported by a constituent corporation on its
316 corporation business tax return or combined return, notwithstanding
317 the fact that the activity giving rise to such credits was conducted in
318 this state by the sponsor and not the constituent corporation itself,
319 provided (A) the constituent corporation shall be allowed only its pro

320 rata share of such credits, (B) if such credits exceeded the tax under
321 said chapter 208 of the general statutes for any such income year,
322 whether on a separate or combined return, such credits may be carried
323 forward to the extent that such credits otherwise could have been
324 carried forward if earned directly by the constituent corporation in the
325 income year in which the activity giving rise to such credits took place,
326 and (C) no refund shall be paid to any such constituent corporation
327 under chapter 208 of the general statutes with respect to such credits.

328 (c) (1) For the purposes of chapter 208 of the general statutes, each
329 constituent corporation shall be deemed to have itself conducted its
330 pro rata share of the business conducted by the sponsor.

331 (2) The pro rata share of the business conducted by the sponsor that
332 shall be deemed to have been conducted by each constituent
333 corporation shall be the same percentage as such constituent
334 corporation's distributive share of the profit or loss of the sponsor for
335 any relevant income year.

336 (3) The limitation of section 12-217zz of the general statutes shall be
337 applied on the return of each constituent corporation or on the
338 combined return filed by two or more constituent corporations.

339 (d) Any sponsor of an employment expansion project may submit
340 an application for a certificate of eligibility to the commissioner in
341 accordance with the provisions of this section. The application shall
342 contain sufficient information to establish that the project is an
343 employment expansion project, and shall include information
344 concerning (1) the location or locations of the new jobs, (2) the number
345 of new jobs to be created, (3) the physical infrastructure that might be
346 created, renovated or expanded, (4) feasibility studies or business
347 plans for the project, and (5) such other information the commissioner
348 determines is necessary to demonstrate the financial viability of the
349 project. The commissioner may impose a fee for such application as the
350 commissioner deems appropriate.

351 (e) (1) The commissioner, upon consideration of the application and

352 any additional information that the commissioner requires concerning
353 a proposed employment expansion project, may approve the project if
354 the commissioner finds that the project is an employment expansion
355 project. If the commissioner rejects an application, the commissioner
356 shall specifically identify the defects in the application and specifically
357 explain the reasons for such rejection. The commissioner shall render a
358 decision on an application not later than ninety days after its receipt.

359 (2) The approval of an employment expansion project by the
360 commissioner may be combined with the exercise of any of the other
361 powers of the commissioner, including, but not limited to, the
362 provision of financial assistance.

363 (3) The commissioner shall require the applicant to reimburse the
364 commissioner for all or any part of the cost of any activities performed
365 in the exercise of due diligence reviewing an application pursuant to
366 subsection (d) of this section.

367 (f) Upon approving an employment expansion project, the
368 commissioner shall issue a certificate of eligibility certifying that the
369 applicant has complied with the provisions of this section. The
370 eligibility certificate shall set forth the commencement date as well as
371 any other requirements the commissioner deems appropriate.

372 (g) Each constituent corporation claiming a credit or credits allowed
373 under this section shall retain a copy of the certificate of eligibility
374 issued under subsection (f) of this section for each income year for
375 which a credit is claimed for at least as long as such income year
376 would otherwise be subject to audit.

377 (h) The credits allowed under this section may be used by
378 constituent corporations joining in a combined corporation business
379 tax return under section 12-223a of the general statutes.

380 (i) Any constituent corporation allowed a credit under this section
381 may assign such credit to another constituent corporation, provided
382 such other constituent corporation may claim such credit only with

383 respect to an income year for which the assigning constituent
384 corporation would have been eligible to claim such credit and such
385 other constituent corporation or constituent corporations may not
386 further assign such credit.

387 (j) (1) The determination of whether the aggregate number of new
388 jobs has been created shall be made as of the end of each of the six
389 income years ending after the commencement date. Not later than
390 April first of each of the six income years following the
391 commencement date, the commissioner shall require the sponsor to
392 certify the aggregate number of new jobs created by the end of the
393 preceding income year. Not later than July first in each of the six
394 income years following the commencement date, the commissioner
395 shall review such certification and, if the aggregate number of new
396 jobs at the end of any such income year is at least ninety per cent of the
397 aggregate number of such new jobs set forth in the certificate of
398 eligibility for such income year, shall issue a certificate of eligibility for
399 the income year just concluded.

400 (2) If the aggregate number of new jobs at the end of any such
401 income year is less than ninety per cent of the aggregate number of
402 such new jobs set forth in the certificate of eligibility for such income
403 year, no credits attributable to the activities of the sponsor during such
404 income year shall be allowed to the constituent corporations. The
405 failure to achieve ninety per cent of the aggregate number of new jobs
406 by the end of any applicable income year shall not preclude the
407 allowance to the constituent corporations of credits from any prior or
408 subsequent income year otherwise available under this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage and applicable to assessment years commencing on or after October 1, 2006</i>	12-81(72)(A)

1067

Substitute Bill No. 484

Sec. 3	<i>from passage</i>	12-265(c)
Sec. 4	<i>October 1, 2006</i>	12-94b
Sec. 5	<i>October 1, 2006</i>	32-9s
Sec. 6	<i>from passage and applicable to projects with a commencement date on or after July 1, 2005</i>	New section

CE

Joint Favorable Subst. C/R

FIN

STATE OF CONNECTICUT
SENATE

SSB
484

Thomas P. Skovron

MAR 21 2006

FAVORABLE REPORT OF COMMITTEE

ON COMMERCE

REFERRED TO COMMITTEE
ON FINANCE, REVENUE & BONDING