

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 25-165—sHB 7166

Commerce Committee

Finance, Revenue and Bonding Committee

**AN ACT CONCERNING THE DEPARTMENT OF ECONOMIC AND
COMMUNITY DEVELOPMENT'S RECOMMENDATIONS FOR
REVISIONS TO CERTAIN COMMERCE AND TAX CREDIT STATUTES**

SUMMARY: This act makes the following changes in tax credit- and economic development-related laws:

1. allows a single member limited liability company (LLC) that meets specified employment and industry criteria to earn research and development (R&D) and research and experimental expenditures (R&E) tax credits, and allows the LLC's corporate owner to claim the credits the LLC earned (§§ 1 & 2);
2. makes several changes to the state's film tax credit programs, including exempting production companies that produce an interactive website from specified eligibility criteria, and repealing the digital animation tax credit (§§ 3-4 & 10-13);
3. authorizes the Department of Economic and Community Development (DECD) to set up and administer a program to sell Connecticut brand merchandise and advertising space for Connecticut businesses, and directs the program's proceeds to the Tourism Fund (§ 5);
4. modifies the eligibility criteria and parameters for DECD's grant program for employing people with intellectual disability (§ 6);
5. exempts tax credit programs administered by DECD or Connecticut Innovations, Inc. (CI) from nonrelocation agreement requirements (§ 7);
6. expands the purposes for which DECD can convey state-owned property under its control to include property to be used primarily for cultural or historical attractions or sites (§ 8); and
7. allows the state, within available appropriations, to provide financial assistance, lend staff, and make in-kind contributions to nonprofits for specified purposes (§ 9).

EFFECTIVE DATE: July 1, 2025, unless otherwise noted below.

§§ 1 & 2 — R&D AND R&E TAX CREDITS FOR QUALIFYING LLC

The act allows a single member LLC that meets specified employment and industry criteria to earn R&D and R&E credits. To qualify for the tax credits, the LLC must (1) have over 3,000 employees in Connecticut and (2) be engaged in manufacturing, with expertise in mechatronics, alignment and sensor technology, and optical fabrication. If the LLC is disregarded as an entity separate from its owner for federal income tax purposes, the LLC's employee count includes its

employees and those of its owner.

By law, R&D and R&E tax credits apply only against the corporation business tax (for which an LLC is not liable). Under the act, if the taxpayer earning the credit is a single member LLC that is disregarded as an entity separate from its owner, its owner may claim the credit if it is subject to the state corporation business tax. In doing so, the act allows a corporation that is the sole owner of an LLC that meets the criteria described above and earns R&D and R&E tax credits to claim those credits against its tax liability. (PA 25-168, §§ 58 & 59, contains identical provisions.)

EFFECTIVE DATE: Upon passage, and applicable to income and tax years beginning on or after January 1, 2025.

§§ 3 & 4 — FILM AND DIGITAL MEDIA PRODUCTION AND FILM INFRASTRUCTURE TAX CREDITS

Eligibility Criteria for Interactive Websites

To qualify for the film and digital media production tax credit under existing law, eligible production companies must (1) conduct at least 50% of their principal photography days in Connecticut or (2) incur at least 50% or at least \$1 million of their post-production costs in the state. The act exempts eligible production companies that produce an interactive website for public distribution or exhibition from these requirements.

Under existing law and the act, an “interactive website” is a website with production expenses or costs that (1) exceed \$500,000 per income year and (2) are primarily (a) interactive games or end user applications or (b) animation, simulation, sound, graphics, story lines, or video created or repurposed for distribution over the internet. It excludes websites used primarily for institutional, private, industrial, retail or wholesale marketing, or promotional purposes, or containing obscene content.

Administrative Changes

The act:

1. requires all eligible production companies to apply to DECD for a film and digital media production credit voucher within 90 days after completing an independent certification of their production costs, rather than within 90 days after incurring their last production expense;
2. specifies that the administrative fee DECD charges to cover the department’s costs to analyze film and digital media and film infrastructure tax credit applications is nonrefundable; and
3. allows, rather than requires as under prior law, DECD to adopt regulations to administer these film tax credit programs.

EFFECTIVE DATE: July 1, 2025, and the film and digital media tax credit provisions apply to applications open or filed on or after that date.

§§ 3 & 10-13 — REPEAL OF DIGITAL ANIMATION TAX CREDIT

The act eliminates the digital animation tax credit, which under prior law, was available for eligible companies with in-state studio facilities and 200 or more in-state employees that incurred eligible production expenses and costs in Connecticut. The credit had the same three tiers as the film and digital media production tax credit (10% to 30%, based on eligible expenditures) and could be applied against the corporation business and insurance premiums tax. Total annual credits were capped at \$15 million, but no credits have been issued under this program since 2016. The act also makes conforming changes. (PA 25-168, §§ 63-66 & 68, contains the same provisions.)

EFFECTIVE DATE: Upon passage, except a conforming change to the film and digital media production tax credit statutes is effective July 1, 2025, and applicable to applications open or filed on or after that date.

§ 6 — WORKFORCE INCENTIVE GRANT PROGRAM

Eligibility Criteria

Prior law required the DECD commissioner, within available appropriations, to set up a grant program for nonprofit organizations employing a workforce of at least 10% people with intellectual disability. The act specifies that this program is a workforce incentive, rather than development, program. It expands eligibility for the grants to all employers, rather than just nonprofits, and requires employers to meet the following eligibility criteria to qualify:

1. have a workforce, at the time of application, composed of at least 5% people with intellectual disability that have been employed for at least six months in the prior calendar year and are paid at least minimum wage and
2. provide them with competitive integrative employment, as specified under federal regulations (i.e. generally at comparable pay and benefits as provided to people without disabilities).

The act also modifies the purposes for which the grants may be awarded to include programmatic costs, rather than start-up costs. The grants may also be awarded for infrastructure and expansion costs, as allowed under existing law.

Grant Amounts

By law, the maximum grant amounts DECD may award under the program are capped at \$25,000 and \$75,000, depending on the percentage of the workforce comprised of people with intellectual disability. The act lowers these percentages, as shown in the table below. In doing so, it also caps at 30% the percentage of an employer's workforce that may be comprised of people with intellectual disability to qualify for the grants.

Maximum Grant Amounts

Maximum Grant Amount	<i>Workforce % Comprised of People With Intellectual Disability</i>	
	<i>Prior Law</i>	<i>Act</i>
\$25,000	10% to 30%	5% to 20%
75,000	Greater than 30%	21% to 30%

§ 7 — DECD NONRELOCATION AGREEMENTS

The act exempts DECD- and CI-administered tax credit programs from the types of financial assistance subject to nonrelocation agreement requirements.

The law generally requires DECD and CI to require nonrelocation agreements as a condition of any financial assistance they provide. As part of these agreements, businesses must agree (1) not to relocate from Connecticut for 10 years after receiving the assistance, or during the term of a state loan or loan guarantee, whichever is longer and (2) that if they relocate within Connecticut during this same period, they must offer their current employees jobs at the new location if available. If they relocate outside of Connecticut before the period expires, they have to repay the entire amount of the assistance plus 5%.

§ 8 — CONVEYANCES OF CERTAIN STATE-OWNED PROPERTY UNDER DECD CONTROL

Existing law authorizes the DECD commissioner to convey (sell, exchange, lease, or enter into agreements on) state property under the agency's control if it will be used primarily for manufacturing or economic base businesses or business support services. The act additionally allows him to convey this property if it will be used primarily for cultural or historical attractions or sites. As under existing law, (1) these conveyances are subject to approval from the administrative services commissioner, Office of Policy and Management secretary, and State Properties Review Board and (2) the DECD commissioner must consult with the municipality where property is located before he disposes of it.

§ 9 — STATE ASSISTANCE TO NONPROFITS FOR SPECIFIED PURPOSES

The act allows the state, within available appropriations, to provide financial assistance, lend staff, and make in-kind contributions to any nonprofit in Connecticut for the following purposes:

1. providing technical assistance and business expertise to new companies located, or planning to locate, in Connecticut and
2. promoting economic growth and business expansion here by collecting, organizing, and disseminating information, expertise, and other resources for individuals and groups to use.