



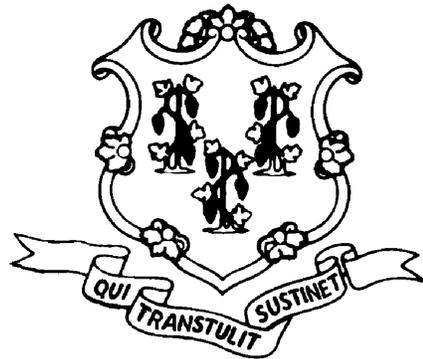
**THE CONNECTICUT  
DEPARTMENT OF  
ECONOMIC AND  
COMMUNITY DEVELOPMENT**

**LEGISLATIVE SUMMARY**

**2003**

**John G. Rowland  
Governor**

**James F. Abromaitis  
Commissioner**



## LEGEND

AAC	"An Act Concerning..."
CDA	the "Connecticut Development Authority"
CHFA	the "Connecticut Housing Finance Authority"
CI	"Connecticut Innovations Inc."
Commissioner	Unless otherwise defined, is the Commissioner of DECD
CTSB	Connecticut Transportation Strategy Board
DECD	the "Department of Economic and Community Development"
Department	DECD
DOT	the "Department of Transportation"
DSS	the "Department of Social Services"
DSR	the "Division of Special Revenue"
DRS	the "Department of Revenue Services"
HB	"House Bill"
LLC	"limited liability company"
MAA	the "Manufacturing Assistance Act"
OPM	the "Office of Policy and Management"
PA	"Public Act"
SB	"Senate Bill"
SA	"Special Act"

### Sources of Information

The following summaries have been compiled from the Office of Legislative Research and tailored specifically for the Department of Economic and Community Development. Only Public Acts affecting, or of interest to, the Department are included in this issue.

### For Further Information

For more in-depth explanations, information on other Public Acts, or questions on legislative intent, please contact:

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**AN ACT CONCERNING OBSOLETE DEFENSE DIVERSIFICATION REPORTS****EFFECTIVE DATE:** October 1, 2003**Summary:**

This act eliminates the requirement that the DECD report information on federal programs designed to assist defense firms develop non-military products and services, commonly referred to as defense conversion. Currently, DECD is required to include this information in its annual report to the state auditors and several legislative committees.

**AN ACT CONCERNING EVALUATION OF THE EFFECTIVENESS OF ECONOMIC DEVELOPMENT PROGRAMS ADMINISTERED BY THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT AND THE CONNECTICUT DEVELOPMENT AUTHORITY****EFFECTIVE DATE:** October 1, 2003**Summary:**

The act changes the scope, reporting deadline, and distribution requirements for the annual reports the DECD commissioner must prepare evaluating how the state's economic development programs performed during the prior fiscal year. Under current law, he must submit separate reports on DECD's programs and those of the quasi-public CDA and CI. The commissioner must base these reports on an evaluation plan that he had to develop by July 1, 1995, in consultation with CDA, CI, and the Program Review and Investigations Committee.

The act requires the commissioner to report only on DECD's programs. But it also expands the report's scope by requiring the commissioner to measure the extent to which DECD's programs benefited the economy and society. The commissioner must include this analysis in the report every other year, beginning January 1, 2004.

The act changes the annual deadline for submitting the evaluation report from October 1 to January 1, beginning in 2004. It removes the requirement that DECD submit the report to the 27-member advisory Connecticut Economic Conference Board for review and comments and the corresponding requirement that the board submit its comments to the Commerce, Appropriations, and Finance committees by the January 1 following the October 1 submission. The act instead requires the commissioner to submit the report directly to those committees.

**Action Required:**

The act requires the commissioner to post the report on DECD's web page within 30 days after he submits it to the legislative committees.

**AN ACT CONCERNING EXPENDITURES AND REVENUE FOR THE BIENNIUM ENDING JUNE 30, 2005**

**EFFECTIVE DATE:** These sections are effective upon passage unless otherwise noted.

**Summary:**

The biennium budget was not enacted during the regular session, but during the June special session. The FY 2003-2004 Budget is as follows:

Personal Services	5,551,036
Other Expenses	2,209,750
Equipment	1,000
Elderly Rental Registry and Counselors	617,654
Cluster Initiative	40,000

**OTHER THAN PAYMENTS TO LOCAL GOVERNMENTS**

Entrepreneurial Centers	150,000
Subsidized Assisted Living Demonstration*	970,300
Congregate Facilities Operation Costs	4,970,681
Housing Assistance and Counseling Program *	359,014
Elderly Congregate Rent Subsidy	1,423,004

**PAYMENTS TO LOCAL GOVERNMENTS**

Tax Abatement	2,131,112
Payment in Lieu of Taxes	<u>2,755,000</u>

**AGENCY TOTAL** 21,178,551

The FY 2004-2005 Budget is as follows:

Personal Services	6,784,057
Other Expenses	2,356,375
Equipment	1,000
Elderly Rental Registry and Counselors	617,654

OTHER THAN PAYMENTS TO LOCAL GOVERNMENTS

Entrepreneurial Centers	150,000
Subsidized Assisted Living Demonstration *	2,014,300
Congregate Facilities Operation Costs	5,258,151
Housing Assistance and Counseling Program *	378,903
Elderly Congregate Rent Subsidy	1,523,004

PAYMENTS TO LOCAL GOVERNMENTS

Tax Abatement	2,131,112
Payment in Lieu of Taxes	<u>2,755,000</u>

AGENCY TOTAL 23,969,556

**\* Please note that Subsidized Assisted Living Demonstration Project account and the Housing Assistance and Counseling Program budget amounts were both amended in section 199 of the public act 03-06 from the June Special Session.**

**Section 28 (d)** of the act states that up to \$4.2 million appropriated to OPM in section 11 of special act 01-1 of the June special session, as amended by section 19 of public act 02-1 of the May 9 special session, for the P.I.L.O.T. New Manufacturing Machinery and Equipment grant, shall not lapse on June 30, 2003, and such funds shall be transferred to the Capital City Economic Development Authority account, for the fiscal year ending June 30, 2004, to be expended for the Adriaen's Landing Convention Center.

**Section 46 (b)** of the act states that for the fiscal year ending June 30, 2004, and the fiscal year ending June 30, 2005, the sum of \$10,000,000 shall be transferred from CDA to the General Fund.

**Section 46 (d)** for the fiscal year ending June 30, 2004, and the fiscal year ending June 30, 2005, the sum of \$5,000,000 shall be transferred from the resources of CI and credited to the resources of the General Fund.

**Section 46 (e)** for the fiscal year ending June 30, 2004, and the fiscal year ending June 30, 2005, the sum of \$2,500,000 shall be transferred from CHFA to the General Fund.

**Section 85** of the act provides \$20 million in fiscal years 2004 and 2005 to the DECD for arts, culture, and tourism. It requires the commissioner of revenue services to provide these funds to DECD from the revenue the state receives from the 12% hotel occupancy tax during each of those fiscal years.

For FY 2004, Sections 87 and 88 of the act impose a 25% corporation tax surcharge on any corporation with a tax liability for those years of more than the \$250 minimum tax. Corporations subject to the surcharge must calculate their surcharge amounts based on their tax liability before credits. All corporations are already subject to a 20% corporation tax surcharge for the 2003 income year. This section is effective upon passage and applicable to income years starting on or after January 1, 2004.

**Section 89** of the act temporarily reinstates eligibility for research and development credit refunds for companies that pay the alternative capital base tax for a year when they report no net income. This act reinstates such companies' eligibility for the 2002 and 2003 income years. PA 03-120 also reinstated their eligibility for the 2002 income year. The act was amended to reinstate eligibility for R&D tax credit refunds for the 2004, as well as for the 2002 and 2003 income years, for companies that pay the alternative capital base corporation tax and report no net income. The act is effective upon passage and applicable to income years starting on or after January 1, 2002.

**Section 90 and 91** of the act require a group of related corporations that meet certain criteria to determine the corporation tax liability of the group's members doing business in the Connecticut as if the group were a single company. By requiring a group to combine and apportion its income or capital base as if it were one company instead of several separate companies, the act would subject more of a group's income to the Connecticut corporation tax. The act allows the state to tax a share of the royalties, interest, or similar payments and transactions a corporate taxpayer makes among its affiliates. This section was later **repealed** in Sections 78-81 of Public Act 03-06 from the June Special Session.

**In section 107-112 and 119** of the act deal with tourism. The Tourism Account is eliminated in this section and the act transfers the following revenue earmarked for the account to the General Fund:

1. a \$1-per-day surcharge on the cost of renting a car for 30 days or less,
2. payments the state receives from tourism advertising, and
3. any revenue generated from the request for proposals process for the electronic information systems at state welcome centers.

It also eliminates diversion of hotel tax revenue to tourism districts and other special purposes (Historical Commission, Arts Trail, etc.), as well as the formula for distributing this revenue. It eliminates the mandatory grant to tourism districts that receive less than \$100,000 per year from the hotel tax diversion and an obsolete statute.

**AN ACT CONCERNING GENERAL BUDGET AND REVENUE  
IMPLEMENTATION PROVISIONS**

**EFFECTIVE DATE:** These sections are effective upon passage unless otherwise noted.

**Summary:**

**Sections 34 through 39** allows two towns to redevelop certain state-assisted moderate-income rental housing developments, subject to conditions and requirements. The act allows:

1. New Britain and its housing authority, in cooperation with the DECD commissioner and the CHFA, to redevelop Corbin Heights, Corbin Heights Extension, Pinnacle Heights, and Pinnacle Heights Extension; and
2. Stamford to redevelop the Vidal Court housing project.

Under the act, New Britain may redevelop its state-assisted moderate-income rental developments without meeting requirements of certain housing laws, including requirements for one-for-one unit replacement and a resident anti-displacement and relocation plan. It exempts Stamford from certain housing laws, but specifies that Stamford must comply with one-for-one unit replacement and anti-displacement and relocation plan requirements.

The act amends the powers and duties of CHFA to include providing assistance, as it sees fit, to a local housing authority or project sponsor connected with a housing redevelopment project discussed above. Under prior law, CHFA was not authorized to provide financial assistance to local housing authorities. It also makes technical changes.

**Sections 51 and 52** of the act allows a housing authority, with the DECD commissioner's approval, to transfer a financially distressed property to the CHFA under certain conditions.

A financially distressed property is defined as a housing development owned by a housing authority and subject to an asset transferred from DECD to CHFA. (DECD transferred its moderate-income rental housing developments in 2003 to CHFA, which paid the state \$85 million for it, as authorized under PA 02-1 and PA 02-5 of the May 9 Special Session.)

The act also adds financing of affordable housing to the list of activities that, by law, make certain businesses eligible to enter a contract for state financial assistance. By law, nonprofits, municipalities, housing authorities, or businesses that have as one of their main purposes the (1) construction, (2) acquisition, (3) rehabilitation, or (4) operation of affordable housing, or any combination of these activities, are eligible to enter a contract for state financial assistance.

**Section 53** of the act excludes machinery related to direct and indirect mailings from reimbursement through the PILOT New Manufacturing Machinery and Equipment grant.

**Section 77** of the act increases, under certain circumstances, the maximum investment that a taxpayer can make under the urban sites program, in which the investor receives a credit against his state business taxes. Under current law, the maximum investment is the amount of state revenue that will be produced by the project, as determined by a revenue impact assessment. The act increases the maximum investment to the combined state and local revenue, as determined by the assessment, if the project involves a firm in one of four manufacturing industries that is relocating from out of state and the relocation will result in the development of at least 725,000 square feet in a state-sponsored industrial park. The industries are pharmaceutical preparations, unclassified food preparation, lubricating oils and greases, and miscellaneous manufacturing industries.

The act requires the tax credit applicant to pay for the costs of all activities performed in the exercise of due diligence in reviewing the project, rather than just the costs of the revenue impact assessment and economic feasibility studies.

The act establishes a non-lapsing "Connecticut Impact and Analysis Account" in the General Fund to hold any proceeds the state realizes in connection with the urban sites program and any other money required by law to be held in the account. Investment earnings stay with the account. The DECD can use the money in the account for the costs of the program, including the department's administrative costs and carry forward any balance to the next fiscal year.

**Sections 78 through 81** of the act **repeal** the alternative combined corporation tax filing provisions of PA 03-01 of the June 30 Special Session (the budget act).

These provisions require a group of related companies that meet certain criteria to determine the corporation tax liability of the group's members doing business in the Connecticut as if the group were a single company, by filing a combined tax return. By requiring a group to combine and apportion its income or capital base as if it were one company instead of several separate companies, the act subjects more of a group's income to the Connecticut corporation tax. It also allows the state to tax a share of the royalties, interest, or similar payments and transactions a corporate taxpayer makes among its affiliates.

The act requires related companies, under certain circumstances, to add back to their taxable net income, interest expenses and costs arising from transaction among the companies that would be otherwise deductible. The companies that are subject to the act's add-back requirement overlap those that are subject to the unitary filing requirements under the budget act, but the groups are not identical. The act also increases the maximum amount of added tax due from companies that file combined returns.

**Section 175** of the act reinstates a provision inadvertently repealed by PA 03-18, by authorizing one or more foreign corporations to merge with one or more domestic corporations. (A foreign corporation is organized under the laws of some jurisdiction other than Connecticut; a domestic corporation is organized under Connecticut's laws.)

These corporations may merge only if:

1. the merger is permitted by the law of the jurisdiction under whose laws each foreign corporation is organized and each foreign corporation complies with that law when engaging in the merger;
2. the foreign corporation complies with Connecticut's law regarding merger certificates if it is the surviving corporation; and
3. each domestic corporation complies with Connecticut's law regarding merger plans, and if it is the surviving corporation, with Connecticut's merger certificate law.

Under the act, when the merger takes effect, the surviving foreign corporation is deemed to appoint the Secretary of the State as agent for service of process in a proceeding to enforce any rights or duties of members of each domestic corporation that merged with it.

Section 199 of the act transfers some of DECD funds. The section takes a portion of the funds appropriated in the budget (June 30 Special Session, PA 03-1 - HB 6802) to the DECD for the Subsidized Assisted Living Demonstration (SALD) account and transfers them to the Housing Assistance and Counseling account in both FY 2003-04 and FY 2004-05.

It transfers (1) \$ 140,986 from a total SALD appropriation of \$ 970,300 in FY 2003-04 and (2) \$ 160,000 from a total SALD appropriation of \$ 2,014,300 in FY 2004-05.

**Sections 210-239 and 241** make major changes to the tourism industry in Connecticut. The act creates a commission incorporating the current tourism, culture, arts, and film commissions into one entity, transferring their duties and responsibilities to the new commission. It gives this new commission planning, budgeting, financing, and managing responsibilities for the different aspects of these activities. It consolidates the current eleven regional tourism districts into five, and requires the commission to review and ultimately approve their annual budgets.

For FYs 2004 and 2005, the act earmarks \$20 million in lodging tax receipts to fund the commission, the districts, other specified organizations, and specified projects. It supplements these funds with a \$4 million appropriation in each of these years. In subsequent fiscal years, the commission must be funded out of general appropriations. The act also specifies that each district and the Humanities Council must annually receive at least \$1 million. The act creates a non-lapsing General Fund account to receive and disburse the funds from this stream.

These sections establish a 29-member commission and specifies its mission regarding arts, tourism, culture, history, and film, which is similar to that of the existing Arts, Historical, and Film commissions; the Tourism Council and the Tourism Office; and the Film Office, all of which the act eliminates. In doing so, the act designates the commission as the successor to all of these organizations and makes conforming technical changes.

The act requires the Connecticut Humanities Council and the Connecticut Trust for Historic Preservation, two nonprofit entities, to operate in conjunction with the commission for strategic planning and financial reporting purposes.

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**Public Act # 03-93**

**SB # 452**

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**AN ACT CONCERNING FUNDING AND TECHNICAL ASSISTANCE TO LOW AND MODERATE INCOME INDIVIDUALS TO ESTABLISH BUSINESSES IN THE STATE**

**EFFECTIVE DATE:** October 1, 2003

**Summary:**

The act allows the Community Economic Development Fund (CEDF) to provide financing to low and moderate income people statewide for establishing, maintaining, and expanding businesses. CEDF is a nonprofit organization created to help economically distressed neighborhoods develop businesses and new jobs. Under the act, people qualify for financial assistance if they earn no more than the median income for the state (currently \$75,400), as determined by the U.S. Department of Housing and Urban Development.

Current law allows CEDF to provide this and other types of financing to anyone regardless of income, but only in the state's designated targeted investment communities (TICs) and its 42 public investment communities (PICs) . These designations serve to target state development dollars at economically distressed areas. While the act allows CEDF to extend financial assistance to low and moderate income people statewide, 70% of the total funds must still go to projects in TICs.

**AN ACT CONCERNING THE RESEARCH AND DEVELOPMENT TAX CREDIT EXCHANGE PROGRAM**

**EFFECTIVE DATE:** Upon passage and applicable to income years starting on or after January 1, 2002.

**Summary:**

This act temporarily reinstates eligibility for research and development (R&D) corporation tax credit refunds for companies that pay the alternative capital base corporation tax for a year when they report no net income. By law, all companies must pay a tax of 7.5% of net income or 3.1 mills per dollar of capital base, whichever is higher, but no less than \$250. Thus, the minimum tax a corporation pays is either \$250 or the alternative capital base tax, whichever is more.

The R&D credit refund program entitles certain companies to cash refunds for 65% of the value of unused corporation tax credits for R&D expenses. The program originally required eligible companies to have no corporation tax liability, but a 2002 law barred companies from using credits to reduce their annual corporation tax below \$250, making it impossible to have no liability. A subsequent law preserved eligibility for qualifying companies owing only the \$250 minimum tax, but did not address companies without net income that were still required to pay more than \$250 in alternative capital base taxes, even though they had formerly been eligible for refunds. For the 2002 income year only, this act reinstates eligibility for such companies.

**AN ACT CONCERNING THE DISPOSITION OF STATE-ASSISTED HOUSING PROPERTIES IN DEFAULT**

**EFFECTIVE DATE:** October 1, 2003

**Summary:**

This act allows the DECD commissioner, in consultation with the CHFA, to take two actions when the developer of any state-financed property lawfully dissolves. He can (1) allow the property to participate in any DECD program with the OPM secretary's approval or (2) accept ownership of the property for the state and sell it for a price and on terms he deems proper to an eligible developer. By law, the DECD commissioner acts as the developer for any housing property the state acquires because of DECD action to preserve the state's interest. As the developer, he can operate the property and receive state and federal funds to help him.

In either case, the act requires that any action the DECD commissioner takes preserve most of the property as housing for very low, low, or moderate income people. It makes an exception to the housing preservation requirement for specified properties in Bridgeport, Hartford, and Middletown.

**Action Required:**

The act requires the commissioner to allow the continued use of:

1. Bridgeport's Saint Joseph's Residence for Mothers and Children as a day care center,
2. Hartford's House of Bread as a community day care center and corporate office, and
3. Middletown's Rainbow Court Cooperative as rental units for low-income people.

"Housing," under the act, includes facilities and amenities incidental and pertinent to making affordable housing available and intended primarily to serve the affordable housing development's residents. The facilities and amenities include (1) a community room, (2) a laundry room, (3) day care space, (4) a computer center, (5) a management center, or (6) a playground.

The act also makes a minor change and technical changes.