

Legislative History for Connecticut Act

HB 5708 PA 193 1992

Use: 6388-6413 (26)

SENATE 3649, 3773-3775 (4)

Commerce + Exportation 441-443, 471-475,  
571-572, 574-585 (22)

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CONNECTICUT  
GEN. ASSEMBLY  
HOUSE

PROCEEDINGS  
1992

VOL. 35

PART 19

6200-6538

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House of Representatives

Tuesday, May 5, 1992

REP. FRANKEL: (121st)

Mr. Speaker, I move the House stand in recess,  
subject to the Call of the Chair.

SPEAKER BALDUCCI:

Is there objection? Seeing none, the House stands  
in recess.

The House recessed at 8:14 o'clock p.m. to  
reconvene at the Call of the Chair.

The House reconvened at 10:18 o'clock p.m.

CLERK:

The House of Representatives will convene  
immediately, members please report to the Chamber. The  
House of Representatives will reconvene immediately,  
members please report to the Chamber.

DEPUTY SPEAKER MARKHAM:

The House will come to order.

CLERK:

On page 13, Calendar 424, Substitute for House Bill  
5708. AN ACT CONCERNING THE MANUFACTURING RECOVERY ACT  
OF 1992.

Favorable Report of the Committee on  
Appropriations.

DEPUTY SPEAKER MARKHAM:

Representative Luby.

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REP. LUBY: (82nd)

Thank you, Mr. Speaker. I move acceptance of the Joint Committee's Favorable and passage of the bill.

DEPUTY SPEAKER MARKHAM:

The question is on acceptance of the Joint Committee's Favorable Report and passage, will you remark sir?

REP. LUBY: (82nd)

Yes, Mr. Speaker will the Clerk please call LCO4703 and I be allowed to summarize?

DEPUTY SPEAKER MARKHAM:

Clerk please call LCO4703, designated House Amendment Schedule "A".

CLERK:

LCO4703, designated House Amendment Schedule "A", offered by Representative Luby, et al.

DEPUTY SPEAKER MARKHAM:

The Gentleman has sought leave of the Chamber to summarize? Is there objection? Hearing none, please proceed, Representative Luby.

REP. LUBY: (82nd)

Thank you, Mr. Speaker. Mr. Speaker, this amendment makes certain changes to the file copy relating the corporation tax and also the property tax benefit to manufacturers. Again, this bill deals with

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the, modernizes our definition of manufacturing. Relieves some of the anticompetitive tax burden on our businesses. And provides tax credits for job training and research and development in higher education grants. I move adoption of the amendment.

DEPUTY SPEAKER MARKHAM:

The question is on adoption of House "A", will you remark? Representative Ward of the 86th.

REP. WARD: (86th)

Thank you, Mr. Speaker. Through you, a question to Representative Luby?

DEPUTY SPEAKER MARKHAM:

Frame your question, sir.

REP. WARD: (86th)

Representative Luby, just in checking this, if you could indicate if there are particular types of equipment or machinery that are, would have been subject to credits that are being eliminated by this amendment, or some that are added into it. I am just trying to look at it quickly to be sure if I know who is in and who is out, through you?

DEPUTY SPEAKER MARKHAM:

Representative Luby.

REP. LUBY: (82nd)

Thank you. What we are actually doing with this

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amendment is making clear, making the bill a bit clearer and taking standard language that appears on part of the file copy and making sure that it appears in several locations so that we are consistent in our language. Essentially, what this bill does is it modernizes the definition and in a sense, takes a more higher, higher technological applications in manufacturing that may not be directly connected to the manufacturing equipment and provides, brings them within a certain tax exemptions or breaks.

I would note that one of the other significant changes in this amendment is that it changes with regard to newly acquired equipment, also known as used equipment that is newly acquired. The effective date is changed from 1990 to July 1992 so that we don't have a retroactive effect. Given the fact that this bill is intended to trigger new purchases of equipment. In other words, new activity, so there wouldn't be any point in doing it retroactively. Thank you.

REP. WARD: (86th)

Through you, Mr. Speaker?

DEPUTY SPEAKER MARKHAM:

Representative Ward.

REP. WARD: (86th)

Just one other questions. Section five of the

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amendment deals with grant to institutions of higher education. First in reading it through I believe that that could be any institution, public or private. Is that correct? As long as it is based in the State of Connecticut?

REP. LUBY: (82nd)

Yes.

DEPUTY SPEAKER MARKHAM:

Through the Chair sir.

REP. WARD: (86th)

And through you, Mr. Speaker. Is that new in this? Is that in the file copy and being rewritten or?

DEPUTY SPEAKER MARKHAM:

Representative Ward, through the Chair.

REP. WARD: (86th)

I apologize, Mr. Speaker, through you, sir.

REP. LUBY: (82nd)

No, that I believe is in the file copy and that entire section is just repeated in the amendment.

REP. WARD: (86th)

Thank you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Representative Fusco.

REP. FUSCO: (81st)

Thank you, Mr. Speaker. A question to the

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proponent through you?

DEPUTY SPEAKER MARKHAM:

Frame your question sir.

REP. FUSCO: (81st)

Representative Luby, the intent of this amendment, when you say definition of manufacturing on the purchase of new equipment, is it your intension that you also include equipment that is used for remanufacturing, which is a big industry in this state? Through you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Representative Luby.

REP. LUBY: (82nd)

Yes, in other words, you are talking about, for example, rebuilt?

REP. FUSCO: (81st)

Yes. Through you, Mr. Speaker.

REP. LUBY: (82nd)

Through you, Mr. Speaker.

REP. FUSCO: (81st)

Through you, Mr. Speaker. Say in the aircraft engine business, United Technologies can build a new engine or they can take an older engine and they can take the parts and refurbish them, sell the customer new parts where necessary, and take the old parts and

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refurbish them for about half of the cost of a new part and so an engine that would maybe cost 10 million dollars, they could remanufacture for 5 million. I just want to know if the new equipment purchasing machinery is intended to cover that type of equipment for remanufacturing also?

REP. LUBY: (82nd)

I believe the answer to that is yes, Through you, Mr. Speaker.

REP. FUSCO: (81st)

Thank you, Mr. Speaker. I think that is important for legislative intent, because there is always a fine line there. I think if we are going to help our industries in this state it is necessary to include remanufacturing also. Thank you.

DEPUTY SPEAKER MARKHAM:

Will you remark further on House "A"? Will you remark further? Representative Jones of the 141st.

REP. JONES: (141st)

Through you, Mr. Speaker, a question for Representative Luby. Just so I understand where we are going with this.

DEPUTY SPEAKER MARKHAM:

Frame your questions sir.

REP. JONES: (141st)

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The file copy seems to me to address physical conversion types of manufacturing. And I want to be sure that you intend in here chemical conversion, including reactions through the applications of catalyst or chemicals to change or chemical properties as a part of the production and manufacturing. Particularly in view of the fact that process industries may be important to us in pharmaceuticals and other process conversion.

So the question basically is, do these credits apply to equipment purchased for chemical conversion as well as physical conversion of materials? Through you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Representative Luby.

REP. LUBY: (82nd)

Through you, Mr. Speaker. I would note that if I may through you, Mr. Speaker ask a question. Are we talking about corporate tax credits? Are we talking about the property tax issue or the sales tax issue? In other words, I just would like to know a little more specifically what the question was?

REP. JONES: (141st)

Through you, Mr. Speaker. I was thinking abot the tax credits for the acquision of such equipment if

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any, and the personal property tax exemptions that would apply to such a manufacturer. Through you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Representative Luby.

REP. LUBY: (82nd)

My understanding is the answer to that would be yes.

REP. JONES: (141st)

Thank you. Mr. Speaker, that is important for legislative intent, so I want the record to show that.

Secondly. Through you, Mr. Speaker to Representative Luby. Since one of the characters of our state, we hope in the future is high technology, will be research laboratories, what would be the status under this bill as amended of such credits and personal property exemption for equipment and processes purchased for research and development work?

DEPUTY SPEAKER MARKHAM:

Representative Luby.

REP. LUBY: (82nd)

Through you, Mr. Speaker. That would be covered, in fact, the bill specifically mentions research and development in the property tax section.

REP. JONES: (141st)

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Through you, Mr. Speaker. Does it also cover credits for purchase on the corporate income tax?

Through you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Representative Luby.

REP. LUBY: (82nd)

Through you, Mr. Speaker. Yes, there is a provision of this bill that provides a series of corporate income tax credits relating to new R and B expenditures, job training expenditures and the grants that I mentioned before.

REP. JONES: (141st)

Thank you, Mr. Speaker. That clarifies for me what is, I think, a very good bill. Thank you.

DEPUTY SPEAKER MARKHAM:

Caution the members that we are on the dependency of House "A". Will you remark further? Representative Prelli.

REP. PRELLI: (63rd)

Thank you, Mr. Speaker. Through you, a question to Representative Luby.

DEPUTY SPEAKER MARKHAM:

Frame your question sir.

REP. PRELLI: (63rd)

Representative Luby, I am comparing, or I am

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looking at the fiscal note for the bill and I am wondering if the fiscal note for the amendment changes that either minor or with major changes? Through you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Representative Luby.

REP. LUBY: (82nd)

Through you, Mr. Speaker. First of all with regard to the sales tax, it doesn't make a change in that. In other words, that is the January 1993 impact. With regard to the property tax area, it does in my view, it doesn't as it turns out in the fiscal note change the numbers. But apparently it does change or narrow somewhat the reach back possibility on the property tax for the used equipment purchases. But looking at the fiscal note, it looked to me though, frankly, the only thing that really changed numbers wise was the out years on the corporate income tax.

DEPUTY SPEAKER MARKHAM:

Will you remark further?

REP. PRELLI: (63rd)

Thank you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Will you remark further on House "A"?  
Representative Emmons.

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REP. EMMONS: (101st)

Thank you, Mr. Speaker. Mr. Speaker, is there a fiscal note? Because I do not have one. Through you to the proponent.

REP. LUBY: (82nd)

Through you, Mr. Speaker. Yes there is and I will be happy to just hand this to you.

DEPUTY SPEAKER MARKHAM:

Will you remark further on House "A"? Will you remark further? If not, I will try your minds.

Those in favor of House Amendment Schedule "A", please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER MARKHAM:

Opposed nay. The ayes have it, the amendment is adopted. (Gavel)

Will you remark further on the bill as amended?

REP. MCNALLY: (47th)

Mr. Speaker?

DEPUTY SPEAKER MARKHAM:

Representative McNally.

REP. MCNALLY: (47th)

Mr. Speaker, the Clerk has amendment LCO4728, would the Clerk please call and I be allowed to summarize?

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DEPUTY SPEAKER MARKHAM:

Clerk has in his possession an amendment, LCO4728, designated House Amendment Schedule "B". Will the Clerk please call the amendment. Clerk has in his possession, now, an amendment LCO4728, designated House Amendment Schedule "B". Will the Clerk please call the amendment.

CLERK:

LCO4728, designated House "B", offered by Representative Polinsky, et al.

DEPUTY SPEAKER MARKHAM:

The gentleman sought leave of the Chamber to summarize, is there objection? Is there objection? Hearing none, Representative McNally, please proceed.

REP. MCNALLY: (47th)

Mr. Speaker, this would reform our sales tax statutes to allow for the outsourcing of computer services rendered by a retailer on or after July 1991 to be exempt from sales tax for delivery of that service. I would move adoption.

DEPUTY SPEAKER MARKHAM:

The question is on adoption, will you remark? Will you remark further on House "B"? If not, I will try your minds. Representative Winkler.

REP. WINKLER: (41st)

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Thank you, Mr. Speaker. I rise in support of this amendment. To my knowledge there are only three states that have a computer tax and this will certainly allow us to be more competitive and will definitely bring in more jobs to the state that we desperately need. Thank you.

DEPUTY SPEAKER MARKHAM:

Thank you. Will you remark further?

Representative Emmons.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Mr. Speaker, my same question as the amendment before. Through you, Mr. Speaker a question to the proponent of the amendment?

DEPUTY SPEAKER MARKHAM:

Frame your question madam.

REP. EMMONS: (101st)

Looking at this fiscal note, it appears to be a larger amount than the same amendment or similar amendment that was going to be in 5913 and I don't have the direct language for 5913 in front of me. Is there a difference between the language here and what had been previously agreed to?

Not through you, but I am saying through the two partisan part leaderships.

REP. MCNALLY: (47th)

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Mr. Speaker, through you.

DEPUTY SPEAKER MARKHAM:

Representative McNally.

REP. MCNALLY: (47th)

I don't have the copy of the fiscal note attached to 5913. We do have earlier language however, with earlier attached fiscal notes and there is no difference in the fiscal note that I have on earlier drafts.

This would put the tax change into affect January 1, 1993, sending it back three months. My understanding is that the budget has allocated for it, 4 million dollars. This comes in under the budget figure at 3 million dollars. So it is well over the parameters of the budget we passed last week.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Would you explain that again? It puts it into affect in 1993?

REP. MCNALLY: (47th)

Yes, for the purpose of the budget, we moved the sales tax exemption back from July 1st this year, back to January 1, 1993. Pushed it back 6 months. Saving a small amount of money which was used as part of the budget process.

REP. EMMONS: (101st)

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Through you, Mr. Speaker. Reading the amendment it says, sales of on and after July 1, 1991. So I would presume that any sales from 1991 onward would be exempt and therefore, the individuals who had paid the tax would be able to get a refund at any time in which they got their papers together, is that not correct?

DEPUTY SPEAKER MARKHAM:

Representative McNally.

REP. MCNALLY: (47th)

Mr. Speaker, through you to Representative Emmons. The intent of the amendment is to make this effective January 1, 1993. Not having the actual file before me, you are right, I don't see the date January 1, 1993. However, what the amendment speaks to are the sales of computer and data processing services rendered by a retailer which was acquired on or after July 1, 1991. That date is operative to the acquisition, so we aren't reaching back to include more folks than the original language in the Finance Committee was intended to serve. Primarily IBM and Computer Science Corporation.

DEPUTY SPEAKER MARKHAM:

Representative Emmons, you have the floor, madam.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. If you can just hold on one moment please.

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Through you, Mr. Speaker. Looking at the, thank you, Mr. Speaker. It does, when you look at the effective date, it does change it so that both of them will be effective on January 1, 1993.

DEPUTY SPEAKER MARKHAM:

Will you remark further on House "B"? Will you remark further? If not, I shall try your minds on House "B".

Those in favor of House "B", signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER MARKHAM:

Opposed nay.

REPRESENTATIVES:

No.

DEPUTY SPEAKER MARKHAM:

The ayes have it. (Gavel) It is adopted.

Will you remark further on the bill as amended?

Representative Arthur.

REP. ARTHUR: (42nd)

Yes, Mr. Speaker. This is a very important bill for the manufacturing businesses in our state. There is actually three different parts of the bill.

One of it expands the four year property tax exemption to include used machinery and equipment that

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was not in the original bill. This is will be a particularly useful to small and medium size companies that do, in fact, buy used equipment rather than brand new equipment just because of the expense.

Second part of the bill modernizes the definition of manufacturing equipment and machinery so that it includes those kinds of equipment and machinery and measuring devices that are used in high technology manufacturing processes.

This is essential, especially for R and D and quality testing machinery.

The third part of the bill provides corporate income tax credits for research and development, job training and grants to higher education for the study of new technology. This will build a business atmosphere that will attract new manufacturing and high technology jobs to our state along with the research and development necessary at our colleges and the training of people to man these new high quality manufacturing and high technology jobs. I urge passage of this bill.

DEPUTY SPEAKER MARKHAM:

Will you remark further as amended? Representative Emmons.

REP. EMMONS: (101st)

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Thank you, Mr. Speaker. Mr. Speaker, the Clerk has an amendment LCO3735, will he call it and I be allowed to summarize?

DEPUTY SPEAKER MARKHAM:

The Clerk has in his possession an amendment, LCO3735, designated House Amendment Schedule "C". Will the Clerk please call the amendment.

REP. EMMONS: (101st)

Thank you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Madam, let the Clerk call the amendment please.

CLERK:

LCO3735, designated House Amendment Schedule "C",  
offered by Representative Emmons.

DEPUTY SPEAKER MARKHAM:

The lady has sought leave of the Chamber to summarize, is there objection? Hearing none, please proceed Representative Emmons.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Mr. Speaker, basically what this does is in the section as to the payment in lieu of property taxes, or basically we are deeming a depreciated value that is going to be used as the assessment value for the property. And this amendment changes the numbers of the depreciated value and they

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are in for those who want to read, it is between, in lines starting 163 and it uses a depreciated value for the first year of 90%, second year 80%, third year 70% and fourth year 60%. Mr. Speaker, I would move the amendment.

DEPUTY SPEAKER MARKHAM:

The question is on adoption of House "C", will you remark?

REP. EMMONS: (101st)

Yes, Mr. Speaker. Mr. Speaker, two years ago this bill, the original bill was passed and at that time if you remember there was an amendment that came out, it was a bill that came out of the Senate late on the last, next to last night of our adjournment, came to the floor and at that time we were told that we could not make any amendments to it because it was, it would have to go back to the upper Chamber.

My real concer with using these percentages, excuse me Mr. Speaker, is basically an accessor when they are putting the accessed value on personal property, using 90% for the first year, 80 for the second, 70 for the third, 60, 50, 40 and then they stop generally at 30. There is basically, nobody and no town that uses 95%. Now, I do not see why the State of Connecticut should be paying property taxes, or payments in lieu of taxes

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on a 95% assessment, when no business company pays at 95% of assessment.

On top of it what bothers me is if we have this in the statute and we say that to all new businesses that buy new equipment or newly owned equipment, new to them, fitting into the definitions, that the state will pay to the town 95% of the fair market value, but the business next door right now is only paying 90%. My feeling is putting this into statute, will make assessors say, well the legislature has deemed this to be the new schedule, therefore it is a justification for the assessors when they meet to determine this is a new schedule.

Assessors can pick whatever schedule they want to use to value, to value property that is on the Grand List. If they did go and decide to do 95%, which is something we as a General Assembly have no control over and we have justified it by putting this in the statute, then we are really making business more expensive for those business who are not being helped. When this was put into the statute, the business who wanted it didn't care, because we are paying for it. It is no skin off their teeth if we did it at 150%. And so therefore, Mr. Speaker, I think it is a little unfair. You are going to be paying, the state is going

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to be paying in lieu of taxes at 95% on first year equipment, businesses are going to be paying at 90% and if it is deemed that this is so marvelous, they will up the cost for other business. And therefore, Mr. Speaker, it is the reason why I have put forth this amendment. It is not that it is a surprise. I did it in Finance Committee, and I was told to do it on the floor and I am. Thank you, Mr. Speaker.

DEPUTY SPEAKER MARKHAM:

Will you remark further? Representative Stolberg.

REP. STOLBERG: (93rd)

Mr. Speaker, through you to the lady bringing out the amendment. I would ask if there is a fiscal note?

DEPUTY SPEAKER MARKHAM:

Representative Emmons.

REP. ARTHUR: (42nd)

Through you, Mr. Speaker. Yes there is.

REP. STOLBERG: (93rd)

Thank you very much. And I would ask through you, Mr. Speaker, is this change included in the budget that was passed?

REP. ARTHUR: (42nd)

Thank you, Mr. Speaker. Through you, the fiscal notes says that there is a savings of one million dollars for 92/93. A savings of 3 million dollars for

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93/94. And I do have a runout for the next three years. It is not in the budget, but I think having a million dollars extra in a 8 billion dollar budget will not hurt us.

REP. STOLBERG: (93rd)

This is very good if we could change the figures a little bit more to get those figures up, it could solve some of our other problems. Thank you.

REP. SMOKO: (91st)

Mr. Speaker? Mr. Speaker?

DEPUTY SPEAKER MARKHAM:

Representative Smoko.

REP. SMOKO: (91st)

Just a technical question on the fiscal note through you to Representative Emmons. I am reading this section and it clearly indicates that it is effective on Grand List file October 1, 92, which means that the fiscal note, I think, is in error, shows a revenue savings in the 92/93 calendar year. I thought that would defer it until July 1 of 93. And I think in order for the fiscal note to be consistent with the fiscal note on the bill itself, it shows no expenditure whatever in the property tax section in 92/93, but a deferral of one year since it is on Grand List filed October 1, 92. Through you, Mr. Speaker, is that your

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understanding Representative Emmons, or is there something else here that is not in the file that might be saving us this million dollars?

REP. ARTHUR: (42nd)

Thank you, Mr. Speaker. Mr. Speaker, This particular savings goes to the bill passed in 1990 which applied to the items coming on the Grand List, I think, of 10/1/90. And then for which we are now doing a reimbursement.

The bill that is, the newly, newly owned equipment is going to be part of this bill.

REP. SMOKO: (91st)

Mr. Speaker, I understand now. The only two people in the room that are interested in this are perhaps Representative Emmons and myself. Thank you Representative Emmons, I appreciate it.

DEPUTY SPEAKER MARKHAM:

Will you remark further? Representative Luby.

REP. LUBY: (82nd)

Thank you, Mr. Speaker. I would just, on the amendment, note that I believe to the extent that I understand it, that this is a friendly amendment.

DEPUTY SPEAKER MARKHAM:

Then I shall try your minds. Those in favor of House Amendment Schedule "C", please signify by saying

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aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER MARKHAM:

Opposed nay. The ayes have it. (Gavel) The amendment is adopted. Will you remark further on the bill as amended? If not, staff and guests please come to the Well of the House. Members take your seats, the machine will be open.

CLERK:

The House of Representatives is taking a roll call vote, members to the Chamber. Members to the Chamber, the House is voting by roll call.

DEPUTY SPEAKER MARKHAM:

Have all members voted? Have all members voted? Please check the roll call machine to see if your vote is properly cast. The machine will be locked. Clerk please take a tally. Clerk please announce the tally.

CLERK:

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House Bill 5708 as amended by House Amendments  
Schedules "A", "B" and "C".

Total number voting	146
Necessary for passage	74
Those voting Yea	146
Those voting Nay	0
Those absent and not voting	5

DEPUTY SPEAKER MARKHAM:

The bill as amended is passed.

REP. FRANKEL: (121st)

Mr. Speaker?

DEPUTY SPEAKER MARKHAM:

Representative Frankel.

REP. FRANKEL: (121st)

Mr. Speaker, I move that this item be transmitted to the Senate immediately.

DEPUTY SPEAKER MARKHAM:

The motion is to transfer the bill just acted upon to the Senate immediately. Is there objection? Is there objection? Hearing none, so ordered.

CLERK:

On page 16, Calendar --

DEPUTY SPEAKER MARKHAM:

Hold it. Are there any announcements or points of personal privilege?

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Go.

THE CHAIR:

Thank you very much. Is there any objection? I don't think we suspended the rules for 506. Is there any objection for suspending the rules for the purposes of taking up Senate Calendar No. 506? Is there any objection? Hearing none, so ordered. 506 and 113 and 263 are marked Go.

SENATOR O'LEARY:

263, thank you. Page 9, Calendar 294. Page 10, Calendar 451 and Calendar 454, Substitute House Bill No. 5369 I move to the Consent Calendar.

THE CHAIR:

Is there any objection to moving Senate Calendar No. 454, Substitute for House Bill 5369 onto the Consent Calendar? Is there any objection? Hearing none, it is so ordered.

SENATOR O'LEARY:

Page 11, Calendar No. 505, Substitute for House Bill No. 5708, I move to the Consent Calendar.

THE CHAIR:

Is there any objection to moving Senate Calendar No. 505, Substitute for House Bill 5708 to the Consent Calendar? Is there any objection? Hearing none, it is so ordered.

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THE CHAIR:

Thank you very much. Is there any objection?  
Hearing none, the item will be P-T'd.

THE CLERK:

Mr. Clerk, do we have any more marked to Go? Do we have a Consent Calendar? Senator O'Leary.

SENATOR O'LEARY:

Madam President, if that item isn't ready, and I take it is not ready then we'll --.

THE CHAIR:

No, he's waiting for an amendment, apparently.

SENATOR O'LEARY:

All right, then we'll call for a recess and work on the Calendar. The Clerk has something. Do you have a Consent Calendar? Let's call that please.

THE CLERK:

An immediate roll call has been ordered in the Senate on the Consent Calendar? Will all Senators please return to the Chamber. An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

THE CHAIR:

Thank you very much, Mr. Clerk. The issue before the Chamber is Consent Calendar No. 1 for today, May 6, 1992. Mr. Clerk, would you please read the

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items that have been placed on the Consent Calendar.

THE CLERK:

The first Consent Calendar begins on Calendar Page 5, Calendar No. 473, Substitute for House Bill 5630.

Calendar Page 7, Calendar No. 503, Substitute for House Bill 5854.

Calendar Page 10, Calendar No. 451, Substitute for House Bill 5506. Calendar 454, Substitute for House Bill 5369.

Calendar Page 11, Calendar 505, Substitute for House Bill 5708.

And Calendar Page 12, Calendar No. 296, Substitute for Senate Bill 116.

Madam President, that completes the first Consent Calendar.

THE CHAIR:

Thank you very much, Mr. Clerk. You've heard the items that have been placed on the first Consent Calendar for today, Wednesday, May 6th. The machine is on. You may record your vote.

Senator DiBella. Consent Calendar. Senator Spellman. Senator Bettencourt. Senator Gunther. Senator Casey. Gunther, Bettencourt, Casey, Spellman. Have all Senators voted that wish to vote? Have all

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Senators voted that wish to vote? The machine is closed.

The result of the vote:

34 Yea  
0 Nay  
2 Absent

The Consent Calendar is adopted.

Do you have any further business on your desk, Mr. Clerk? No, no Agendas? Senator O'Leary.

SENATOR O'LEARY:

Thank you, Madam President. Madam President, we will have another Go List I think fairly shortly, so I don't want to give a time certain, but I don't think it will be more than a half hour.

THE CHAIR:

We should look forward to coming back in around quarter of 5:00?

SENATOR O'LEARY:

Around quarter to 5:00, possibly 5:00. Thank you.

THE CHAIR:

Is there any objection to recessing until later on this afternoon? I'm kind of getting into this. You know, it makes me nervous. The Senate will stand in recess.

Do you have someone you would like to introduce?

JOINT  
STANDING  
COMMITTEE  
HEARINGS

COMMERCE AND  
EXPORTATION  
PART 2  
378-745

1992

TOM TURICK: I hear you.

REP. LUBY: That would envision us in something of a (inaudible - microphone not on) if there is not, of course not progressive, (inaudible - microphone not on). You know, put it on your shoulders, and I know there is some other people here testifying about some of these bills, on this general permitting bill, and there are other things we can add to it. Are those discussions going well or not?

If they are not going well, then let us know, immediately, because it seems like (inaudible).

TOM TURICK: Okay. Fair enough, thank you.

REP. LUBY: Joe, since there is other people here, could you be fairly brief? We'll talk later.

JOE BRENNAN: You've got a lot of great bills here, I wanted to talk to you about. Yeah, I'd be happy to talk to you about them early, the only reason we decided to divide it, we just thought the environmental bill was important enough to get special focus. I was going to talk primarily about the tax bills that are before you, and give you CBIA's perspective on, as you're trying to prioritize these things, for your (inaudible) deadline, just to give you our sense on what is most important.

First on HB5708, that really addresses a couple of major concerns for manufacturers in the state, particularly with the property tax, and the property tax is also covered in HB5222. I think if you're looking at some long term goals for the state of Connecticut, that this committee can endorse.

Number one at the top of the list for manufacturers in the tax area, has got to be doing something about the personal property tax on machinery and equipment. We did pass a four year property tax exemption for new machinery a couple of years ago, it was well received by the manufacturing community, I know it got an awful lot of calls about it when it was first passed.

Unfortunately, it doesn't do anything to help the mature companies that are here, that are really looking, making decisions right on whether they are going to stay in Connecticut or not, because they're not buying new machinery. So, I think it has got to be a policy of the state of Connecticut that we are going to address this and phase it out over a certain number of years.

So, we would endorse that component of HB5708 and HB5222.

REP. LUBY: Would you agree that given all the sales tax, corporate tax, property tax, issues we have in relating to the business community, that the personal property tax on equipment, is the number one problem?

JOE BRENNAN: It is the number one cost problem for manufacturers. The only reason I say cost problem and again I don't want to take up a lot of time and I'd be happy to talk to you about it afterwards, but there is a major in the state of Connecticut with the business climate.

A lot of the things that are, that cause that, are problems with the sales tax for manufacturers and for service companies, and the enforcement of that tax, and we think there are some components in HB5708 that deal with sales tax, expanding it, that would do a lot to improve the business climate.

Also with the corporate tax, some of the problems with the corporate tax, not only the, it is not the dollars you are paying, because companies are not making a big profit. So, it is not the dollars that are being paid out, because of the high rate and the way some of the things are interpreted through DRS, that really causes a problem.

So, I again, if you're just talking strict dollars and cents for a manufacturer in the state of Connecticut, there is no question as to the property tax. But I don't think you can overlook the problems that we have with the rest of our tax structure.

A lot of times it is not the dollars, it is the problem somebody is having dealing with the state, that can really drive somebody over the head, so I think that has to be a component of your discussions also.

REP. LUBY: (inaudible)

JOE BRENNAN: Okay. And again, just be real brief, also one other component that I mentioned of the corporate income tax, SB424, this has been a problem since 1989 during the tax bill where we changed the estimated payment scheduled, and you basically require a company to estimate within 90% accuracy, their entire liability for their whole fiscal year, 6 months into the year.

It really puts a great burden on the taxpayer to try to estimate how their business is going to do over the next 6 months, and they are faced with very high interest, the highest interest in the country, if they don't pay.

What this proposal would do is just put us in line with other states and with the federal government to let you pay an assumed tax where you look at your prior year's experience, whatever your certain percentage of your prior year's liability, you can make the estimated payments based on that. I think that is something that would go a long way towards this business climate issue that I mentioned.

Also, we support the idea of flexible manufacturing networks. There is an awful lot of ideas circulating right now on how we can help the manufacturing community in the state, and I think the networks are a good way of circulating some of these ideas, and making some bond money available to these networks, they can spread the word on how we can support manufacturing in the state.

Finally, just one brief comment. I know I'm preaching to the choir here, but I was just in the labor committee talking about unemployment, and talking about the 155,000 jobs we've lost in the last couple of years and hearing earlier comments on defense diversification and the number of jobs that we are going to lose.

of the Committee. Thank you for your marathon patience. My name is Jim DeWitt and I'm the Executive Director of the Connecticut Association of Metal Finishers.

I've submitted written testimony that addresses three bills: SB354, HB5682 and HB5708. The two environmental bills have been addressed extensively by Tom Beth and others and I'm not really going to spend too much time on that.

I'd like to focus on the last bill but just a couple of comments as all of you know, there has been a great deal of contentiousness over the permitting process and the impact that environmental regulations and environmental considerations has on the manufacturing industry in Connecticut.

It's only recently that it has come to the attention of the General Assembly and I thank this Committee for helping to do that and three of you personally. In addition to the comments

: (inaudible)

JIM DEWITT: That is exactly true. Yes. In addition to, CMF supports DEP's permit bill and the recommendations that were given earlier we also endorse. I have, I think just two other additional recommendations that I think are important in the entire scheme of things in term of permitting.

I offer three additional suggestions. A request of the General Assembly's Program Review and Investigation Committee to take a look at Connecticut's Environmental Law Enforcement Program and the use of DEP personnel and the Attorney General's personnel and you will find that the same people responsible for processing permits at DEP are the same people responsible for enforcement.

If you take a look at one program you will see one reason - the Enforcement Program you will see one reason why the Permit Program has bogged down the way it has.

The second, and Representative Smith, I think would like to do this very soon, would be to activate the environmental fee Task Force to take a look at the administration of DEP Permit Fee Program and evaluate the effect of the permit fees on Connecticut's manufacturers, especially small businesses.

It's about time we do that. I'd like to talk about HB5708 and if you have a copy of that bill in front of you there are some specific line item comments I would like to refer to. I have seven recommendations, the first four pertain to minor revisions to the bill in terms of words but significant in terms of applicability.

: Pardon me, (inaudible)

JIM DEWITT: HB5708, AN ACT CONCERNING THE TREATMENT OF MANUFACTURING UNDER CERTAIN STATE TAXES. As both of you know, I work with the metal finishers of the State of Connecticut. Frequently the Department of Revenue Services doesn't treat the metal finishing industry as a component of the manufacturing sector.

There is an opportunity to clarify that and I would recommend in lines 43 and also in 52, 145, 154, 179 and 193 after the word processing insert the word finishing. So which defines manufacturing further as manufacturing, processing, finishing or assembling of raw materials and is located throughout this bill. I think that this revision would . . .

REP. SMITH: (inaudible - mike not on)

JIM DEWITT: It is in my written testimony.

REP. SMITH: (inaudible) what you are saying is that Revenue Services is telling you that they don't consider at times, in some instances they don't consider finishing part of the manufacturing process?

JIM DEWITT: That's correct.

REP. SMITH: And that is putting plating on a (inaudible) or something like that?

JIM DEWITT: That's correct. Painting, plating, any surface coating, mechanical finishing,

REP. SMITH: They don't consider that part of the manufacturing process?

JIM DEWITT: That's correct. At times they have ruled that it is not in terms of application of equipment and machinery. So that is recommendation number one - the insertion of the word finishing.

Number two, in Section 6, in line 226, include a definition of what finishing is. I didn't provide that in my testimony but that would be an easy thing to do.

The third recommendation is after the word basis on lines 58 and again on 160, lines 58 and 160, insert the phrase "or for the management of waste generated by the manufacturing, processing, finishing, or assembling processes. That's after the word basis.

What this does is it includes waste management as part of the manufacturing process. Now waste management could mean on-site recycling. It could be some advanced recovery technologies that are becoming very prevalent, not only in the metal finishing industry but in the metal working industry in general.

Suggestion number four - also in Section 6, line 189 after paragraph 2, add "or D the machinery or equipment is used in the management of waste generated by the manufacturing, processing, finishing or assembling processes.

Recommendation number 5 deals with the corporate tax credit. Corporate tax credit for expenditures for industrial waste treatment and air pollution abatement facilities is seldom used. One of the reasons for that is you have to go through the DEP to get certification or approval of that piece of equipment or that facility.

The cost to do that is generally larger than the 5% tax credit gained so no one takes advantage of that. Recommendation would be 1) increase that tax credit from 5% to 25% which is consistent with the other provisions to the bill and then 2) delete, I'm not, this is not in your bill. This would be an addition to in Section 12-217C and 217D, delete the provisions that require DEP Commissioner approval of those facilities or equipment.

Again, that is in my written testimony. Suggestion 6 deals with the sales tax exemption. Also not addressed in the bill but recommend that it be included. This is a sales tax exemption for the sale of personal property as part of waste treatment or air pollution control facilities. I suggest revisions to 12-412 which again, removes the requirement that Commissioner approve the systems and equipment before this exemption can be taken - this again, the sales tax exemption for machinery and equipment for air abatement and waste water treatment facilities.

My 7th and last suggestion for this bill also is to revise Section 12-412 to include the sales of environmental planning management and engineering services related to the reduction, elimination, or mitigation of environmental pollution. Presently, some environmental consulting, environmental services are taxed and some are not by the sales tax.

With this provision, environmental planning management engineering services related to environmental management would also, would be exempt from the sales tax.

That ends my seven comments on this bill. Any comments?

REP. SMITH: Quick question, in terms (inaudible - mike not on)

: We didn't hear you.

REP. SMITH: On air pollution abatement facilities,

JIM DEWITT: Yes.

REP. SMITH: What you are saying is that they don't take advantage of it because they have to go through DEP?

JIM DEWITT: That's correct. They have to receive a letter from DEP before the exemption can be taken.

REP. SMITH: But these air pollution abatement facilities, I imagine are permanent right?

JIM DEWITT: Usually, yes.

REP. SMITH: So, I mean, would it be logical to assume that all they should really need is to just show their permit?

JIM DEWITT: That would be logical.

REP. SMITH: And that doesn't take place now?

JIM DEWITT: No, presently it is a letter that is required by DOHS from the Commissioner of DEP certifying that these are approved equipment and facilities. That is true in both the air and the water areas.

REP. SMITH: Okay, thanks.

: Can I ask you, is your testimony on the (inaudible - mike not on).

JIM DEWITT: It's one statement. They are stapled together, you can pull them apart.

REP. LUBY: Gerald Backlund, Peter Dibble and Bob Howard.

GERALD BACKLUND: Mr. Chairman, members of the Committee, good afternoon or good evening. I did submit written testimony so I won't go through the whole thing in detail but I'll touch on the high points.

My name is Gerald R. Backlund and I'm manager of Regulatory Affairs at the Stamford Research Laboratories of American Cyanamid Company in Stamford, Connecticut. We have about 500 people

*Collins Anderson & Flynn*

Testimony of  
Marshall R. Collins  
On Behalf of The  
Chamber of Commerce of Northwest Connecticut  
Connecticut Tooling & Machining Association  
Eastern Connecticut Chamber of Commerce  
Greater Danbury Chamber of Commerce  
Milford Chamber of Commerce  
Quinnipiac Chamber of Commerce  
Before The Legislature's Commerce and Exportation Committee  
Thursday, March 12, 1992  
2:00PM  
Room 1A, Legislative Office Building  
Hartford, Connecticut

Good afternoon. My name is Marshall R. Collins I am the president of Collins Anderson & Flynn and am appearing on behalf of the six organizations set forth above. Collectively those organizations represent approximately 3,500 member companies. Those companies employ more than 100,000 men and women in Connecticut.

The organizations are encouraged by the numerous positive initiatives that you are considering today. Unfortunately I have just come from the Labor and Public Employees public hearing where I was extremely discouraged by the number of detrimental initiatives that they are proposing. Hopefully the members of both committees will be able to work for rather than against economic recovery and jobs.

More specifically the organizations support HB 5708 AAC The Treatment Of Manufacturing Under Certain State Taxes. There are two particularly beneficial provisions under HB 5708: sections 72 and 74.

Section 72 appears to expand the definition of machinery and equipment subject to exemption to include used not just new machinery and equipment. This is important to many smaller manufacturers who modernize and expand their operations by purchasing used machinery.

Section 74(b) appears to expand the exemption to include equipment integral to precision manufacturing but heretofore taxable under interpretation by the Department of Revenue Services. In particular, subsection (6) refers to measuring or testing. Quality control and measuring equipment has been subject to sales tax in Connecticut as opposed to many of the states where our companies competitors are located. If this is in fact the intent of the changes, the organizations strongly support the favorable reporting of those provisions.

Regarding the remaining provisions of HB 5708, the organizations would question the relative merits of offering tax credits rather than attempting to reduce the costs of doing business.

It is important to realize that tax credits are of little value to a company on the edge that have little or not taxable profits. Far more important is property tax relief. Property taxes are payable by companies whether they are profitable or not. The organizations believe that tax credits play an important long term role. Nevertheless their role in short term economic recovery must be acknowledged as limited.

HB 5222 would phase out the personal property tax on machinery and equipment over a five year period. The organizations believe that this is a concept worthy of further consideration if Connecticut is to become competitive as a manufacturing location.

SB 84 and HB 5707 both address the issue of defense diversification. The organizations support both of these initiatives; however, they would point out that critical to any diversification effort is a positive cash flow. Although basic, the most effective way to free up capital that enables companies to follow through on diversification projects is to reduce the ongoing cost of doing business.

Among items that contribute significantly to the high cost of doing business in Connecticut are workers' compensation, unemployment compensation, health care, mandated benefits, energy and taxes. It is well intentioned but counterproductive to increase funding for the beneficial programs mentioned in these two bills, while failing to address such costs.

SB 354 would streamline certain permitting programs of the department of environmental protection. The organizations support this bill as a necessary response to a continuing disincentive to doing business in Connecticut.

The organizations believe that HB 5683 AAC Flexible Manufacturing Networks is an extremely interesting concept that has excellent potential. It is these types of "flexible networks" that the organizations have encouraged. With the commitment of the state behind them, we believe that success is far more likely.

Finally, the devastating loss of jobs facing southeastern Connecticut has given rise to the creation of a technology center that SB 85 addresses. SB 85 would assist in providing some of the seed funding for this unique project. A letter from the Southeastern Connecticut Economic Development Coalition supporting this bill is attached. No other region of the state is facing the short term loss of more than 20,000 jobs. The Eastern Connecticut Chamber of Commerce strongly supports this cooperative effort and urges favorable action on SB 85.

This completes my testimony. Thank you very much.

TESTIMONY PRESENTED TO THE  
COMMERCE AND EXPORTATION COMMITTEE  
OF THE  
CONNECTICUT GENERAL ASSEMBLY

MARCH 12, 1992

By

James W. DeWitt, Executive Director  
Connecticut Association of Metal Finishers  
84 Cedar Street Hartford, CT 06106  
(203) 527-3036

INTRODUCTION

Good afternoon members of the Commerce and Exportation Committee. My name is Jim DeWitt and I am the Executive Director of the Connecticut Association of Metal Finishers (CAMF). My comments this afternoon are submitted on behalf of the members of the Association. I am here to comment on three bills: SB 354, An Act Concerning Streamlining of Certain Permitting Programs of the Department of Environmental Protection; HB 5682, An Act Concerning Permits Issued by the Department of Environmental Protection; and HB 5708 An Act Concerning the Treatment of Manufacturing Under Certain State Taxes.

CAMF represents the interests of the metal finishing industry in Connecticut. Membership includes 90 companies specializing in finishing processes such as electroplating, anodizing, painting, and other surface coatings. Some companies are "job shops" in which 100% of their business is metal finishing. Others are manufacturing firms in which metal finishing is a portion of the production processes.

The finishing processes are integral and necessary steps in the manufacturing of a product, whether the processes are performed by the manufacturer or by an outside "job shop".

CAMF members are primarily small businesses, employing 2 to 250 people, with most having less than 50 employees. Our companies service every manufacturing industry sector of our state including aircraft, automotive, hardware, electronic, computer, spring, and bearing industries.

#### BACKGROUND

The impact of environmental regulations, environmental fees, and other environmental considerations on Connecticut industry is extremely understated. Many small businesses are losing their viability as a result.

Connecticut has some of the most stringent water, air and waste management standards in the world. The permitting process is also amongst the most cumbersome.

In general, Connecticut industries have made a commitment to comply with these requirements. Since the 1960's, when industry was discharging untreated wastewaters into our streams and rivers, and emissions to the air were uncontrolled, substantial strides have been made in curbing the impact of industrial operations on the environment. Today, many Connecticut companies are leaders in the area of pollution prevention.

Efforts to improve environmental quality by Connecticut industries has not come without a significant price tag. Pollution control equipment, staff, consultants, and lawyers related to environmental compliance contribute to the cost of the manufactured product.

Escalated environmental compliance cost, in combination with the high cost of energy, labor, insurance, and taxes, make it difficult for Connecticut manufacturers to compete in regional, national, and world marketplaces. The ability to "pass the cost along to the customer" is limited. During economic recessions, as we are presently in, this ability does not exist.

Connecticut citizens want a healthy environment, Clean air, drinkable water, fishable streams, and the preservation of the state's natural heritage are presumed to be inalienable rights of residency.

People also want jobs, industrial growth, and a general business climate that fosters successful companies and a strong state economy.

A balance must be maintained between the attainment of environmental quality goals and the ramifications to Connecticut industries expected to produce cost-competitive products.

TESTIMONY PRESENTED TO THE  
COMMERCE AND EXPORTATION COMMITTEE  
OF THE  
CONNECTICUT GENERAL ASSEMBLY

MARCH 12, 1992

By

JAMES W. DeWITT, EXECUTIVE DIRECTOR  
CONNECTICUT ASSOCIATION OF METAL FINISHERS

SB 354

An Act Concerning Streamlining of Certain Permitting Programs of the  
Department of Environmental Protection

SB 354 proposes to improve the permitting processes of the Connecticut  
Department of Environmental Protection. This bill is essentially  
equivalent to HB 5628, presently being acted upon by the Environment  
Committee. i.e. 5628

CAMF supports the passage of SB 354 and offers the following  
recommendations.

RECOMMENDATIONS:

1. Sec. 6. (5) (line 232). Delete the phrase "but not limited to",  
and (line 233) delete section (B). RE: The DEP should  
retain limited authority to require an individual air pollution

permit in lieu of a general permit under certain conditions. However, the availability of new technology should prompt the revision of the applicable general permit conditions, not subject an individual source to unique technology-based conditions required within an individual permit.

2. Should monitoring be made a condition of any general permit, all monitoring records should be maintained at the location of the permitted activity for a period of ??? years, available to DEP inspectors. RE: If monitoring records were to be regularly submitted to DEP for their review, the "paper avalanche" would defeat the purpose of the general permit program.

HB 5682

An Act Concerning Permits Issued by  
the Department of Environmental Protection

This bill offers proposals to provide administrative relief to regulated facilities seeking an environmental permit from DEP. CAMF supports these proposals, and encourages their incorporation into SB 354. We also offer the following recommendations.

RECOMMENDATIONS:

1. Include a provision that streamlines the reporting of spills, as required by CGS Sec. 22a-450, by adopting the federal chemical spill reporting system.

2. Request the review of Connecticut's environmental law enforcement program by the General Assembly's Program Review and Investigations Committee, evaluating the use of DEP and the Attorney General's Office personnel for enforcement activities and the impact of this personnel use on the environmental permitting program.
3. Reactivate the Environmental Fees Task Force to review the administration of DEP's permit fee program and evaluate the effect of permit fees of Connecticut manufacturers, particularly small business.

HB 5708

An Act Concerning the Treatment of  
Manufacturing Under Certain State Taxes

This bill proposes revisions to the State's Property Tax Assessment, Corporation Business Tax and the Sales and Use Tax that provide tax relief to Connecticut manufacturers. CAMF supports the passage of HB 5708 and offers the following recommendations.

RECOMMENDATIONS:

1. Insert the word "finishing" after "processing" in lines 43, 52, 145, 154, 179, and 193.

2. Sec. 6(74)(b)(line 226). Include a definition of finishing.  
RE: The finishing processes are integral and necessary steps in the manufacturing of a product and therefore should be clearly defined in the statute.
3. Insert the phrase "or for the management of wastes generated by the manufacturing, processing, finishing or assembling processes." after "basis" at lines 58 and 160.
4. Sec. 6(74)(a)(line 189). After subparagraph (2), add "or (D) the machinery or equipment is used for the management of wastes generated by the manufacturing, processing, finishing or assembling processes."  
RE: The management of wastes created during the manufacturer of a product should be given equivalent considerations as the manufacturing process itself.
5. Improve the Corporation Tax credit for expenditures for air pollution abatement facilities and industrial waste treatment facilities by including the following revisions to Sec. 12-217c and 12-217d.

TAXATION

Sec. 12-217c. Tax credit for expenditures for air pollution abatement facilities. There shall be allowed as a credit against the tax imposed by this chapter in any income year an amount equal to TWENTY FIVE [five] per cent of the amount of expenditures paid or

incurred during such income year for the construction, rebuilding, acquisition or expansion of air pollution abatement facilities, including the planning thereof, [approved as such by the commissioner of environmental protection,] provided such construction, rebuilding, acquisition or expansion was commenced after January 1, 1967, and provided, if the amount of credit provided for herein exceeds the amount of precredit tax, any balance of the credit remaining may be taken in any of nine successive income years. Any taxpayer allowed the credit provided for herein under this chapter shall not be allowed such credit under any chapters 209, 210, 211, 212 and 213.

Sec. 12-217d. Tax credit for expenditures for industrial waste MANAGEMENT [treatment] facilities. There shall be allowed as a credit against the tax imposed by this chapter to any income year and amount equal to TWENTY-FIVE [five] per cent of the amount of expenditures paid or incurred during such income year for the construction, rebuilding, acquisition or expansion of facilities for the MANAGEMENT [treatment] of industrial waste, including the planning thereof [approved as such by the commissioner of environmental protection,] provided such construction, rebuilding, acquisition or expansion was commenced after January 1, 1967, and provided, if the amount of credit provided for herein exceeds the amount of precredit tax, any balance of the credit remaining may be taken in any of four successive income years. Any taxpayer allowed

the credit provided for herein shall not be allowed such credit under chapter 209, 210, 211, 212 or 213.

6. Expedite the utilization of the Sales Tax exemption for the sale of personal property for incorporation into or used in waste treatment and air pollution control facilities by including the following revisions to Sec. 12-412.

(21) Personal property for incorporation into or used in waste management facilities. Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into or used and consumed in the operation of facilities for the management of industrial waste before the discharge thereof into any waters of the state or into any sewerage system emptying into such waters, the primary purpose of which is the reduction, control or elimination of pollution of such waters [certified as approved for such purpose by the commissioner of environmental protection.] For the purposes of this subdivision "industrial waste" means any harmful thermal effect or any liquid, gaseous or solid substance or combination thereof resulting from any process of industry, manufacture, trade or business or from the development or recovery of any natural resource.

(22) Personal property incorporated into or consumed in air pollution control facilities. Sales of and the storage, use or

other consumption of tangible personal property or supplies acquired for incorporation into or used and consumed in the operation of facilities, the primary purpose of which is the reduction, control or elimination of air pollution, [ certified as approved for such purpose by the commissioner of environmental protection. Said commissioner may certify to a portion of such tangible personal property or supplies acquired for incorporation into such facilities to the extent that such portion shall have as its primary purpose the reduction, control or elimination of air pollution.]

7. Expand the Sales Tax exemption for activities related to environmental management by including provisions that revise sec. 12-412 to include "sales of environmental planning, management and engineering services related to the reduction, elimination or mitigation of environmental pollution."

Thank you, Committe Members for your interest in imporving the business climate for Connecticut manufacturers.

TESTIMONY OF  
JOSEPH F. BRENNAN  
CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION  
BEFORE THE  
COMMERCE AND EXPORTATION COMMITTEE  
LEGISLATIVE OFFICE BUILDING  
HARTFORD, CT  
MARCH 12, 1992

Good afternoon. My name is Joseph Brennan. I am vice president of legislative affairs for the Connecticut Business and Industry Association (CBIA). CBIA represents approximately 7,000 companies which employ about 700,000 men and women in Connecticut. Our membership ranges from large industrial corporations to small businesses with one or two employees.

I am here this afternoon to support several bills before this committee.

Virtually everyone agrees that something must be done to stimulate investment and economic expansion in Connecticut. The question before this committee is how best to do it. It is clear - both from CBIA membership surveys and comments from employers leaving the state - that the high cost of doing business puts Connecticut at a competitive disadvantage. Our surveys show that the number one reason why so many people are considering relocating outside the state is high tax costs.

Of the bills you have before you today, HB-5708 most dramatically addresses the concerns of manufacturers. We believe that it is not only important but essential that we stop the flow of manufacturers and manufacturing jobs out of the state. To do this, we must confront the high personal property tax burden on our

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manufacturers. This is a tax that competitors in most industrialized states do not pay, and it is the largest tax payment for most of our companies.

**HB-5708**, as well as **HB-5222**, begins to phase out the personal property tax on production machinery. The state must make the necessary sacrifices on the spending side of the budget in order to pay for the phase out, but it can and should be done.

**HB-5708** also takes the important step of modernizing our definition of manufacturing for sales tax purposes. Too many times, manufacturers are forced to pay high sales tax assessments on expensive, sophisticated equipment that is essential to their production but does not meet the precise requirements of existing law and regulations. The definition contained in **HB-5708** will help to spur expansion within Connecticut and provide the boost to our business climate that is sorely needed.

The substantial tax credits for capital investment, research and development, and job training contained in **HB-5708** are also important tools in not only encouraging investments in equipment and human capital, but also in sending a message that Connecticut is serious about being an attractive state for business location.

**CBIA strongly supports HB-5708.**

We also support the idea of flexible manufacturing networks - **HB-5683**. Many different ideas to enhance manufacturing in the state are underway or being proposed. The flexible networks would be a good way of spreading information about some of the positive things that are being done for manufacturers, and we support this bill.