



General Assembly

January Session, 2021

**Raised Bill No. 1108**

LCO No. 6483



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:  
(FIN)

**AN ACT CONCERNING A CONNECTICUT NEW MARKETS TAX CREDIT PROGRAM.**

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

- 1 Section 1. (NEW) (*Effective July 1, 2021*) (a) As used in this section:
- 2 (1) "CHEFA Community Development Corporation" means the  
3 community development corporation established as a subsidiary of the  
4 Connecticut Health and Educational Facilities Authority pursuant to  
5 subsection (k) of section 10a-179 of the general statutes;
- 6 (2) "Community benefits" means activities that address a low-income  
7 community's needs and social and economic priorities, primarily  
8 through (A) the creation or retention of quality and accessible jobs, as  
9 determined by the CHEFA Community Development Corporation,  
10 within such community, (B) increasing access to high-quality goods or  
11 services or healthy food for residents of such community, or (C) the  
12 making or facilitation of environmental improvements to such  
13 community;

14 (3) "Community business" means:

15 (A) Any organization exempt from taxation pursuant to Section  
16 501(c)(3) of the Internal Revenue Code of 1986, or any subsequent  
17 corresponding internal revenue code of the United States, as amended  
18 from time to time, that is located in the state and for which (i) a  
19 substantial portion of the use of the tangible property of such business,  
20 whether owned or leased, is within a low-income community, and (ii) a  
21 substantial portion of the services performed for such business by its  
22 employees are performed in a low-income community; or

23 (B) A subsidiary of such organization, which subsidiary (i) is located  
24 in the state, (ii) satisfies the provisions of subparagraphs (A)(i) and  
25 (A)(ii) of this subdivision, and (iii) has as its purpose the furtherance of  
26 the charitable mission of the organization;

27 (4) "Community development entity" means a corporation or limited  
28 liability company that (A) is a subsidiary established pursuant to  
29 subdivision (2) of subsection (b) of this section of the CHEFA  
30 Community Development Corporation, (B) has a primary mission of  
31 serving or providing capital for low-income communities or residents  
32 of low-income communities, and (C) maintains accountability to  
33 residents of low-income communities through such residents'  
34 representation on any governing board of such entity or any advisory  
35 board of such entity;

36 (5) "Eligible costs" means, for purposes of the provision of a  
37 community benefit: (A) Capitalization required for a program that is  
38 developed, sponsored or managed by a community business and that  
39 benefits a low-income community; (B) the costs (i) of construction and  
40 for the acquisition of lands, structures, real or personal property, rights,  
41 rights-of-way, franchises, easements and interest, necessary for a  
42 project, (ii) of the demolition or removal of any buildings or structures  
43 on land so acquired, and (iii) for the acquisition of any land to which  
44 such buildings or structures may be moved; (C) the costs for (i) the  
45 acquisition of machinery and equipment, (ii) the provision of working

46 capital, and (iii) enlargements, additions, extensions, replacements,  
47 renovations and improvements; (D) the costs of engineering, financial  
48 and legal services and for plans, specifications, studies, surveys and  
49 estimates of costs and revenues; and (E) administrative expenses,  
50 expenses necessary or incident to determining the feasibility or  
51 practicability of constructing a project and such other expenses as may  
52 be necessary or incident to (i) the construction and acquisition of a  
53 project, (ii) the financing of such construction or acquisition, and (iii) the  
54 placing of a project in operation;

55 (6) "Low-income community" means a census tract in the state for  
56 which (A) the poverty rate for such tract is at least twenty per cent, (B)  
57 the median family income for such tract, if such tract is not located in a  
58 metropolitan area, does not exceed eighty per cent of the state-wide  
59 median family income, or (C) the median family income for such tract,  
60 if such tract is located in a metropolitan area, does not exceed eighty per  
61 cent of the greater of the state-wide median family income or the  
62 metropolitan area median family income;

63 (7) "Project" means a building or structure owned in its entirety by, or  
64 suitable for use in accordance with the charitable mission of, a  
65 community business, including machinery, equipment and other  
66 similar items necessary or convenient for the operation of the building,  
67 structure or community business;

68 (8) "Qualified equity investment" means an equity investment,  
69 acquired at its original issuance on or after July 1, 2021, solely in  
70 exchange for cash, in a community development entity and that is  
71 designated as a qualified investment by the CHEFA Community  
72 Development Corporation pursuant to subsection (b) of this section; and

73 (9) "Qualified low-income community investment" means an equity  
74 investment in or a loan to a community business.

75 (b) There is established a Connecticut new markets tax credit  
76 program to stimulate economic development in low-income  
77 communities. The CHEFA Community Development Corporation shall

78 adopt written procedures in accordance with section 1-121 of the general  
79 statutes to establish any requirements of the program and to implement  
80 the provisions of this section.

81 (1) (A) Any taxpayer may make an equity investment in a community  
82 development entity for the calendar years 2022 and 2023. For said  
83 calendar years, the CHEFA Community Development Corporation may  
84 designate an equity investment in a community development entity as  
85 a qualified equity investment and the holder of such equity investment  
86 shall be eligible for a credit against the tax imposed under chapter 207,  
87 208, 208a, 209, 210, 211 or 212a of the general statutes or section 38a-743  
88 of the general statutes, in accordance with the provisions of subsection  
89 (d) of this section.

90 (B) The aggregate amount of qualified equity investments designated  
91 under this section shall not exceed ten million dollars for calendar year  
92 2022 and ten million dollars for calendar year 2023.

93 (2) The CHEFA Community Development Corporation may form  
94 one or more subsidiaries for the purposes of carrying out the public  
95 purposes of this section. Any such subsidiary may be organized as a  
96 stock or nonstock corporation or a limited liability company. The  
97 CHEFA Community Development Corporation shall adopt a resolution  
98 prescribing the purposes for which such subsidiary is formed and the  
99 powers of the CHEFA Community Development Corporation such  
100 subsidiary shall have and may exercise.

101 (3) Each community development entity shall use substantially all of  
102 the cash purchase price of a qualified equity investment, within twelve  
103 months of the date of issuance of such investment, to make qualified  
104 low-income community investments in a community business or  
105 businesses. Thereafter, each community development entity shall  
106 maintain not less than eighty-five per cent of such cash purchase price  
107 in qualified low-income community investments in a community  
108 business or businesses for the term of the qualified equity investment.

109 (c) (1) Any community business may apply to the CHEFA

110 Community Development Corporation for approval as a business  
111 eligible to receive qualified low-income community investments under  
112 this section. The application shall include (A) the name of the business  
113 and a copy of the organizational documents of such business, (B) a  
114 description of the community benefit such business provides or seeks to  
115 provide, (C) a description of the eligible costs for which the community  
116 business will use the proceeds of the qualified low-income community  
117 investment and the expected amount of such eligible costs, and (D) such  
118 other information as the CHEFA Community Development  
119 Corporation may require.

120 (2) Any community business that receives a qualified low-income  
121 community investment shall use the proceeds of such investment for  
122 eligible costs. The aggregate amount of qualified low-income  
123 community investments made in any community business shall not  
124 exceed forty per cent of the expected eligible costs or two million dollars,  
125 whichever is less.

126 (d) (1) The credit allowed under this section may be claimed as  
127 follows: (A) For the income year in which a qualified equity investment  
128 is made and for the next succeeding income year, ten per cent of the  
129 amount of the qualified equity investment; and (B) for each of the next  
130 succeeding five income years, sixteen per cent of the amount of the  
131 qualified equity investment.

132 (2) If any credit or any portion of a credit allowed under this section  
133 is not used because the amount of the credit exceeds the tax due and  
134 owing by the taxpayer, the unused amount may be carried forward for  
135 the five immediately succeeding income years or until the full credit has  
136 been claimed, whichever occurs earlier.

137 (3) Any taxpayer allowed a credit under this section may sell, assign  
138 or otherwise transfer such credit, in whole or in part, to one or more  
139 taxpayers, provided such credit may not be sold, assigned or transferred  
140 more than three times.

141 (4) Any taxpayer allowed a credit under this section may be subject

142 to a credit recapture if the qualified low-income community investment  
143 ceases to be used for the purposes of providing a community benefit, a  
144 qualified low-income community investment is repaid or returned to a  
145 community development entity or a qualified equity investment is  
146 repaid or returned to the holder of such qualified equity investment.

147 (f) (1) Not later than forty-five days after the CHEFA Community  
148 Development Corporation designates an equity investment as a  
149 qualified equity investment pursuant to subsection (b) of this section,  
150 said corporation shall submit a form to the Department of Revenue  
151 Services, in a form and manner prescribed by the Commissioner of  
152 Revenue Services, that includes the date of issuance and the amount of  
153 the qualified equity investment, the identity of the taxpayer that holds  
154 such qualified equity investment and such other information the  
155 department deems necessary.

156 (2) After the CHEFA Community Development Corporation  
157 designates its first qualified equity investment under subsection (b) of  
158 this section, said corporation shall submit a quarterly report to the  
159 Department of Revenue Services that includes the amounts of qualified  
160 low-income community investments made, the dates such qualified  
161 low-income community investments were made and verification that  
162 the qualified low-income community investments were made, and  
163 continue to be invested, in eligible community businesses.

164 (g) If the CHEFA Community Development Corporation or the  
165 Commissioner of Revenue Services determines that a recapture of a  
166 credit or a portion of a credit allowed under this section is warranted,  
167 the commissioner shall notify the affected taxpayer of the proposed  
168 recapture. The affected taxpayer shall have ninety days after receipt of  
169 such notice to cure any deficiency noted in the commissioner's recapture  
170 notice. If the affected taxpayer fails or is unable to cure the deficiency,  
171 the commissioner shall issue a final order of recapture to the affected  
172 taxpayer that includes the amount and any penalty and interest to be  
173 recaptured on such taxpayer's next tax return required to be filed, and  
174 shall provide a copy of such final order to the CHEFA Community

175 Development Corporation.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2021	New section

**Statement of Purpose:**

To establish a Connecticut new markets tax credit program for calendar years 2022 and 2023.

*[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.]*