

# **State of Connecticut**

**Department of Economic and Community  
Development**



## **Fund Manager Application for Insurance Reinvestment Act Program Pursuant to Updates Under Public Act 10-75, sec. 14**

Department of Economic and Community Development  
505 Hudson Street  
Hartford, Connecticut 06106  
860.270.8128  
[www.decd.org](http://www.decd.org)

## **Instructions**

1. Applications for certification as an Insurance Reinvestment Fund will be accepted beginning on or before July 1, 2010.
2. Submit an original and two (2) copies of the Application and all supporting materials and attachments, with a non-refundable application fee of \$7,500 (made payable to Connecticut Department of Economic and Community Development). The Application can be mailed/delivered to the attention of the Commissioner, Department of Economic and Community Development, 505 Hudson Street, Hartford, CT 06106. **Emailed and facsimile applications will not be accepted.**
3. Applications shall be accepted and approved on a first come, first serviced 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 application exceeds the amount of the remaining credits.
4. Applicants must include an affidavit for each taxpayer committing an investment of eligible capital with their application on the form attached hereto.
5. Please refer to the attached Public Act 10-75, sec. 14 for definitions related to certain terms such as eligible business, eligible capital, and etc. See Attachment 5
6. Clearly identify attachments by corresponding items on the Application.
7. Questions regarding submission of the application and certification compliance or requirements should be submitted by email to the attention of Michael Lettieri, Community Development Director, [Michael.Lettieri@ct.gov](mailto:Michael.Lettieri@ct.gov), (860)270-8128.

### **Attachments included in the Application:**

- Taxpayer Affidavit – Attachment 1
- Department of Labor Employment Authorization Form – Attachment 2
- Occupation Codes for Green Jobs – Attachment 3
- Questions and Answers related to the programs administration – Attachment 4
- Public Act 10-75, sec. 14 – Attachment 5
- Annual Report Requirements – Attachment 6

## Section One: Applicant/Fund Information

- . Applicant : \_\_\_\_\_  
Fund Name (if different): \_\_\_\_\_
  
- . CT Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_
  
- . Applicant Website: \_\_\_\_\_
  
- . Federal ID Number: \_\_\_\_\_ State Tax Registration Number: \_\_\_\_\_
  
- . Contact: \_\_\_\_\_ Title: \_\_\_\_\_  
Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell Phone: \_\_\_\_\_  
E-mail: \_\_\_\_\_

Existing Full-Time Employees: \_\_\_\_\_ Existing Part-Time Employees: \_\_\_\_\_

- . Applicant Structure (check all that apply):

- Publicly Held  Ticker Symbol \_\_\_\_\_ Exchange \_\_\_\_\_  Privately Held  Corporation
- Partnership  S-Corporation  Limited Liability Company
- Sole Proprietorship  For-Profit  Not-For-Profit
- Trust  Other: \_\_\_\_\_

Date Established/Acquired: \_\_\_\_\_ State of Incorp./Formation: \_\_\_\_\_

- . Amount of Eligible Capital to be Raised: \$ \_\_\_\_\_

- . Fund Ownership (attached additional sheets if necessary):

Name	Title	Address	% of Ownership	Soc. Sec. #/ Federal ID #

- Women Owned %: \_\_\_\_\_  Minority Owned %: \_\_\_\_\_

- . Tax/Legal/Regulatory Status (attach additional sheets if necessary):

	Type	Amount	Past Due	Payment terms	Status
Federal					
State					
Local					

**Applicant Bankruptcy** - Has the Applicant Ever Declared Bankruptcy

No  Yes  When: \_\_\_\_\_ Chapter: \_\_\_\_\_ (if "yes", please attach explanation)

**Owner Bankruptcy** - Have any stockholders/members/partners declared bankruptcy individually or as part of an organization?

No  Yes  (if "yes", please attach explanation)

**Litigation** - Are there outstanding, pending or anticipated claims or litigation against the Applicant?

No  Yes  (if "yes", please attach explanation)

**Environmental Compliance** – Does the Applicant have any outstanding orders or citations from either the Connecticut Department of Environmental Protection or federal Environmental Protection Agency?

No  Yes  (if "yes", please attach explanation, include name, address and phone # of contact)

**OSHA Compliance** – Does the Applicant have any outstanding orders from the federal Occupational Safety and Health Administration?

No  Yes  (if "yes", please attach explanation, include name, address and phone # of contact)

**Other** - Does the Applicant employ or contract with (1) any Connecticut elected public official or spouse of any Connecticut elected public official or (2) any Connecticut state employee or spouse of any Connecticut state employee who has supervisory or appointing authority over DECD.

No  Yes  (if "yes", please attach explanation)

**Section 2: Fund Manager/Principal Information**

1. Principal : \_\_\_\_\_  
CT Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_ Social Sec. #: \_\_\_\_\_

2. Principal: \_\_\_\_\_  
CT Address: \_\_\_\_\_  
City, State, Zip: \_\_\_\_\_  
Phone: \_\_\_\_\_ Social Sec. #: \_\_\_\_\_

(Attach Additional Sheets for Other Principals)

**Tax/Legal/Regulatory Status (attach additional sheets if necessary):**

	Type	Amount	Past Due	Payment terms	Status
Federal					
State					
Local					

**Fund Manager/Principal Bankruptcy** - Has the Fund Manager/Principal Ever Declared Bankruptcy

No  Yes  When: \_\_\_\_\_ Chapter: \_\_\_\_\_ (if "yes", please attach explanation)

**Litigation** - Are there outstanding, pending or anticipated claims or litigation against the Fund Manager/Principal?

No  Yes  (if "yes", please attach explanation)

## Section 3: Business Plan

As required under Public Act 10-75, sec. 14(c), each fund manager shall provide a business plan. The business plan is required to include, but is not limited to the following information:

- Please provide an organizational chart that includes the reporting structure of the fund manager's operations and a narrative of the functional structure of the organization which include roles, responsibilities and levels of decision making authority. Include a list of the organization's board of directors (or similar governing body).
- Please provide information including a resume for each Fund Manager/Principal that demonstrates their experience in managing a venture fund; performance of the fund; evidence on the size of the funds managed by the Fund Manager/Principal that were not related/affiliated to the Fund Manger/Principal (minimum experience requires management of at least \$50 million fund).
- Please include information on the fund's investment strategies, goals and objectives and include a copy of the fund's investment prospectus.
- Amount of eligible capital the Applicant will raise, including the approximate percentage of eligible capital the Applicant will invest in eligible businesses by the third, fifth, seventh and ninth anniversaries of its anticipated allocation date. Note: no more than 15% of eligible capital can be invested in any on eligible business without DECD's prior approval.
- Affidavit from each taxpayer committing an investment of eligible capital (as defined by P.A. 10-75, sec. 14(c)(1)(C). See Attachment 1
- 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
- Industry segments listed by North American Industrial Classification System Code (NAICS) and the percentage of eligible capital that will be invested in these industries. For information on NAICS codes see <http://www.census.gov/eos/www/naics/> .
- Provide information related to the Applicant's commitments to invest 25% in green technology businesses and 3% in pre-seed investments (in consultation with Connecticut Innovations). When referring to green technology, please consider the definition as outlined under Public Act 10-75, sec. 1, which means technology that (A) promotes clean energy, renewable energy or energy efficiency, (B) reduces greenhouse gases or carbon emissions, or (C) involves the invention, design and application of chemical products and processes to eliminate the use and generation of hazardous substances. The jobs related to green technology are considered when green technology is employed and may include the occupation codes identified as green jobs (refer to the occupational codes listed in Attachment 3). Applicants must clearly articulate how investments in green technology businesses will meet the aforementioned definition.
- The number of jobs that will be created or retained as a result of the Fund Manager investments once all eligible capital has been invested.
- Revenue Impact Assessment (RIA) – the RIA provided to DECD should contain all assumptions and input data used in the economic model for each year, including: the timeline/schedule for investment in each industry based on minimum two digit NAICS code; investment information (including type, terms, use of funds as it relates to Connecticut vendors exclusively; and disbursement schedule); and the anticipated schedule for which the tax credits will be claimed.
- Additional information that the Fund Manager/Principal believes DECD will need in approving their application.

## Section 4: Next Steps

Upon DECD's receipt of a completed Application, it is anticipated that following will occur:

- DECD review and approval of the Application and related documents within 30 days from date of a completed application.
- Upon approval of an Application, DECD will issue a Notice of Tax Credit Allocation, which will become effective forty-five (45) calendar days from the date of the Notice of Tax Credit Allocation

or sooner if the Fund Manager is able to provide evidence of receipt of Eligible Capital prior to the forty-fifth (45<sup>th</sup>) day. On the 46<sup>th</sup> day, or the nearest business day if the 46<sup>th</sup> day falls on a weekend or holiday, the Fund Manager will have five (5) business days to provide evidence of receipt of Eligible Capital to DECD. Such evidence shall include as bank statement(s), deposit slips, wire transfers and other information as may be needed by DECD. The date the Fund Manager receives its full investment of Eligible Capital will be known as the Allocation Date.

- Within this same timeframe or sooner, the Fund Manager must also provide evidence of investment of capital equal to at least 5% of total Eligible Capital from a source other than Eligible Capital, including information on the source of the other funds, the type of investment and evidence documenting the investment such as; bank statement(s), deposit slips, wire transfers, and other information as may be needed by DECD.
- Once DECD has provided written confirmation of receipt of Eligible Capital and investment of other capital (at least 5%) for a Fund Manager, a Fund Manager may, in advance of its investment in eligible business, submit information related to a proposed investment in order to receive DECD's confirmation that an investment would be considered an eligible business or green technology business or preseed as defined under the Public Act. The following information must be provided with each request for approval (note: this information will not have to be resubmitted as part of the Fund Manager's Annual Report to DECD.
  - Department of Labor Authorization (see attached)
  - W-2's for each employee (please block out social security numbers in any of the documentation provided)
  - A summary of total payroll (in-state vs. out of state payroll)
  - Annual accountant prepared financial statement and/or tax return for the most recent fiscal year end, which will be used to determine the company's net income level.

DECD will provide its response within 15 business days from receipt of all required documentation necessary to determine eligibility.

<b>Section 5: Certification &amp; Check List</b>
--

	Item	Yes	No	Comments
1.	Completed Application and Related Documents			
2.	Application Fee			
3.	Business Plan			
4.	Revenue Impact Assessment			
5.	Taxpayer Affidavits and Investment Documents			

**Certification by Applicant**

It is hereby represented by the undersigned that to the best of my knowledge and belief no information or data contained in the Application or in the attachments are in any way false or incorrect and that no material information has been omitted. The undersigned agrees that banks, credit agencies, the Connecticut Department of Labor, the Connecticut Department of Revenue Services, the Connecticut Department Environmental Protection, and other references are hereby authorized now, or anytime in the future, to give the Department of Economic and Community Development any and all information in connection with matters referred in this Application, including information concerning the payment of taxes by the applicant, its owners, and executives. In addition, the undersigned agrees that any tax credits that may be provided pursuant to this Application and Section 14 of Public Act 10-75, will be utilized exclusively for the purposes represented in this Application, as may be amended. False statements made in the preparation and submission of this applicant and related materials are punishable as a Class A Misdemeanor under Connecticut General Statutes 53a-157b, as may be amended.

Sign: \_\_\_\_\_ Title: \_\_\_\_\_ Date: \_\_\_\_\_



**Department of Economic and Community Development  
Insurance Reinvestment Program  
Public Act 10-75, sec. 14**

**Authorization For The Release Of Company Information**

**Attachment 2**

I, \_\_\_\_\_, agree that the Connecticut Department Labor may disclose information pertaining to \_\_\_\_\_(the Company), such as employer name, address, and number of employees, by facility location, to the Connecticut Department of Economic and Community Development (DECD). This authorization pertains to the following locations and their related Unemployment Insurance Number (UI #). Attach additional sheets, if necessary:

<u>Company Name</u>	<u>Location</u>	<u>UI #</u>
---------------------	-----------------	-------------

I further agree that DECD may, in turn, disclose such information to the Connecticut General Assembly and Auditors of Public Accounts as part of its reporting requirements pursuant to Connecticut General Statute 32-1m, as may be amended or modified. In addition, I understand that this information may be utilized for purposes of performing employment reviews and research related activities conducted by DECD.

I understand that this authorization may be revoked at any time, except to the extent that action has already been taken in reliance on it. However, I understand that revocation of this authorization may result in default under my financial assistance contract with DECD. This authorization will expire upon the Company's fulfillment of its contractual obligations with DECD and DECD's fulfillment of its reporting requirements pursuant to Connecticut General Statute 32-1m, as may be amended or modified.

_____ Name (Print or Type)	_____ Title
-------------------------------	----------------

_____ Signature	_____ Date
--------------------	---------------

**IRF Attachment 3: Green Occupations -- Listed by Occupational Group**

<b>SOC Code</b>	<b>Title</b>
<b>Management</b>	
11-1021	General and Operations Managers
11-3011	Administrative Services Managers
11-3051	Industrial Production Managers
11-9012	Farmers and Ranchers
11-9021	Construction Managers
11-9041	Engineering Managers
11-9121	Natural Sciences Managers
<b>Business and Financial Operations</b>	
13-1021	Purchasing Agents and Buyers, Farm Products
13-1051	Cost Estimators
13-1111	Management Analysts
13-1121	Meeting and Convention Planners
13-1199	Business Operations Specialists, All Other
<b>Computer and Mathematical Science</b>	
15-1031	Computer Software Engineers, Applications
15-1032	Computer Software Engineers, Systems Software
15-2031	Operations Research Analysts
<b>Architecture and Engineering</b>	
17-1011	Architects, Except Landscape and Naval
17-1012	Landscape Architects
17-2021	Agricultural Engineers
17-2041	Chemical Engineers
17-2051	Civil Engineers
17-2071	Electrical Engineers
17-2072	Electronics Engineers, Except Computer
17-2081	Environmental Engineers
17-2141	Mechanical Engineers
17-3011	Architectural and Civil Drafters
17-3025	Environmental Engineering Technicians
<b>Life, Physical, and Social Science</b>	
19-1013	Soil and Plant Scientists
19-1031	Conservation Scientists
19-1032	Foresters
19-2021	Atmospheric and Space Scientists
19-2031	Chemists
19-2041	Environmental Scientists and Specialists, Including Health
19-2042	Geoscientists, Except Hydrologists and Geographers
19-2043	Hydrologists
19-3051	Urban and Regional Planners
19-4031	Chemical Technicians
19-4091	Environmental Science and Protection Technicians, Including Health
19-4093	Forest and Conservation Technicians
<b>Legal</b>	
23-1011	Lawyerse
<b>Education, Training, and Library</b>	
25-9021	Farm and Home Management Advisors
<b>Arts, Design, Entertainment, Sports, and Media</b>	
27-1021	Commercial and Industrial Designers
<b>Healthcare Practitioner and Technical</b>	
29-9011	Occupational Health and Safety Specialists
<b>Protective Service</b>	
33-3031	Fish and Game Wardens

### IRF Attachment 3: Green Occupations -- Listed by Occupational Group

SOC Code	Title
<b>Building and Grounds Cleaning and Maintenance</b>	
37-2011	Janitors and Cleaners, Except Maids and Housekeeping Cleaners
37-3011	Landscaping and Groundskeeping Workers
37-3013	Tree Trimmers and Pruners
<b>Sales and Related</b>	
41-4012	Sales Representatives, Wholesale and Manufacturing
<b>Office and Administrative Support</b>	
43-4051	Customer Service Representatives
43-5021	Couriers and Messengers
43-5032	Dispatchers, Except Police, Fire, and Ambulance
43-5061	Production, Planning, and Expediting Clerks
43-5071	Shipping, Receiving, and Traffic Clerks
43-6011	Executive Secretaries and Administrative Assistants
43-6014	Secretaries, Except Legal, Medical, and Executive
43-9061	Office Clerks, General
<b>Farming, Fishing, and Forestry</b>	
45-1011	First-Line Supervisors/Managers of Farming, Fishing, and Forestry Workers
45-2011	Agricultural Inspectors
45-2092	Farmworkers and Laborers, Crop, Nursery, and Greenhouse
45-2093	Farmworkers, Farm and Ranch Animals
45-4011	Forest and Conservation Workers
<b>Construction and Extraction</b>	
47-1011	First-Line Supervisors/Managers of Construction Trades and Extraction Wkrs
47-2011	Boilermakers
47-2031	Carpenters
47-2051	Cement Masons and Concrete Finishers
47-2061	Construction Laborers
47-2071	Paving, Surfacing, and Tamping Equipment Operators
47-2072	Pile-Driver Operators
47-2073	Operating Engineers and Other Construction Equipment Operators
47-2111	Electricians
47-2121	Glaziers
47-2131	Insulation Workers, Floor, Ceiling, and Wall
47-2152	Plumbers, Pipefitters, and Steamfitters
47-2181	Roofers
47-2211	Sheet Metal Workers
47-2221	Structural Iron and Steel Workers
47-3012	Helpers--Carpenters
47-3013	Helpers--Electricians
47-4011	Construction and Building Inspectors
47-4041	Hazardous Materials Removal Workers
47-4061	Rail-Track Laying and Maintenance Equipment Operators
<b>Installation, Maintenance, and Repair</b>	
49-1011	First-Line Supervisors/Managers of Mechanics, Installers, and Repairers
49-2094	Electrical and Electronics Repairers, Commercial and Industrial Equipment
49-3023	Automotive Service Technicians and Mechanics
49-3031	Bus and Truck Mechanics and Diesel Engine Specialists
49-3091	Bicycle Repairers
49-9021	Heating, Air Conditioning, and Refrigeration Mechanics and Installers
49-9041	Industrial Machinery Mechanics
49-9042	Maintenance and Repair Workers, General
49-9044	Millwrights
49-9051	Electrical Power-Line Installers and Repairers
49-9098	Helpers--Installation, Maintenance, and Repair Workers
49-9099	Installation, Maintenance, and Repair Workers, All Other

### IRF Attachment 3: Green Occupations -- Listed by Occupational Group

SOC Code	Title
<b>Production</b>	
51-1011	First-Line Supervisors/Managers of Production and Operating Workers
51-2022	Electrical and Electronic Equipment Assemblers
51-2031	Engine and Other Machine Assemblers
51-2041	Structural Metal Fabricators and Fitters
51-2092	Team Assemblers
51-4011	Computer-Controlled Machine Tool Operators, Metal and Plastic
51-4031	Cutting, Punching, and Press Machine Setters, Operators, and Tenders
51-4041	Machinists
51-4121	Welders, Cutters, Solderers, and Brazers
51-5023	Printing Machine Operators
51-7011	Cabinetmakers and Bench Carpenters
51-8031	Water and Liquid Waste Treatment Plant and System Operators
51-8091	Chemical Plant and System Operators
51-8099	Plant and System Operators, All Other
51-9011	Chemical Equipment Operators and Tenders
51-9012	Separating, Filtering, Clarifying, Precipitating, and Still Machine Operators
51-9023	Mixing and Blending Machine Setters, Operators, and Tenders
51-9061	Inspectors, Testers, Sorters, Samplers, and Weighers
<b>Transportation and Material Moving</b>	
53-3021	Bus Drivers, Transit and Intercity
53-3032	Truck Drivers, Heavy and Tractor-Trailer
53-4011	Locomotive Engineers
53-4031	Railroad Conductors and Yardmasters
53-4041	Subway and Streetcar Operators
53-7021	Crane and Tower Operators
53-7051	Industrial Truck and Tractor Operators
53-7062	Laborers and Freight, Stock, and Material Movers, Hand
53-7081	Refuse and Recyclable Material Collectors

**Department of Economic and Community Development**  
**Insurance Reinvestment Program**  
**Public Act 10-75, sec. 14**

**Questions and Answers – Attachment 4**  
**Updated 11/29/11**

**Question:** Section (6)(B) of the Public Act provides that in order to maintain certification, a Insurance Reinvestment Fund (“IRF”) must “be in compliance with the revenue impact assessment provided in the application demonstrating that the IRF’s business plan continues to have a revenue neutral or positive impact on the state.” It is unclear how the commissioner will test compliance with this requirement.

**Response:** DECD will utilize the initial Revenue Impact Assessment (“RIA”) and associated assumptions and data that were provided to demonstrate that an IRF’s plan is revenue neutral/positive for the state. This will become the baseline for comparison with the actual performance outlined in an IRF’s annual report.

DECD will, as part of its compliance review, look at whether the IRF invested in accordance with the assumptions of its RIA (e.g. pace of investment, industry segments, type of investment, timeframe for investment, etc.). DECD will also look at the amount of cumulative revenue generated on a year over year basis, so that if in one reporting year, revenue is negative, but the cumulative amount of revenue for all reporting years continues to be neutral or positive, then the IRF would be in compliance with its revenue impact assessment. In addition, since tax credits earned under the program do not begin until year four, the state costs that would need to be factored into the revenue impact assessment will be limited, which reduces the amount of negative revenue that may be generated. The timing of the tax credit disbursement is particularly important since forfeiture of credits would not occur after the fourth anniversary of the fund’s allocation date so long as an IRF has invested 60% of its fund by the anniversary date and there is no outstanding decertification notice. This means that credits are preserved despite a significant amount of tax credits (i.e. state revenue loss) that do not need to be included in the revenue impact assessment during the first four years, which reduces the revenue impact assessment risk to the IRF.

Also, the Public Act allows for an IRF to apply to the commissioner to amend its plan based on unavoidable or reasonably unanticipated changes to conditions (e.g. economic climate, technology, etc.) and depending on the significance of those changes, an updated revenue impact assessment may need to be provided to reflect the change(s).

**Question:** Section (7) of the Public Act provides that “[i]n the annual report due *in* the third, fifth, seventh and ninth years after its allocation date, each IRF 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 IRF’s business plan continues to have a revenue neutral or positive impact on the state.” [*emphasis added*]

Annual reports are due not later than January 31. It is unclear which annual reports must contain these additional compliance reports.

**Response:** The following is an outline of the reporting requirements and the time in which they are due, assuming investments start in 2010. DECD will also need to include its own requirements in order to verify actual dollars invested, jobs, business eligibility, etc. The reports due in the 3<sup>rd</sup>, 5<sup>th</sup>, 7<sup>th</sup>, and 9<sup>th</sup> year refer to reports of data for the prior year (see table), not the subsequent year, as they propose above. Take for example the report due 1/31/2015 (year 5). This report will be providing an update on year 4 investments (the preceding year), which is also the year in which fund managers are to have invested up to 60% of their allocation.

Tax Year	Report Year	Report Due	Requirements
1	2010	1/31/2011	A, B, C, D, F
2	2011	1/31/2012	A, B, C, D, F
3	2012	1/31/2013	A, B, C, D, E, F
4	2013	1/31/2014	A, B, C, D, F
5	2014	1/31/2015	A, B, C, D, E, F
6	2015	1/31/2016	A, B, C, D, F
7	2016	1/31/2017	A, B, C, D, E, F
8	2017	1/31/2018	A, B, C, D, F
9	2018	1/31/2019	A, B, C, D, E, F
10	2019	1/31/2020	A, B, C, D, F

- (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 Classification System code;
- (C) The percentage of eligible capital invested in green technology businesses and preseed investments;
- (D) Distributions made by the IRF in the preceding year.
- (E) The annual report due in the third, fifth, seventh and ninth years after its allocation date, each IRF 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 and provide an updated revenue impact assessment reflecting actual results through the end of the period tested and demonstrating that the IRF's business plan continues to have a revenue neutral or positive impact on the state.. The initial report due for year three will not include any impact of the tax credits earned by the IRF's investors as they are not permitted to be utilized until the investors' returns are filed in the following year.
- (F) Each IRF shall provide to the commissioner annual audited financial statements.

**Question:** The Public Act mandates that the Department of Economic and Community Development ("DECD") test whether IRFs have invested in "eligible businesses" within four and

ten years of their allocation date but has no mechanism by which IRFs can confirm that a business meets the definition of “eligible business” prior to investment or if the investment will be considered consistent with the IRF’s business plan. This creates an administrative problem for the DECD, and investors in IRFs need some level of comfort that IRFs are indeed investing in eligible businesses.

**Response:** It is the department’s intent to offer an IRF the opportunity to have DECD pre-screen their proposed investments for purposes of determining if they are an “eligible business”, including preseed and green technology businesses as defined under the Public Act, and whether they are consistent with the IRF’s business plan. The IRF application contains information outlining what documentation will need to be provided in order to assist DECD in its determination of eligibility. DECD anticipates being able to complete these reviews in 15 business days provided all relevant documentation has been provided to adequately determine eligibility.

**Question:** Section (5) of the Public Act imposes a \$25,000 penalty on IRFs and taxpayers that do not close on an allocation of eligible capital within five business days after the IRF’s notice of certification. It is unclear whether this penalty would apply to failure to close on a reallocation of eligible capital.

**Response:** DECD intends to provide notice to existing certified IRFs when a reallocation of eligible capital has been made available. Based upon this notice, an IRF will be able to submit an updated application and related documents to reflect this new level of eligible capital for which they are applying to receive an additional allocation of tax credits. No additional application fee will be required, if the IRF is all ready certified by DECD.

**Question:** The Public Act does not address the interplay between the DECD and the Department of Revenue.

**Response:** As with many of DECD’s programs that include a tax component, DECD would anticipate sharing information with DRS on the participants in the program.

**Question:** Section (1)(B) of the Public Act defines “eligible business” as “a business that has its principal business operations in Connecticut, has fewer than two hundred fifty employees at the time of investment and not more than ten million dollars in net income in the previous year.” The Public Act does not address investments of follow-on capital in such businesses.

**Response:** After DECD determines that a business is an eligible business it does not intend to continue monitoring the business for eligibility beyond the time of investment by the IRF.

**Question:** What, if any, are the implications of a decertification after Year 4 if 60% of the Eligible Capital was invested by the fourth anniversary and no credits were forfeited?

**Response:** Based on the current language of the Public Act, forfeiture of future credits only occurs before the fourth anniversary of the fund’s allocation date.

**Question:** Section 3 of the business plan, requires a three digit NAICS code be used as part of the Revenue Impact Assessment, can a two digit NAICS code be used for the Revenue Impact Assessment (“RIA”), as opposed to a three digit code?

**Response:** DECD will allow for the use of a two digit NAICS code for the purposes of the RIA, understanding that there is a significant variation in the multipliers within a two-digit category. This means that a REMI analysis could over or under estimate the economic and fiscal effects of the proposed investments.

**Question:** The RIA asks for information on type, terms and uses of the investment capital that will be provided to a business. Given this investment could be several years in the future, this would be complete guesswork, can we just identify the type of investment (debt or equity) for modeling purposes?

**Response:** Yes, the fund manager can just identify the type of investment (debt or equity). Recognizing that these investments occur over time, DECD asks that the fund manager estimate as accurately and completely the types of investments to be made (debt or equity) as each one will have different consequences for modeling with the understanding that the fund manager will later need to report on actual portfolio investment types, amounts, targets, uses and other information useful in determining revenue neutrality. It is important to include all assumptions and input data used in the economic model, which will allow DECD to verify revenue neutrality or better.

**Question:** How will the commissioner test compliance with the investment parameters in an IRF's business plan?

**Response:** With respect to the proposed pace at which investments in eligible businesses will be made, an IRF will be in compliance with this investment parameter if it invests at the pace detailed in its business plan or at a faster pace.

With respect to industry segments, an IRF will be in compliance with this investment parameter only if it invests its eligible capital in the NAICS codes identified in its business plan. The commissioner may test compliance with this investment parameter annually.

With respect to the type and allocation of investment capital provided by the IRF, an IRF will be in compliance with this investment parameter provided it has capital available (either uninvested eligible capital, capital other than eligible capital contributed to the IRF or cash received as returns of capital or profits from investments) to achieve the percentages of type and allocation projected in its business plan. The commissioner may test compliance with this investment parameter annually.

**Question:** What all must an IRF submit to the commissioner in its application to amend its business plan under Section (6)(A)?

**Response:** The commissioner will allow an IRF to amend its business plan so long as it submits with its amendment: (1) a description of the unavoidable or reasonably unanticipated changes that precipitated the need for such amendment and (2) a detailed description of the proposed changes. If the commissioner determines that the changes are sufficiently material to the assumptions contained in the IRF's original revenue impact assessment, it may require the IRF to submit a revised revenue impact assessment demonstrating that the fund's business plan, as amended, continues to have a revenue neutral or positive impact on the state.

For threshold purposes, the commissioner should be made aware of any changes that would cause a 10% or more adverse deviation from the business plan or other such change that the IRF believes requires a review by the commissioner to be warranted. DECD will determine, in consultation with the IRF whether it will require an amendment to the IRF's business plan and related documents, however, DECD will have the final decision making authority.

**Question:** May an applicant withdraw its application?

**Response:** So long as the applicant has not been certified as an IRF by the commissioner and its investors have not been allocated tax credits, the applicant may withdraw its application. The application fee, however, is nonrefundable as outlined under the Public Act. Any resubmitted application will be deemed to be received for allocation purposes on the actual date of its resubmission.

**Question:** May an applicant amend its application to request additional eligible capital?

**Response:** So long as (1) the applicant has not been certified as an IRF by the commissioner, (2) there are remaining tax credits and (3) the applicant submits an additional affidavit by each taxpayer committing an investment of eligible capital as well as an updated business plan and revenue impact assessment demonstrating the impact of the additional eligible capital, an applicant may amend its application to request additional eligible capital equal to the commitment of the taxpayer(s).

**Question:** May an applicant amend its application to split its allocation request among one or more affiliated funds?

**Response:** So long as (1) the applicant has not been certified as a IRF by the commissioner, (2) the total aggregate investor commitments remain the same, (3) the applicant submits an amended application reflecting the reduced fund size, including a revised business plan and revenue impact assessment and new investor commitment affidavits, (4) each additional applicant submits a complete application, including a nonrefundable application fee of \$7,500, the applicant may amend its application to split its allocation request among one or more affiliated applicants, and the commissioner will deem such allocation requests for the affiliated applications to be submitted as of the date of submission of the original application.

**Timing of Tax Credit Usage Question:** Please confirm that if we close in October of 2011, the third year annual report will be due on January 31, 2014, will cover the calendar year 2013 and the revenue impact assessment included with the third year annual report will reflect no tax credits, since no tax credits are available for use with respect to calendar year 2013.

**Response:** We agree with the analysis.

**Question:** May a IRF receive a written confirmation from the DECD that future tax credits to be claimed with respect to the IRF are no longer subject to forfeiture under the law?

**Response:** Upon request, and after DECD's review of an IRF's most recent annual report and other information that may be needed to demonstrate that at least 60% of its eligible capital has been invested in an eligible business and that other statutory requirements have been satisfied as of the fourth anniversary of the allocation date, including that the IRF (i) has not been decertified on or before such anniversary date, and (ii) is not currently under a decertification notice, DECD will issue written confirmation to an IRF that future tax credits are not subject to forfeiture based on the current law. In the event that fourth anniversary of an IRF's allocation date falls prior to December 31 of the fourth anniversary year, no interim revenue impact assessment will be required as part of any "other information" that may be needed as specified herein. This response is a revision to our guidance posted on DECD's website and will be updated soon after.

**Question:** What, if any, are the implications of a decertification after Year 4 if 60% of the Eligible Capital was invested by the fourth anniversary and no credits were forfeited?

**Response:** Based on the current language of the Public Act, forfeiture of future credits only occurs on or before the fourth anniversary of the fund's allocation date. However, an IRF may not make distributions, except as set forth under subparagraphs (A), (B), and (C) of Section 8 of C.G.S. 38a-88a(c), of their fund while decertified or under notice of decertification, unless the deficiencies are waived by the commissioner or the IRF returns to compliance with subdivision (6), (7), and (8) of C.G.S. sec. 38a-88a(c) referenced herein. Please be reminded that the statute allows for an IRF to apply to the commissioner to amend its business plan based on unavoidable or reasonably unanticipated changes to conditions (e.g. economic climate, technology, etc.) and depending on the significance of those changes, an updated revenue impact assessment may need to be provided to reflect the change(s) and Commissioner's approval of shall not be unreasonably withheld.

**Question:** Recognizing the time that is needed to prepare an annual financial audit for an organization, will DECD allow an IRF to submit its annual audited financial statements after January 31?

**Response:** Yes, DECD will allow for up to 120 days from the December 31 close of the year for an IRF to submit its annual audited financial statements. An IRF's annual report will still be required to be submitted by January 31.

***Additional questions and answers will be added as they are received by DECD.***

**Note: This document has been updated to show changes that were made to the existing statute (Sec. 38a-88a) along with new language from the Public Act. This is being provided to assist the reader in their analysis and understanding of the changes to the act.**

**Department of Economic and Community Development  
Insurance Reinvestment Program**

***Public Act No. 10-75, sec. 14 – Attachment 5***

Sec. 14. Section 38a-88a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2010*):

(a) As used in this section:

(1) "Facility" means an insurance business facility;

(2) "Insurance business" means a business with a North American Industry Classification System code of 524113 to 524298, inclusive, that is engaged in the business of insuring risks or of providing services necessary to the business of insuring risks;

(3) "New job" means a job that did not exist in the business of a subject insurance business in this state prior to the subject insurance business's application to the commissioner for an eligibility certificate under this section for a new facility and that is filled by a new employee, but does not include a job created when an employee is shifted from an existing location of the subject insurance business in this state to a new facility;

(4) "New employee" means a person [who resides in Connecticut and is](#) hired by a subject insurance business to fill a position for a new job or a person shifted from an existing location of the subject insurance business outside this state to a new facility in this state, provided (A) in no case shall the total number of new employees allowed for purposes of this credit exceed the total increase in the taxpayer's employment in this state, which increase shall be the difference between (i) the number of employees employed by the subject insurance business in this state at the time of application for an eligibility certificate to the commissioner plus the number of new employees who would be eligible for inclusion under the credit allowed under this section without regard to this calculation, and (ii) the highest number of employees employed by the subject insurance business in this state in the year preceding the subject insurance business's application for an eligibility certificate to the commissioner, and (B) a person shall be deemed to be a "new employee" only if such person's duties in connection with the operation of the facility are on a regular, full-time, or equivalent thereof, and permanent basis;

(5) "New facility" means a facility which (A) is acquired by, leased to, or constructed by, a subject insurance business on or after the date of the subject insurance business's application to the commissioner for an eligibility certificate under this section, unless, upon application of the subject insurance business and upon good and sufficient cause shown, the commissioner waives the requirement that such activity take place after the application, and (B) was not in service or use during the one-year period immediately prior to the date of the subject insurance business's application to said commissioner for an eligibility certificate under this section, unless upon application of the subject insurance business and upon good and sufficient cause shown, the commissioner consents to waiving the one-year period;

(6) "Related person" means (A) a corporation, limited liability company, partnership, association or trust controlled by the taxpayer or subject insurance business, as the case may be, (B) an individual, corporation, limited liability company, partnership, association or trust that is in control of the taxpayer or subject insurance business, as the case may be, (C) a corporation, limited liability company, partnership, association or trust controlled by an individual, corporation, limited liability company, partnership, association or trust that is in control of the taxpayer or subject insurance business, as the case may be, or (D) a member of the same controlled group as the taxpayer or subject insurance business, as the case may be. For purposes of this section, "control", with respect to a corporation, means ownership, directly or indirectly, of stock possessing fifty per cent or more of the total combined voting power of all classes of the stock of such corporation entitled to vote. "Control", with respect to a trust, means ownership, directly or indirectly, of fifty per cent or more of the beneficial interest in the principal or income of such trust. The ownership of stock in a corporation, of a capital or profits interest in a partnership or association or of a beneficial interest in a trust shall be determined in accordance with the rules for constructive ownership of stock provided in Section 267(c) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, other than [\[paragraph \(3\) of such section\]](#) [Paragraph \(3\) of Section 267\(c\) of said internal revenue code](#);

(7) "Moneys of the taxpayer" means all amounts invested in a fund, directly or indirectly, on behalf of a taxpayer, including but not limited to (A) direct investments made by the taxpayer, and (B) loans made to the fund for the benefit of the taxpayer which loans are guaranteed by the taxpayer, provided no amounts represented by any such loan shall be used for the purpose of obtaining any tax credit by any person making such loan against any tax levied by this state;

(8) "Income year" means (A) with respect to corporations subject to taxation under chapter 208, the income year as determined under said chapter, (B) with respect to insurance companies, hospital and medical services corporations subject to taxation under chapter 207, the income year as determined under said chapter, and (C) with

respect to taxpayers subject to taxation under chapter 229, the taxable year determined under **[said]** chapter [229](#);

(9) "Taxpayer" means any person as defined in section 12-1, whether or not subject to any taxes levied by this state; and

(10) "Commissioner" means the Commissioner of Economic and Community Development.

(b) [\(1\)](#) On or before July 1, 2000, the commissioner shall register managers of funds created for the purpose of investing in insurance businesses. Any manager registered under this subsection shall have its primary place of business in this state. Each applicant shall submit an application under oath to the commissioner to be registered and shall furnish evidence satisfactory to the commissioner of its financial responsibility, integrity, and professional competence to manage investments. Failure to maintain adequate fiduciary standards shall constitute cause for the commissioner to revoke, after hearing, any registration granted under this section. The fund manager shall make a report on or before the first day of March in each year, under oath, to the Commissioner of Revenue Services specifying the name, address and Social Security number or employer identification number of each investor, the year during which each investment was made by each investor, the amount of each investment and a description of the fund's investment objectives and relative performance.

**[(c)]** [\(2\)](#) There shall be allowed as a credit against the tax imposed under chapter 207, 208 or 229 or section 38a-743 an amount equal to the following percentage of the moneys of the taxpayer invested through a fund manager in an insurance business with respect to the following income years of the taxpayer: **[(1)]** [\(A\)](#) With respect to the income year in which the investment in the subject insurance business was made and the two next succeeding income years, zero per cent; **[(2)]** [\(B\)](#) with respect to the third full income year succeeding the year in which the investment in the subject insurance business was made and the three next succeeding income years, ten per cent; **[(3)]** [\(C\)](#) with respect to the seventh full income year succeeding the year in which the investment in the subject insurance business was made and the two next succeeding income years, twenty per cent. The sum of all tax credit granted pursuant to the provisions of this **[section]** [subsection](#) shall not exceed fifteen million dollars with respect to investments made by a fund or funds in any single insurance business, and with respect to all investments made by a fund shall not exceed the total amount originally invested in such fund. Any fund manager may apply to the Commissioner of Economic and Community Development for a credit that exceeds the limitations established by this **[subsection]** [subdivision](#). The commissioner shall evaluate the benefits of such application and make recommendations to the General Assembly if he determines that the proposal would be of economic benefit to the state.

[(d)] (3) The credit allowed by this [section] [subsection](#) may be claimed only by a taxpayer who has invested in an insurance business through a fund [(1)] (A) which has a total asset value of not less than thirty million dollars for the income year for which the initial credit is taken; [(2)] (B) has not less than three investors who are not related persons with respect to each other or to any insurance business in which any investment is made other than through the fund at the date the investment is made; and [(3)] (C) which invests only in insurance businesses that are not related persons with respect to each other.

[(e)] (4) The credit allowed by this section may be claimed only with respect to a subject insurance business which [(1)] (A) occupies the new facility for which an eligibility certificate has been issued by the commissioner and with respect to which the certification required under [subsection \(g\) of this section](#) [subdivision \(6\) of this subsection](#) has been issued as its home office, and [(2)] (B) employs not less than twenty-five per cent of its total work force in new jobs.

[(f)] (5) The credit allowed by this [section] [subsection](#) may be claimed only with respect to an income year for which a certification of continued eligibility required under [subsection \(g\) of this section](#) [subdivision \(6\) of this subsection](#) has been issued. If, with respect to any year for which a tax credit is claimed, any subject insurance business ceases at any time to employ at least twenty-five per cent of its total work force in new jobs, then, except as provided in [subsection \(g\) of this section](#) [subdivision \(6\) of this subsection](#), the entitlement to the credit allowed by this [section] [subsection](#) shall not be allowed for the taxable year in which such employment ceases, and there shall not be a pro rata application of the credit to such taxable year; provided, if the reason for such cessation is the dissolution, liquidation or reorganization of such insurance business in a bankruptcy or delinquency proceeding, as defined in section 38a-905, the credit shall be allowed.

[(g)] (6) The commissioner, upon application, shall issue an eligibility certificate for an insurance business occupying a new facility in this state and employing new employees, after it has been established, to his satisfaction, that subject insurance business has complied with the provisions of this [section] [subsection](#). If the commissioner determines that such requirements have been met as a result of transactions with a related person for other than bona fide business purposes, he shall deny such application. The commissioner shall require the subject insurance business to submit annually such information as may be necessary to determine whether the appropriate occupancy and employment requirements have been met at all times during an income year. If the commissioner determines that such requirements have been so met, he shall issue a certification of continued eligibility to that effect to the subject insurance business on or before the first day of the third month following the close of the subject insurance business's income year.

~~[(h)]~~ ~~(7)~~ The commissioner shall, upon request, provide a copy of the eligibility certificate and the certification required under ~~[subsection (g) of this section]~~ subdivision (6) of this subsection to the Commissioner of Revenue Services.

~~[(i) (1) If (A)]~~ ~~(8) (A) If (i)~~ the number of new employees on account of which a taxpayer claimed the credit allowed by this ~~[section]~~ subsection decreases to less than twenty-five per cent of its total work force for more than sixty days during any of the taxable years for which a credit is claimed, ~~[(B)]~~ ~~(ii)~~ those employees are not replaced by other employees who have not been shifted from an existing location of the subject insurance business in this state, and ~~[(C)]~~ ~~(iii)~~ the subject insurance business has relocated operations conducted in the new facility to a location outside this state, the taxpayer shall be required to recapture a percentage, as determined under the provisions of ~~[subdivision (2) of this subsection]~~ subparagraph (B) of this subdivision, of the credit allowed under this ~~[section]~~ subsection on its tax return and no subsequent credit shall be allowed. If the credit claimed by the taxpayer under this ~~[section]~~ subsection is attributable to investments made in more than one insurance business, the credit recaptured and disallowed under this ~~[subsection]~~ subdivision shall be that portion of the credit attributable to the investment in the insurance business as described in ~~[subparagraphs (A) to (C), inclusive, of subdivision (1) of this subsection]~~ subparagraphs (A)(i) to (A)(iii), inclusive, of this subdivision.

~~[(2)]~~ ~~(B)~~ If the taxpayer is required under the provisions of ~~[subdivision (1) of this subsection]~~ subparagraph (A) of this subdivision to recapture a portion of the credit during ~~[(A)]~~ ~~(i)~~ the first year such credit was claimed, then ninety per cent of the credit allowed shall be recaptured on the tax return required to be filed for such year, ~~[(B)]~~ ~~(ii)~~ the second of such years, then sixty-five per cent of the credit allowed for the entire period of eligibility shall be recaptured on the tax return required to be filed for such year, ~~[(C)]~~ ~~(iii)~~ the third of such years, then fifty per cent of the credit allowed for the entire period of eligibility shall be recaptured on the tax return required to be filed for such year, ~~[(D)]~~ ~~(iv)~~ the fourth of such years, then thirty per cent of the credit allowed for the entire period of eligibility shall be recaptured on the tax return required to be filed for such year, ~~[(E)]~~ ~~(v)~~ the fifth of such years, then twenty per cent of the credit allowed for the entire period of eligibility shall be recaptured on the tax return required to be filed for such year, and ~~[(F)]~~ ~~(vi)~~ the sixth or subsequent of such years, then ten per cent of the credit allowed for the entire period of eligibility shall be recaptured on the tax return required to be filed for such year. Any credit recaptured pursuant to this ~~[subsection]~~ subdivision shall not be in excess of the credit that would be allowed for the applicable investment. The Commissioner of Revenue Services may recapture such credits from the taxpayer who has claimed such credits. If the commissioner is unable to recapture all or part of such credits from such taxpayer, the commissioner may seek to recapture such credits from any taxpayer who has assigned such credits to another taxpayer. If the commissioner is unable to recapture all or part of such credits from any such taxpayer, the commissioner may recapture such credits from the fund.

~~[(3)]~~ (C) The recapture provisions of this ~~[subsection]~~ subdivision shall not apply and tax credits may continue to be claimed under this ~~[section]~~ subsection if, for the entire period that the credit is applicable, such decrease in the percentage of total work force employed in this state does not result in an actual decrease in the number of persons employed by the subject insurance business in this state on a regular, full-time, or equivalent thereof, and permanent basis as compared to the number of new employees on account of which the taxpayer claimed the credit allowed by this ~~[section]~~ subsection.

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

(A) "Allocation date" means the date an insurance reinvestment 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 insurance reinvestment fund;

(B) "Eligible business" means a business that has its principal business operations in Connecticut, has fewer than two hundred fifty employees at the time of investment and not more than ten million dollars in net income in the previous year;

(C) "Eligible capital" means an investment of cash by a taxpayer in an insurance reinvestment fund that fully funds the purchase price of an equity interest in the insurance reinvestment fund or an eligible debt instrument issued by an insurance reinvestment 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 insurance reinvestment fund's profitability or the success of the investments;

(D) "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;

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

(F) "Insurance reinvestment 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 insurance reinvestment fund, and (iii) is not, or will not be after the receipt of eligible capital, controlled by or under 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 insurance reinvestment fund cash invested in such insurance reinvestment fund, provided this provision shall not prohibit the interim control of an insurance reinvestment fund by one or more insurance companies upon a breach of any payment obligation of the insurance reinvestment fund or contractual or other agreement by the insurance reinvestment fund that is designed to ensure compliance with this section; and

(G) "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) Commencing with the tax return due for the first to third, inclusive, tax years, zero per cent; (B) commencing with the tax return due for the fourth to seventh, inclusive, tax years, not more than ten per cent; and (C) commencing with the tax return due for the eighth 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 section.

(3) On or before July 1, 2010, the Commissioner of Economic and Community Development shall begin to accept applications for certification as an insurance reinvestment fund and for allocations of tax credits under this subsection. Applications shall include: (A) The amount of eligible capital the applicant will raise; (B) a nonrefundable application fee of seven thousand five hundred dollars; (C) evidence of satisfaction of the requirements of the definition of "insurance reinvestment fund" pursuant subparagraph (F) of subdivision (1) of this subsection; (D) an affidavit by each taxpayer committing an investment of eligible capital; (E) a business plan detailing (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) the industry segments listed by the North American Industrial Classification System code and percentage of eligible capital in which the applicant will invest, (iii) the number of jobs that will be created or retained as a result of the applicants investments once all eligible capital has been invested, (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) a revenue impact assessment demonstrating that the applicant's business plan has a revenue neutral or positive impact on the state; (F) a commitment to invest at least twenty-five per cent of its eligible capital in green technology businesses; and (G) a commitment to invest by the third anniversary of its allocation date, three 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 12 of this act. The commissioner may require the applicant to obtain a revenue impact assessment conducted by an independent third party.

(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 on a form prescribed by the commissioner by the fund that an investment of eligible capital was received within five business days. If an insurance reinvestment 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 insurance reinvestment 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 insurance reinvestment 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 insurance reinvestment fund shall (A) be in compliance with the investment parameters set forth in its business plan, provided an insurance reinvestment 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 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 sixty per cent of its eligible capital in eligible businesses by the fourth anniversary of its allocation date; and (D) 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. An insurance

reinvestment 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 insurance reinvestment 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 Classification System code; (C) the percentage of eligible capital invested in green technology businesses; and (D) distributions made by the insurance reinvestment fund in the preceding year. In the annual report due in the third, fifth, seventh and ninth years after its allocation date, each insurance reinvestment 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 insurance reinvestment fund shall provide to the commissioner annual audited financial statements.

(8) To make a distribution or payment, an insurance reinvestment fund 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, 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 insurance reinvestment fund resulting from the earnings or other tax liability of the insurance reinvestment fund to the extent that the increase is related to the ownership, management or operation of the insurance reinvestment fund; (B) payments of interest and principal on the debt of the insurance reinvestment fund, provided after such payment, the insurance reinvestment 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 insurance reinvestment fund, including: (i) Reasonable and necessary fees paid for professional services, including legal and accounting services, related to the formation and operation of the insurance reinvestment 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 insurance reinvestment fund. The state shall receive a share of any distribution, except as set forth in subparagraphs (A), (B) and (C) of this subsection and distributions made to return any equity capital invested in the insurance reinvestment 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 insurance reinvestment 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 insurance reinvestment fund's business plan are created or retained.

(9) The commissioner shall review each annual report to ensure compliance with subdivisions (6), (7) and (8) of this subsection. A material variation of subdivision (6), (7) or (8) of this subsection is grounds for decertification of the insurance reinvestment fund. If the commissioner determines that an insurance reinvestment fund is not in compliance with subdivision (6), (7) or (8) of this subsection or the investment parameters of its business plan, the commissioner shall notify the officers of the insurance reinvestment fund, in writing, that the insurance reinvestment fund may be subject to decertification after the one-hundred-twentieth day after the date of mailing the notice, unless the deficiencies are waived by the commissioner or are corrected and the insurance reinvestment fund returns to compliance with subdivisions (6), (7) and (8) of this subsection.

(10) Decertification of an insurance reinvestment 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 insurance reinvestment fund when (A) such decertification occurs on or before the fourth anniversary of the fund's allocation date, 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.

[(j)] (d) The tax credit allowed by this section shall only be available for investments (1) in funds that are not open to additional investments or investors beyond the amount subscribed at the formation of the fund, or (2) under subsection (c) of this section, in insurance reinvestment funds that are not open to additional investments or investors after submission of the insurance reinvestments fund's application to the commissioner pursuant to subsection (c) of this section. [No credits shall be allowed under this section for investments in any fund created on or after July 1, 2000. No credit] On and after June 30, 2010, no eligibility certificate shall be [allowed] provided under subdivision (6) of subsection (b) of this section for investments made in an insurance business. [through such fund after December 31, 2015. ] On or after July 1, 2011, no credit shall be allowed under subdivision (2) or (6) of subsection (b) of this section for an investment of less than one million dollars for which the commissioner has issued an eligibility certificate. A fund manager who has received an eligibility certificate but is not yet eligible to receive a certificate of continued eligibility shall provide documentation satisfactory to the commissioner not later than June 30, 2011, of its investment of one million dollars or more. Such documentation shall include, but is not limited to, cancelled checks, wire

transfers, investment agreements or other documentation as the commissioner may request. On and after July 1, 2011, the commissioner shall revoke the certificate of eligibility for any insurance business for which its fund manager failed to provide sufficient documentation of said investment of not less than one million dollars. Any credit allowed under subsection (b) or subsection (g) of this section that has not been claimed prior to January 1, 2010, may be carried forward pursuant to subsection (i) of this section.

(e) The maximum amount of credit allowed under subsection (c) of this section shall be two hundred million dollars in aggregate and forty million dollars per year.

~~[(k)]~~ (f) (1) The Commissioner of Revenue Services may treat one or more corporations that are properly included in a combined corporation business tax return under section 12-223 as one taxpayer in determining whether the appropriate requirements under this section are met. Where corporations are treated as one taxpayer for purposes of this subsection, then the credit shall be allowed only against the amount of the combined tax for all corporations properly included in a combined return that, under the provisions of subdivision (2) of this subsection, is attributable to the corporations treated as one taxpayer. (2) The amount of the combined tax for all corporations properly included in a combined corporation business tax return that is attributable to the corporations that are treated as one taxpayer under the provisions of this subsection shall be in the same ratio to such combined tax that the net income apportioned to this state of each corporation treated as one taxpayer bears to the net income apportioned to this state, in the aggregate, of all corporations included in such combined return. Solely for the purpose of computing such ratio, any net loss apportioned to this state by a corporation treated as one taxpayer or by a corporation included in such combined return shall be disregarded.

~~[(l)]~~ (g) Any taxpayer allowed a credit under subsection (b) of this section may assign such credit to another person, provided such person may claim such credit only with respect to a calendar year for which the assigning taxpayer would have been eligible to claim such credit. The fund manager shall include in the report filed with the Commissioner of Revenue Services in accordance with subdivision (1) of subsection (b) of this section information requested by the commissioner regarding such assignments including the current holders of credits as of the end of the preceding calendar year.

~~[(m)]~~ (h) No taxpayer shall be eligible for a credit under this section and either section 12-217e or section 12-217m for the same investment. No two taxpayers shall be eligible for any tax credit with respect to the same investment, employee or facility.

~~[(n)]~~ (i) Any tax credit not used in the income year for which it was allowed may be carried forward for the five immediately succeeding income years until the full credit has been allowed.

[(o)] (j) The commissioner, with the approval of the Commissioner of Revenue Services and the Secretary of the Office of Policy and Management, may adopt regulations in accordance with chapter 54 to carry out the purposes of this section.

**Department of Economic and Community Development  
Insurance Reinvestment Program  
Public Act 10-75, Sec. 14**

**Annual Report Information – Attachment 6**

**Annual Report** – Each Insurance Reinvestment Fund (“IRF”) must submit an annual report no later than January 31<sup>st</sup> of each year, detailing the following information:

- Amount of eligible capital remaining from the preceding year.
- For each investment during the preceding year, the following information should be provided:
  - Details on the type of investment made, including amounts and terms.
  - Supporting documents evidencing the amount jobs as of the investment date period, include information sufficient to demonstrate that 80% of the employees reside within the state or 80% of the payroll is paid to individuals in the State (including W-2’s for each employee, a summary of total payroll (in-state vs. out of state payroll, Department of Labor Authorization form). Please block out any social security numbers in any of the documentation provided. **Note:** do not submit this information if it was provided as part of a pre-approved investment by DECD
  - Jobs, full time and part time, as of the end of the annual report period
  - Documents, including accountant prepared financial statements outlining net income of the company receiving the investment for the year prior to investment (**note:** do not submit this information if pre-approved by DECD),
  - Investment location,
  - NAICS code.
- Percentage of eligible capital invested in businesses by industry. Please identify green technology businesses and preseed investments.
- Information on any distributions made by the IRF.
- Reports due in the 3<sup>rd</sup>, 5<sup>th</sup>, 7<sup>th</sup>, and 9<sup>th</sup> year after the allocation date, must report on its compliance with the investment parameters set forth in the Fund Manager’s original Business Plan. The report due in these years must also include an update of the Revenue Impact Assessment , which is be based on actual information and should include the following all assumptions and input data used in the economic model, such as; the timeline/schedule for investment in each industry based on minimum two digit NAICS code; investment information (including type, terms, use of funds as it relates to Connecticut vendors exclusively; and disbursement schedule); and the anticipated schedule for which the tax credits will be claimed.
- Update on any organizational changes at the IRF.
- Each IRF shall provide annual audited financial statements. DECD is requiring that the IRF’s auditors confirm, either through their audit or an

agreed-upon procedure report, compliance with Public Act 10-75, sec. 14(c), with particular attention to the following areas:

- Confirm amounts invested to ensure consistency with amounts reported to DECD.
- Confirm amounts of remaining capital at the end of each preceding year.
- Confirm amounts invested in green technology business and preseed investments
- Confirm that distributions are in accordance with P.A. 10-75, sec. 14(c)(8) and indicate whether funds are due to DECD.
- Additional information as may be requested by DECD.

Information provided in the annual report may be subject further review and verification by DECD.