



Substitute House Bill No. 5300

Public Act No. 24-33

AN ACT CONCERNING THE INVEST CT FUND PROGRAM.

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

Section 1. Subsection (c) of section 38a-88a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2024*):

(c) (1) As used in this subsection:

(A) "Allocation date" means the date an invest CT fund receives an investment of eligible capital equaling the amount of credits against the tax imposed under chapter 207 and section 38a-743 allocated to taxpayers who invest in such invest CT fund;

(B) "Cybersecurity business" means an eligible business primarily engaged in providing information technology products, goods or services intended to detect, prevent or respond to activity intended to result in unauthorized access to, exfiltration of, manipulation of, or impairment to the integrity, confidentiality or availability of an information technology system or information stored on, or transiting, an information technology system;

(C) "Eligible business" means a business that has its principal business operations in Connecticut, has fewer than two hundred fifty

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employees at the time of investment and not more than ten million dollars in net income in the previous year;

(D) "Eligible capital" means an investment of cash by a taxpayer in an invest CT fund that fully funds the purchase price of an equity interest in the invest CT fund or an eligible debt instrument issued by an invest CT fund, at par value or a premium, that (i) has an original maturity date of at least five years after the date of issuance, (ii) has a repayment schedule that is not faster than a level principal amortization over five years, and (iii) has no interest, distribution or payment features tied to the invest CT fund's profitability or the success of the investments;

(E) "Green technology business" means an eligible business with not less than twenty-five per cent of its employment positions being positions in which green technology is employed or developed and may include the occupation codes identified as green jobs by the Department of Economic and Community Development and the Labor Department for such purposes;

(F) "Income year" means the income year as determined in chapter 207 for the taxpayer;

(G) "Invest CT fund" means a Connecticut partnership, corporation, trust or limited liability company, whether organized on a profit or not-for-profit basis, that (i) is managed by at least two principals or persons that have at least four years of experience each in managing venture capital or private equity funds, with at least fifty million dollars of such funds from people unaffiliated with the manager, (ii) has received an equity investment of capital other than eligible capital equal to no less than five per cent of the total amount of the eligible capital to be invested in such invest CT fund on or before June 30, 2015, and equal to not less than ten per cent of the total amount of eligible capital to be invested in such invest CT fund on or after September 1, 2015, and (iii) is not, or will not be after the receipt of eligible capital, controlled by or under

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common control with, one or more insurance companies. An investment of eligible capital shall not result in insurance company control unless such investment exceeds forty million dollars per taxpayer and results in insurance companies having the right to vote more than fifty per cent of the equity interests of the invest CT fund cash invested in such invest CT fund, provided this provision shall not prohibit the interim control of an invest CT fund by one or more insurance companies upon a breach of any payment obligation of the invest CT fund or contractual or other agreement by the invest CT fund that is designed to ensure compliance with this section; and

(H) "Principal business operations" means at least eighty per cent of the business organization's employees reside in the state or eighty per cent of the business payroll is paid to individuals living in this state.

(2) A taxpayer that makes an investment of eligible capital shall, in the year of investment, earn a vested credit against the premium tax imposed pursuant to chapter 207 and section 38a-743. Such credit shall be available as follows: (A) With respect to investments of eligible capital made on or before June 30, 2015, (i) commencing with the tax return due for the first to third, inclusive, tax years, zero per cent; (ii) commencing with the tax return due for the fourth to seventh, inclusive, tax years, not more than ten per cent; and (iii) commencing with the tax return due for the eighth to tenth, inclusive, tax years, not more than twenty per cent; and (B) with respect to investments of eligible capital made on or after September 1, 2015, (i) commencing with the tax return due for the first to fifth, inclusive, tax years, zero per cent; and (ii) commencing with the tax return due for the sixth to tenth, inclusive, tax years, not more than twenty per cent. The maximum amount of eligible capital for which credits may be allowed under this subsection shall not result in more than forty million dollars of tax credits being used in any one year exclusive of any carried forward credits and no fund shall apply for more than the total amount of credits available under this

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section.

(3) (A) On or before July 1, 2010, the Commissioner of Economic and Community Development shall begin to accept applications for certification as an invest CT fund and for allocations of tax credits under this subsection with allocation dates of June 30, 2015, or earlier. On and after September 1, 2015, the commissioner shall accept applications for certification as an invest CT fund and for allocations of tax credits under this subsection with allocation dates of September 1, 2015, or later. Applications shall include: [(A)] (i) The amount of eligible capital the applicant will raise; [(B)] (ii) a nonrefundable application fee of seven thousand five hundred dollars; [(C)] (iii) evidence of satisfaction of the requirements of the definition of "invest CT fund" pursuant to subparagraph (G) of subdivision (1) of this subsection; [(D)] (iv) an affidavit by each taxpayer committing an investment of eligible capital; [(E)] (v) a business plan detailing [(i)] (I) the approximate percentage of eligible capital the applicant will invest in eligible businesses by the third, fifth, seventh and ninth anniversaries of its allocation date, [(ii)] (II) the industry segments listed by the North American Industrial Classification System code and percentage of eligible capital in which the applicant will invest, [(iii)] (III) the number of jobs that will be created or retained as a result of the applicant's investments once all eligible capital has been invested, [(iv)] (IV) the percentage of eligible capital to be invested in eligible businesses primarily engaged in conducting research and development or manufacturing, processing or assembling technology-based products, and [(v)] (V) a revenue impact assessment demonstrating that the applicant's business plan has a revenue neutral or positive impact on the state; [(F)] (vi) a commitment to invest at least twenty-five per cent of its eligible capital in green technology businesses; [(G)] (vii) with respect to applications submitted on or before June 30, 2015, a commitment to invest, by the third anniversary of its allocation date, three per cent of its eligible capital in preseed investments, and with respect to applications submitted on or

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after September 1, 2015, a commitment to invest, by the fourth anniversary of the allocation date, seven per cent of its eligible capital in preseed investments, in consultation with Connecticut Innovations, Incorporated, pursuant to the corporation's program for preseed financing established pursuant to section 32-41x; and [(H)] (viii) with respect to applications submitted on or after September 1, 2015, a commitment to invest at least three per cent of its eligible capital in cybersecurity businesses and at least twenty-five per cent of its eligible capital in eligible businesses located in municipalities with a population greater than eighty thousand. The commissioner may require the applicant to obtain a revenue impact assessment conducted by an independent third party.

(B) (i) From October 1, 2024, to September 30, 2026, inclusive, an applicant may submit to the commissioner a request, in such form and manner prescribed by the commissioner, to consider as an eligible business a business that does not have its principal business operations in Connecticut. The commissioner may approve such a request if the commissioner determines that such an approval would significantly advance the objectives of the invest CT fund program, provided such applicant complies with all other requirements under subparagraph (A) of this subdivision.

(ii) Not later than January 1, 2026, the commissioner shall submit a report, in accordance with the provisions of section 11-4a, on any requests approved by the commissioner pursuant to subparagraph (B)(i) of this subdivision during the period of October 1, 2024, to September 30, 2025, inclusive, to the joint standing committee of the General Assembly having cognizance of matters relating to commerce. Not later than January 1, 2027, the commissioner shall submit a report, in accordance with the provisions of section 11-4a, on any requests approved by the commissioner pursuant to subparagraph (B)(i) of this subdivision during the period of October 1, 2025, to September 30, 2026,

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inclusive, to the joint standing committee of the General Assembly having cognizance of matters relating to commerce. Such reports shall include, but need not be limited to, a list of the applicants whose requests were approved by the commissioner and an analysis of the benefit to and impact on the state resulting from such approvals.

(4) Applications for tax credits pursuant to this subsection shall be accepted and approved on a first-come, first-served basis with all applications received on the same date deemed to be received simultaneously and approvals being made on a pro rata basis if such applications exceed the amount of remaining credits.

(5) The commissioner shall issue an allocation of credits subject to confirmation by the fund on a form prescribed by the commissioner that an investment of eligible capital was received within five business days. If an invest CT fund does not receive an investment of eligible capital equaling the amount of credits against the tax imposed under chapter 207 and section 38a-743 allocated to a taxpayer, for which it filed an affidavit with its application prior to the fifth business day after receipt of certification, the invest CT fund shall notify the commissioner by overnight common carrier delivery service and that portion of eligible capital allocated to the insurance company shall be forfeited. Such invest CT fund and forfeiting taxpayer shall each be assessed a twenty-five-thousand-dollar administrative penalty. The commissioner shall reallocate the forfeited eligible capital among all other remaining taxpayers that invested eligible capital.

(6) To continue to be certified, an invest CT fund shall (A) be in compliance with the investment parameters set forth in its business plan, provided an invest CT fund may apply to the commissioner to amend its business plan based on unavoidable or reasonably unanticipated changes to various conditions, including, but not limited to, the general economic climate of the state or particular sectors of the economy, technological advances and high employment and revenue

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growth opportunities, with approval for such changes not to be unreasonably withheld by the commissioner; (B) be in compliance with the revenue impact assessment provided in the application demonstrating that the fund's business plan continues to have a revenue neutral or positive impact on the state; (C) have invested one hundred per cent of its eligible capital in eligible businesses by the tenth anniversary of its allocation date, with a minimum of twenty-five per cent of eligible capital invested in green technology businesses; (D) for allocation dates of June 30, 2015, or earlier: (i) Have invested sixty per cent of its eligible capital in eligible businesses by the fourth anniversary of such allocation date, and (ii) have invested a minimum of three per cent of such eligible capital in preseed investments, as described in subparagraph (A) of subdivision (3) of this subsection, by the third anniversary of such allocation date; and (E) for allocation dates of September 1, 2015, or later: (i) Have invested sixty per cent of its eligible capital in eligible businesses by the sixth anniversary of such allocation date, (ii) have invested a minimum of seven per cent of its eligible capital in preseed investments, as described in subparagraph (A) of subdivision (3) of this subsection, by the fourth anniversary of such allocation date, (iii) have invested a minimum of three per cent of its eligible capital in cybersecurity businesses, and (iv) have invested a minimum of twenty-five per cent of its eligible capital in eligible businesses located in municipalities with a population greater than eighty thousand. An invest CT fund shall only invest eligible capital in eligible businesses, bank deposits, certificates of deposit or other fixed income securities and may not invest more than fifteen per cent of its eligible capital in any one eligible business without prior approval of the commissioner.

(7) Not later than January thirty-first annually, each invest CT fund shall report to the commissioner: (A) The amount of eligible capital remaining at the end of the preceding year; (B) each investment in an eligible business during the preceding year and, with respect to each eligible business, its location and North American Industrial

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Classification System code; (C) the percentage of eligible capital invested in green technology businesses, preseed investments, cybersecurity businesses and eligible businesses located in municipalities with a population greater than eighty thousand; and (D) distributions made by the invest CT fund in the preceding year. In the annual report due in the third, fifth, seventh and ninth years after its allocation date, each invest CT fund shall also report to the commissioner its compliance with the investment parameters set forth in its business plan and the revenue impact assessment provided in the application demonstrating that the fund's business plan continues to have a revenue neutral or positive impact on the state. Each invest CT fund shall provide to the commissioner annual audited financial statements.

(8) To make a distribution or payment, an invest CT fund certified by the commissioner on or before June 30, 2015, must have invested one hundred per cent of its eligible capital in eligible businesses, with a minimum of twenty-five per cent of eligible capital invested in green technology businesses and a minimum of three per cent of eligible capital invested in preseed investment, as described in subparagraph (A) of subdivision (3) of this subsection, with principal business operations in this state at the time of such determination except: (A) Distributions related to the payment of any projected increase in federal or state taxes, including penalties and interest related to state and federal income taxes, of the equity owners of the invest CT fund resulting from the earnings or other tax liability of the invest CT fund to the extent that the increase is related to the ownership, management or operation of the invest CT fund; (B) payments of interest and principal on the debt of the invest CT fund, provided after such payment, the invest CT fund still has cash and other marketable securities in an amount that, when added to the cumulative investments it has made in eligible recipients, equals not less than sixty per cent of the eligible capital invested in such reinvestment fund; or (C) payments related to

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the reasonable costs and expenses of forming, syndicating, managing and operating the fund, provided the distribution or payment is not made directly or indirectly to an insurance company that has invested eligible capital in the invest CT fund, including: (i) Reasonable and necessary fees paid for professional services, including legal and accounting services, related to the formation and operation of the invest CT fund; and (ii) an annual management fee in an amount that does not exceed two and one-half per cent of the eligible capital of the invest CT fund. The state shall receive a share of any distribution, except as set forth in subparagraphs (A), (B) and (C) of this subdivision and distributions made to return any equity capital invested in the invest CT fund that is not eligible capital, in the following percentages: (I) Ten per cent when less than eighty per cent but more than sixty per cent of the jobs set forth in the invest CT fund's business plan are created or retained, and (II) twenty per cent when sixty per cent or less of the jobs set forth in the invest CT fund's business plan are created or retained.

(9) To make a distribution or payment, an invest CT fund certified by the commissioner on or after September 1, 2015, must have invested one hundred per cent of its eligible capital in eligible businesses, with a minimum of twenty-five per cent of eligible capital invested in green technology businesses, a minimum of seven per cent of eligible capital invested in preseed investments, as described in subparagraph (A) of subdivision (3) of this subsection, a minimum of three per cent of eligible capital invested in cybersecurity businesses, and a minimum of twenty-five per cent of eligible capital invested in businesses located in municipalities with a population greater than eighty thousand, with principal business operations in this state at the time of such determination, except: (A) Distributions related to the payment of any projected increase in federal or state taxes, including penalties and interest related to state and federal income taxes, of the equity owners of the invest CT fund resulting from the earnings or other tax liability of the invest CT fund to the extent that the increase is related to the

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ownership, management or operation of the invest CT fund; (B) payments of interest and principal on the debt of the invest CT fund, provided after such payment, the invest CT fund still has cash and other marketable securities in an amount that, when added to the cumulative investments it has made in eligible recipients, equals not less than sixty per cent of the eligible capital invested in such reinvestment fund; or (C) payments related to the reasonable costs and expenses of forming, syndicating, managing and operating the fund, provided the distribution or payment is not made directly or indirectly to an insurance company that has invested eligible capital in the invest CT fund, including: (i) Reasonable and necessary fees paid for professional services, including legal and accounting services, related to the formation and operation of the invest CT fund; and (ii) an annual management fee in an amount that does not exceed two and one-half per cent of the eligible capital of the invest CT fund. The state shall receive a share of any distribution, except as set forth in subparagraphs (A), (B) and (C) of this subdivision and distributions made to return any equity capital invested in the invest CT fund that is not eligible capital, in the following percentages: (I) Ten per cent when less than eighty per cent but more than sixty per cent of the jobs set forth in the invest CT fund's business plan are created or retained, and (II) twenty per cent when sixty per cent or less of the jobs set forth in the invest CT fund's business plan are created or retained.

(10) The commissioner shall review each annual report to ensure compliance with subdivisions (6), (7), (8) and (9) of this subsection. A material variation from subdivision (6), (7), (8) or (9) of this subsection is grounds for decertification of the invest CT fund. If the commissioner determines that an invest CT fund is not in compliance with subdivision (6), (7), (8) or (9) of this subsection or the investment parameters of its business plan, the commissioner shall notify the officers of the invest CT fund, in writing, that the invest CT fund may be subject to decertification after the one hundred twentieth day after the date of

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mailing the notice, unless the deficiencies are waived by the commissioner or are corrected and the invest CT fund returns to compliance with subdivisions (6), (7), (8) and (9) of this subsection.

(11) Decertification of an invest CT fund shall cause the forfeiture of future credits against the tax imposed by chapter 207 and section 38a-743 to be claimed with respect to an invest CT fund when (A) such decertification occurs on or before the fourth anniversary of an allocation date of June 30, 2015, or earlier, or on or before the sixth anniversary of an allocation date of September 1, 2015, or later, and (B) such fund has invested less than sixty per cent of its eligible capital in eligible businesses by said anniversary. The commissioner shall send written notice to the last-known address of each taxpayer whose credit against the tax imposed by chapter 207 is subject to recapture or forfeiture.