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## Connecticut General Assembly Enacts Economic Growth and Jobs Creation Act in October Special Session

During its October, 2011 Special Session, the Connecticut General Assembly adopted, and on October 27, 2011, Governor Malloy signed into law, House Bill No. 6801, An Act Promoting Economic Growth and Job Creation in the State (the "Act").

The Act contains several tax provisions which, unless noted below, became effective on October 27th. This Alert summarizes the principal tax provisions of the Act.

**New Job Expansion Tax Credit.** Eligible employers can apply to the Connecticut Department of Economic and Community Development to claim a new job expansion tax credit for jobs created between January 1, 2012 and January 1, 2014. The credit can be applied against the insurance premium, corporation business, utility company or personal income tax. Applicants must be subject to one of the foregoing taxes and have been in business for at least 12 consecutive months prior to the date of the application. In order to be eligible, an employer with 50 or fewer full-time employees must hire at least one new full-time employee, an employer with more than 50 and fewer than 100 full-time employees must hire at least five new full-time employees, and an employer with more than 100 full-time employees must hire at least 10 new employees. Additional eligibility requirements also apply. The credit is \$500 per month for each new Connecticut resident employee, but increases to \$900 per month in the case of certain workers that (i) have exhausted their unemployment benefits, (ii) are in or have been honorably discharged from the armed forces, or (iii) are receiving certain vocational services from the Bureau of Rehabilitative Services.

The new job expansion tax credit is subject to the same aggregate \$20-million-per-year cap that currently applies to the three existing job creation credit programs (the jobs creation tax credit program, the qualified small business job creation tax credit program, and the vocational rehabilitation job creation tax credit program). In addition, the new job expansion tax credit program will effectively replace (i) the existing jobs creation tax credit program and the vocational rehabilitation job creation tax credit program, neither of which will apply to jobs created after income years commencing during 2011, and (ii) the qualified small business job creation tax credit program, which will not apply to employees hired after January 1, 2013.

**Business Entity Tax Relief.** For tax years beginning on or after January 1, 2013, the annual \$250 Business Entity Tax will be due every other year. The Business Entity Tax is imposed on limited liability companies, limited liability partnerships, limited partnerships and S corporations organized or doing business in Connecticut.

**Reduced Threshold for Angel Investor Tax Credit.** The minimum cash investment an investor must make to qualify for Connecticut's existing angel investor income tax credit is reduced from \$100,000 to \$25,000. This credit is available to investors who invest in certain start-up, technology-based businesses in Connecticut. Each credit equals 25% of the cash investment up to a maximum of \$250,000 in credits for any one investor.



**Additional Airport Development Zones for Property Tax Exemptions and Corporation Business Tax Credits.** The Connecticut Airport Authority is authorized to establish, upon the recommendation of the Commissioner of Economic and Community Development, additional airport development zones around certain airports. Businesses located within these new airport development zones may qualify for the property tax exemptions and corporation business tax credits afforded to businesses located in Connecticut's existing enterprise zones or in the existing airport development zone around Bradley Airport.

**\$100-Million Reduction in Aggregate Cap for Urban Redevelopment Act Tax Credit.** The aggregate cap on the amount of corporation business tax credits available under the Urban and Industrial Site Reinvestment Program for new business development in economically distressed towns and the redevelopment of environmentally contaminated sites is reduced from \$750-million to \$650-million. The per-business cap of \$100-million in credits has not been changed.

**Expansion of Film Production Tax Credit.** Relocated television productions are added to the types of productions that can qualify for Connecticut's existing film production tax credit. A relocated television production is an eligible production company's ongoing television program that (i) has filmed all or part of its prior seasons outside Connecticut, (ii) may include current events shows, other than a general news program, sporting event or game broadcast, and (iii) is created at a qualified production facility in Connecticut at which, on or after January 1, 2012, the eligible production company (a) makes a minimum investment of \$25-million and (b) creates at least 200 jobs.

**Expansion of Type 1 Category Credits Applicable Toward Insurance Premium Tax.** Film production tax credits and entertainment industry infrastructure tax credits are now included as Type 1 Credits that can be used by an insurer to reduce its 2011 and 2012 insurance premium tax liability by up to 55%. Thus, for insurance premium tax purposes, film production tax credits and tax credits for infrastructure projects in the entertainment industry are treated in the same manner as tax credits for digital animation production companies.

**Expansion of Premium Receipts Tax for Captive Insurance Companies.** In addition to creating three new subgroups of captive insurance companies that can domicile in Connecticut (sponsored captives, special purpose financial captives and branch captives), effective July 1, 2012, and applicable to calendar years commencing on or after January 1, 2012, a captive insurance company's "assumed reinsurance premiums collected or contracted for" will be subject to a new insurance premium receipts tax. Under current law, only a captive insurance company's "direct premiums collected" are subject to the insurance premium receipts tax.

**New First-Year Tax Credit for Captive Insurance Companies.** A captive insurance company licensed on or after January 1, 2012, will receive a one-time nonrefundable \$7,500 tax credit for the captive insurance company's first taxable year. The credit may be applied against the captive's liability for the Connecticut insurance premium receipts tax.

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