

PA 11-078

SB1216

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**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**FINANCE  
REVENUE  
AND BONDING  
PART 4  
884 – 1200**

**2011**

challenge. This ain't broke and you do not need to fix it. I urge you to check about this bill with the Governor's Office and OPM as well.

As to the second suspect bill, HB 6623, something is broke. But that's not really why the proposed fix is in front of you. As to the data issue, DRS is fully prepared in the course of revising our tax forms to include a more specific required identifier for municipal residence. But the real issue here is not taxpayer data. It's influencing the data factors that drive state ECS spending.

It is true that the currency of population and income data for ECS is a problem because the federal government no longer provides reliable interim census updates. Therefore, the best answer is a reliable state-based, interim sampling for population, income and other factors that may be needed or useful.

HB 6623, however, will only substitute one skewed result for another. State personal income tax filer data is not a full or fair measure of wealth for determining per capita or median family income. The number of non-filers and business filers allocated as personal filers stacks the deck. Then, mixing new but inaccurate income data under this bill with old and unadjusted population data only makes matters worse.

Yes, there is a problem but there is also better way to go about fixing it. Governor Malloy has announced that, working with the Legislature and others, the entire ECS formula will be reviewed before next session. That's the best way and the right context to come up with a solution to this problem that is really a policy issue disguised as a data issue.

Finally, HB 6624, HB 6626 and probably some bills in the Commerce Committee would address issues of e-commerce taxability. This is a real, significant and complex issue. Real because the current un-level playing field is unfair to most in state competitors that have to add sales and use taxes to either their cost of doing business or consumer pricing. Significant because out-of-state and off-shore e-commerce is a huge and growing business sector. It thrives, in part because it operates in a netherworld of taxability and tax collectability. That's why companies like Amazon are engaged in a litigation death match all across this country.

That said, this is also a very complex issue and why even states that have passed similar legislation do not yet see any real economic or revenue benefit. Reliably, fairly and enforceably taxing the cloud-world of e-commerce state by state is far easier said than done. All the more so given problematic "nexus" that determines constitutionality under the federal Commerce Clause. There is a growing consensus that Amazon cannot successfully make a constitutional case to evade state taxation. But the problem is when will we know that from the courts?

So, while DRS supports what you want to do, let me offer an alternative and our assistance in making it a meaningful alternative. I am grateful to Representative Elyssa Wright who reached out to DRS early on about all of this. I have shared with her a roadmap for interim action by the Finance Committee that would position Connecticut successfully to pass comprehensive legislation next session, successfully defend it if challenged and actually make revenue gains and economic gains based on tax fairness and competitive fairness. With Representative Wright's permission, I will be glad to share that plan of action with the Committee leadership if it would be helpful.

Thank you for your time and attention. We will be happy answer any questions and comment further now or as you may request in writing.

Testimony before the  
CT General Assembly Finance Committee  
on  
Senate Bill - 1216  
by  
Ryan Brennan  
March 28, 2011

Chairwoman Daily, Chairwoman Widlitz, Ranking members Roraback and Williams and other members of the Finance Committee thank you for the opportunity to comment through submitted testimony. I provide comments IN SUPPORT of SB 1216.

**Advantage Capital Partners background**

Advantage Capital Partners is a group of venture capital and finance partnerships that has raised more than \$1.3 billion in capital. Founded in 1992, the firm has grown to include offices in Avon, Connecticut, Missouri, Louisiana, New York, Texas, California, Illinois, Florida, Mississippi and Washington, D.C., with affiliated offices in Alabama, Colorado and Wisconsin.

In November, 2010, Advantage Capital raised a \$72 million fund for investment in Connecticut small businesses through the updated and revised Insurance Reinvestment Fund program included in the 2010 jobs bill. This fund has been fully raised and already invested in five Connecticut businesses chosen from more than 50 applicant companies requesting \$39 million in the first four months. It is clear to us that there is tremendous demand for small business and risk capital in Connecticut.

From the start, Advantage Capital has raised private funds to invest in states and communities that are underserved by traditional sources of risk capital. The firm has built a strong and successful track record of public-private partnerships with state and federal economic development organizations, facilitating the flow of billions of dollars of investment capital into these communities.

We believe SB 1216 has the potential to unlock hundreds of millions of dollars for small businesses in Connecticut through the Federal New Markets Tax Credit

**The Federal New Markets Tax Credit Program**

On the last day of its 2000 session, Congress created the New Markets Tax Credit program, part of the Community Renewal Tax Relief Act of 2000, to encourage investment in low-income communities. The program was originally designed to generate \$15 billion in new private sector investments in low-income communities. It has since been expanded five times and projected to generate \$29.5 billion of investment.

Qualified Community Development Entities (CDE) will apply to the US Department of Treasury for an award of new markets tax credits. The CDE will then seek taxpayers to make Qualifying Equity

Investments in the CDE. The CDE will in turn be required to invest this capital in qualifying businesses in low income communities. The taxpayer will be eligible to claim a tax credit equal to 5 percent of its equity investment in the CDE for each of the first three years and a 6 percent credit for each of the next four years (39 percent total).

The program is designed to allow a CDE to use its market knowledge and expertise to decide what business to invest in or lend to with the funds it raises with the new markets tax credit. Most businesses located in low-income communities could qualify for loans or equity. Typical firms could include: small technology firms, inner-city shopping centers, manufacturers, retail stores or micro-entrepreneurs. Residential rental property does not qualify as a qualified active low-income business. As of 2011, there are hundreds of program participants with uninvested federally subsidized investment capital at their disposal. These participants are regulated and overseen by the Department of Treasury and are potential new investors in Connecticut businesses with the right incentives in place.

#### **State tax credits as a tool to attract NMTC investments**

Most states have recognized the value of these federal dollars invested in their businesses and several have taken a proactive stance to recruit NMTC investors. Eleven states have enacted state level tax credits for qualifying investments to be taken alongside of federal credits. These "add-on" tax credits have effectively gotten the attention of the national NMTC investors and these states have quickly exceeded their pro-rata share and gotten more investment than their neighbor states.

Connecticut is represented poorly in the Federal New Markets program with only ONE of 562 allocations coming to the state and a small percentage of the national total investment. Given the many small businesses seeking capital and the competitive advantages of the state in industry, quality of education offered and proximity to major markets, the state is well positioned to attract professional investment capital quickly.

#### **The Urban Reinvestment Act as the tool to attract NMTC investors**

SB1216 is a simple change to the existing successful economic development program known as the Connecticut Urban Reinvestment Act. This state program provides incentives for projects or funds that are proposing an investment that is consistent with the state's development strategy and would generate sufficient economic activity to offset the cost of the credits. This current statute contemplates attracting NMTC investors and defines CDEs for purposes of the state legislation. The current URA does, however, need these several changes to bring the state oversight in line with the federal rules and oversight and allow NMTC investors to place their federal credit investments in Connecticut.

Specifically, SB 1216 defines a new category of investor in the URA program, the "contractually-bound community development entity". By providing this definition, the statute and program would now allow a federally approved and regulated NMTC investment firm to create a Connecticut NMTC investment firm that would be bound by its approved contract with the Department of Treasury instead of a separate and often conflicting process with the State of Connecticut. These changes would put the

task of oversight and potential recapture of credits to queue off of the Federal oversight rather than an annual revenue impact assessment administered by the State.

In each case where a NMTC investor would make a URA qualifying credit, the project must still be analyzed by DECD and approved by the Commissioner on both an objective and subjective basis before it could proceed. After investment however, a majority of the oversight and review for recapture would be done by the US Department of Treasury as it is for all NMTC investments across the country.

**Support SB 1216**

As one of more than 400 participants in the Federal New Markets Tax Credit program, we are supportive of using the Connecticut URA incentive as a tool to attract more NMTC investment. The program includes the most qualified and experienced economic development investors in the country and this resource for in-state small businesses would be well timed and strategically important.

**H – 1118**

**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2011**

**VOL.54  
PART 27  
8965 – 9294**

Senate Bill Number 912 as amended by House "A".

Total number voting	141
Necessary for passage	71
Those voting Yea	136
Those voting Nay	5
Those absent and not voting	10

SPEAKER DONOVAN:

Bill as amended is passed. At this point I'd like to call Representative Sharkey, the majority leader.

REP. SHARKEY (88th):

Good evening, Mr. Speaker. Or good morning.

SPEAKER DONOVAN:

Good morning, sir. Good evening.

REP. SHARKEY (88th):

Mr. Speaker, I would like to move the following items to the consent calendar. They are Calendar --

SPEAKER DONOVAN:

Please proceed, sir.

REP. SHARKEY (88th):

Thank you. They are Calendars 526, Calendar 607, Calendar --

Let's start again. Calendar 526 which is Senate Bill 377; calendar 607 which is Senate Bill 1216; Calendar 494

THE CLERK:

What page is it on?

SPEAKER DONOVAN:

Clerk, please call Calendar 592 which is the  
beginning of the Consent Calendar.

SB 863 SB 1201  
SB 852 SB 888  
SB 377 SB 1216  
SB 1003 SB 371

THE CLERK:

On page 32, Calendar 592, Substitute for Senate Bill  
Number 858, AN ACT CONCERNING REVISIONS TO THE HIGHER  
EDUCATION STATUTES.

SB 1112  
SB 881 SB 1076  
SB 518 SB 1098

A VOICE:

Mr. Speaker, this represents the Consent Calendar,  
and I would move that we vote on it as such.

SPEAKER DONOVAN:

There's a Consent Calendar. Staff and guests,  
please come to the well of the House. Members take their  
seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by roll call.  
Members to the Chamber. The House is voting the Consent  
Calendar by roll call. Members to the Chamber.

SPEAKER DONOVAN:

Have all the members voted? Have all the members  
voted? Please check the roll call board. Make sure your  
vote's been properly cast. If all the members have voted,

the machine will be locked. The clerk will please take a tally. Clerk please announce the tally.

THE CLERK:

On today's Consent Calendar:

Total number voting 139

Necessary for passage 70

Those voting Yea 139

Those voting Nay 0

Those absent and not voting 12

SPEAKER DONOVAN:

The Consent Calendar's passed.

Any announcements or introductions?

Representative Piscopo.

REP. PISCOPO (78th):

Good morning, Mr. Speaker. For a general rotation.

SPEAKER DONOVAN:

Please proceed, sir.

REP. PISCOPO (78th):

Will the general please notes that Representatives Kokoruda and Noujaim missed votes ue to you illness in the family. Representative Rigby missed votes due to business in the district. Will the transcript please note that Representatives Candelora, Wood and Williams

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**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

**PROCEEDINGS  
2011**

**VOL. 54  
PART 15  
4617 - 4950**

pab/cd/gbr  
SENATE

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June 2, 2011

voted? Have all members voted? The machine will be locked and the clerk will announce the tally.

THE CLERK:

The motion is on passage of Senate Bill 1206, as amended by Senate Amendment Schedule "A."

Total number voting	36
Those voting Yea	22
Those voting Nay	14
Those absent not voting	0

THE CHAIR:

The bills passes.

Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President.

Mr. President, if we might move to -- Mr. President have one -- have an item to place on the -- the Consent Calendar at this time, to add to the previously designated items. Mr. President that is Calendar page 10, Calendar 439, Senate Bill 1216. Mr. President would place that item on the Consent Calendar at this time.

THE CHAIR:

So ordered.

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SENATE

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Thank you, Madam President.

THE CHAIR:

And at this time, I'd ask if there's --  
seeing no objection, the bill will be put on  
Consent.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. Good evening,  
again, Madam President.

THE CHAIR:

Good evening, sir.

SENATOR LOONEY:

Madam President would like to have the Clerk  
call the items on the Consent Calendar, so that  
we might move to a vote on that Consent Calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

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

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

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Madam President, the items placed on the First Consent Calendar begin on Calendar page 1, Calendar 571, House Joint Resolution Number 122; Calendar 593, Senate Joint Resolution Number 52; Calendar page 3, Calendar Number 130, substitute for Senate Bill 999; Calendar page 5, Calendar Number 221, substitute for Senate Bill 858; Calendar 222, substitute for Senate Bill 973; Calendar page 7, Calendar Number 270, substitute for Senate Bill 212; Calendar 299, substitute for Senate Bill 139; Calendar 304, substitute for Senate Bill 860; Calendar page 10, Calendar Number 439, substitute for Senate Bill 1216; Calendar page 11, Calendar 456, substitute for Senate Bill 927; Calendar page 29, Calendar Number 41, substitute for Senate Bill 98; Calendar page 31, Calendar Number 114, substitute for Senate Bill 881; Calendar page 32, Calendar 140, substitute for Senate Bill 863; Calendar page 34, Calendar Number 201, substitute for Senate Bill 1038; Calendar page 35, Calendar 215, Senate Bill 227; Calendar 236, Senate Bill 371; Calendar page 37, Calendar Number 271, substitute for Senate Bill 1111, Calendar page 38, Calendar

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293, substitute for Senate Bill 1103; Calendar page 39, Calendar 303, substitute for Senate Bill 764; Calendar page 40, Calendar 342, Senate Bill 843; Calendar page 41, Calendar 362, substitute for Senate Bill 1217; Calendar 368, substitute for Senate Bill 882; Calendar 369, substitute for Senate Bill 939; Calendar page 43, Calendar 382, substitute for Senate Bill 1224; Calendar page 44, Calendar 398, substitute for Senate Bill 1044; Calendar page 45, Calendar 410, House Bill 5021; Calendar page 46, Calendar 434, substitute for Senate Bill 1219.

Madam President, that completes the items placed on the First Consent Calendar.

THE CHAIR:

We'll wait a moment. Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, there is one item that we will need to remove from the Consent Calendar, because it needs to be amended and be reconsidered and then amended, and that is Calendar page 5, Calendar 222, Senate Bill 973. If that item might be removed from the Consent

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Calendar and called after the Consent Calendar,  
so it can be corrected?

THE CHAIR:

The bill is removed from the Consent  
Calendar. At this time, Mr. Clerk, will you re-  
announce the roll call vote and the machine will  
be open?

THE CLERK:

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

THE CHAIR:

All members voted? All members have noted.  
The machine will be closed. Mr. Clerk, will you  
call the tally?

THE CLERK:

Motions on adoption and Consent Calendar

Number 1:

Total number voting	36
Those voting Yea	36
Those voting Nay	0

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SENATE

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Those absent, not voting 0

THE CHAIR:

The Consent Calendar passed. Mr. Clerk, do you want to recall that bill? Senator Looney.

SENATOR LOONEY:

Yes. Thank you, Madam President.

Madam President, if that item might -- might be passed temporarily, I believe the amendment that would be a strike-all that we needed is not -- not here yet. So we will pass that item.

SB913

Madam President would yield the floor for Members for purposes of announcements or points of personal privilege.

THE CHAIR:

Are there any announcements or points of personal privilege? Any point of personal privilege or announcements? Seeing none.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, it's our intention to convene tomorrow at 11:00. Also, advise Members that you should make the weekend, especially Saturday, available for possible session, as