Department of Economic and Community Development
Insurance Reinvestment Program
Public Act 10-75, Sec. 14

Description and Process Overview

Description

Public Act 10-75 amended the Insurance Reinvestment Tax Credit Program currently administered by the Department of Economic and Community Development ("DECD"). The new provisions of the program provide a 100% insurance premiums tax credit to insurance companies that invest with approved fund managers who will provide financing to eligible Connecticut business, including 25% committed to green technology businesses and 3% to preseed investments. On or before July 1, 2010 any new or existing fund manager is required to submit an application, business plan, and funding commitments for review and approval by the DECD Commissioner to earn an allocation of tax credits. A total of $200 million in tax credits has been set aside for this purpose.

Credit Percentage

Taxpayers that make an investment of capital under this new provision shall earn a vested credit against the premium tax under Conn. Gen. Stat. Chapter 207 and sec. 38a-743, starting in the year of investment. The following is the schedule of tax credits.

Years	% of Credit
1-3	0%
4-7	10%
8-10	20%

Assignment

Credits cannot be assigned to another taxpayer under this new provision.

Carryforward/Carryback Limitations

Any unused credit balance may be carried forward by the taxpayer for the five immediately succeeding income years until the entire tax credit is taken. No carryback is allowed.

Recapture Provisions

Insurance reinvestment funds under the new provisions are subject to decertification if they are not in compliance with their business plan or reporting and fund distribution requirements as outlined in statute. Decertification will result in the forfeiture of future credits (see Decertification section below).

Process

- **Application -** A fund manager can apply to DECD for certification as an Insurance Reinvestment Fund ("IRF"). The Application must include a business plan ("Plan"), revenue impact assessment, taxpayer affidavits committing to invest, and a $7,500 non-refundable fee, amongst other required information. IRFs must include an investment of capital equal to at least 5% of total eligible capital from a source other than eligible capital. Applications are approved on a first come first served basis.

- **Tax Credit Award –** Once an application is approved by the department, DECD will issue an allocation of tax credits, which is subject to confirmation by the fund manager of eligible capital being received from the taxpayer within five business days from DECD's notice of allocation. If the amount of investment is not equal to the amount credits allocated against the premium tax, DECD must be notified prior to the fifth business day and that portion of capital shall be forfeited. The fund and taxpayer will be subject to a $25,000 administrative penalty.

- **Continued Certification –** IRFs must be in continued compliance with the following requirements:
  - Compliance with their Plan, unless major amendments to the Plan are approved by the Commissioner.
  - No more than 15% of an IRF's eligible capital can be in any one eligible business without prior approval by the Commissioner.
  - Compliance with the revenue impact assessment, which demonstrates that the Plan continues to be revenue neutral or positive for Connecticut based on the original plan that was submitted at the time of application.
  - IRF must also have invested 60% of its eligible capital by the 4th anniversary of its allocation date.
  - IRF must have invested 100% of its eligible capital by the 10th anniversary of the allocation date.

- **Annual Report –** Each IRF must submit a annual report no later than January 31st of each year, detailing, but not limited to, the following information:
  - Amount of eligible capital remaining from the preceding year.
  - Each investment during the preceding year, including details on the type of investment made, jobs as of the investment date and jobs as of the end of the annual report period, net income in the year prior to investment, investment location, and NAICS code.
  - Percentage of eligible capital invested in green technology businesses and preseed businesses.
  - Distributions made by the IRF.
  - Reports due in the 3rd, 5th, 7th, and 9th year after the allocation date, must report on its compliance with the investment parameters set forth in its original Plan.
  - Each IRF shall provide annual audited financial statements.

- **Distributions –** To make a distribution or payment an IRF must have Invested 100% of its eligible capital in eligible businesses, including a minimum of 25% in green technology and at least 3% in preseed investments, except for payments in accordance with sec. 14(c)(8) that are related to:
  - Increases in federal or state taxes as it relates to the ownership, management or operation of the IRF.

- Principal and interest payments on the debt of the IRF, provided the IRF still has cash/marketable securities when added to its cumulative investments in eligible recipients, equals to not less than 60% of the eligible capital.
- Payments related to reasonable costs for starting/operating the fund are allowed provided they are not directly or indirectly made to an insurance company that has invested in an IRF and an annual management fee of no more than 2.5%.
- DECD shall receive a 10% portion of a distribution when jobs created and retained are less than 80% but more than 60% than what was outlined in the Plan. A 20% portion of a distribution shall be provided when 60% or less jobs are created or retained than was outlined in the Plan. DECD shall not receive a portion of a distribution for activities related to payments of taxes, P&I, and operations.

- **Decertification –** DECD will review each annual report for compliance with the following:
    - Compliance with sec. 14(c)(6), including the following:
        - Business Plan,
        - Revenue impact assessment,
        - Have invested 60% of its eligible capital in eligible businesses by the 4th anniversary of its allocation date
        - Have invested 100% of its eligible capital in eligible businesses by the 10th anniversary of its allocation date.
    - Compliance with sec. 14(c)(7), submission of the IRF Annual Report and related information
    - Compliance with sec. 14(c)(8), Distributions
    - As outlined under sec. 14(c)(9) and (10), failure to maintain compliance with sec. 14(6) through (8) of P.A. 10-75 will result in a notification by DECD that the IRF may be subject to decertification. The Commissioner may waive the possibility of decertification if the IRF corrects the issues or is able to demonstrate compliance with sec. 14(6) through (8) of the Public Act. Decertification will result in the forfeiture of future credits under the program when it occurs on or before the 4th anniversary of the allocation date and the IRF has invested less than 60% of its eligible capital in eligible business as of that allocation date.

Any questions related to the program should be directed to Michael Lettieri at Michael.Lettieri@ct.gov or by phone at (860)270-8128.