

## CONNECTICUT ENTERPRISE ZONE - GUIDELINES

**Enterprise Zone Program** – An Enterprise Zone is a designated area in a Targeted Investment Community. Incentive benefits are provided for eligible business relocation/expansion projects within the zone. Eligible businesses include manufacturers, warehouse distributors (new construction/expansion only) and certain designated service related businesses. Benefits include:

- A. A 5-year, 80% abatement of local property taxes on all qualifying real and personal property that are new to the Grand List of the city/town as a direct result of a business relocation, expansion or renovation project;
- B. 10-year, 25% or 50% credit on that portion of the Connecticut Corporate Business Tax that is directly attributable to this business relocation, expansion or renovation project as determined by the Connecticut Department of Revenue Services and as provided under section [12-217\(e\)](#) of the Connecticut General Statutes.
- C. Exemption from real estate conveyance tax.

In order to qualify for the 50% credit, at least 30% of the new employees must be residents of the Enterprise Zone or residents of the municipality in which the plant is located and eligible under the federal Workforce Investment Act (WIA). The local Connecticut Department of Labor Job Service Office is the contact concerning the availability of WIA eligible applicants.

Also, within an Enterprise Zone, residential and commercial property owners are eligible, by ordinance, for the fixing of assessments on all real property in such zone for improvements made to their properties which are improved during the period when such area is designated as an Enterprise Zone. The fixed assessment will be for a period of seven years from the time of such improvement and municipality shall defer any increase. Deferral on increased assessment due to improvements is as follows: 100% deferred in years 1 & 2, 50% in year 3, then declining 10% per year through year 7. These benefits are provided at the local level.

### ELIGIBLE APPLICANTS

Eligible businesses are defined by their North American Industry Classification System (NAICS).

- For **Urban Jobs Program** benefits, in a Targeted Investment Community but outside of an Enterprise Zone, ONLY manufacturers, research associated with manufacturing, and distribution warehousing (new construction/expansion only) may qualify under the standard threshold guidelines. Certain service sector companies, as defined by NAICS code (see [Addendum A](#)), may be eligible for benefits based on a graduated scale subject to meeting certain thresholds of capital investment and job creation. An eligible applicant must occupy a facility that meets the criteria as defined below under **ELIGIBLE PROJECTS**.
- In an Enterprise Zone, in addition to manufacturers and distribution warehousing (new construction/expansion only), certain service sector firms (also defined by NAICS code), may also qualify. The NAICS codes for the service sectors that may be eligible for Enterprise Zone benefits are listed in [Addendum A](#).

## APPLICANT CONDITIONS

If the business occupant leases the qualifying facility (as defined below) the lease term must satisfy certain minimum requirements.

- In a **Targeted Investment Community (Urban Jobs Program)** the lease must be for an initial minimum term of five years with the option to renew, at the request of the lessee, for an aggregate term of not less than ten years, or the option to purchase the facility after the first five years.
- In an **Enterprise Zone** the term of the lease for a business occupant is generally the same as for a facility located in a Targeted Investment Community (Urban Jobs Program). However, for those with an average of ten or fewer employees, the lease may be for an initial minimum term of three years with an option to renew, at the request of the lessee, for an aggregate term of not less than six years, or the option to purchase the facility after the first three years.

## ELIGIBLE PROJECTS

The project eligibility for both Targeted Investment Communities (Urban Jobs Program) and Enterprise Zones is defined in [CGS 32-9p](#). Benefits accrue to projects whose central activity revolves around capital improvements to land and/or building. A real estate transaction has to take place in order to qualify the facility that will be occupied by the eligible business. The transaction must meet one of the following criteria:

- Substantial renovation of an existing facility involving capital expenditures of at least 50% of the assessed value of the facility prior to its renovation. All renovation activities must be permitted by the town in order for their value to be recognized. The only costs that matter in meeting the 50% test are those costs that were incurred for work that required the use of a building permit.
- Construction of a new facility. The expanded portion of an existing facility is considered new construction.
- Acquisition of a facility by new owners after having been idle for at least one year prior to acquisition. Within an enterprise zone, the idleness requirement does not apply to companies with an average of five or fewer employees in the six months preceding acquisition of the facility, and is at least six months for businesses that have an average of between six and nineteen employees in the preceding six months. A one year idleness is required if there are more than nineteen employees involved.

Idleness is determined if the facility was unused, unoccupied or substantially under utilized for the appropriate period of time prior to being acquired for productive use. A community may request that the commissioner waive the idleness requirement for a facility for a specific client. An idleness waiver must be signed by the Enterprise Zone Coordinator.

## **BENEFITS - ENTERPRISE ZONE**

There are basically two business incentives associated with an Enterprise Zone location:

- A five-year, 80% abatement of local property taxes on qualifying real and personal property, subject to the property being **new to the grand list** of the municipality as a direct result of a business expansion or renovation project, or in the case of an existing building, having met the vacancy requirement. The property tax abatement is for a full five-year period and takes effect with the start of the first full assessment year following the issuance of a "Certificate of Eligibility." Statutory reference to these benefits can be found in [CGS 32-9p](#), [32-9r](#), [32-9s](#), [12-81\(59\)](#) and [12-81\(60\)](#).
- A ten-year, 25% credit on that portion of the state's corporation business tax that is directly attributable to a business expansion or renovation project as determined by the Connecticut Department of Revenue Services. The corporation tax credit is available for a full ten-year period and takes effect with the start of the business' first full fiscal year following the issuance of a "Certificate of Eligibility." The corporate tax credit increases to 50% if a minimum of 30% of the new full-time positions are filled by either zone residents or are residents of the municipality and are WIA eligible. The statutory reference for this benefit is [CGS 12-217\(e\)](#).

*Newly formed corporations* located in a zone qualify for a 100% corporate tax credit for their first three taxable years and a 50% tax credit for the next seven taxable years. The corporation must have: (1) at least 375 employees - at least 40% of which are either zone residents or are residents of the municipality and who qualify for the Workforce Investment Act, *or* (2) has less than 375 employees - at least 150 of which are zone residents or are residents of the municipality and who qualify for the Workforce Investment Act.

Any businesses engaged in biotechnology, pharmaceutical, or photonics research, development or production, with not more than three hundred employees, are eligible for Enterprise Zone benefits if they are located anywhere in a municipality with (1) a major research university with programs in biotechnology, pharmaceuticals or photonics and (2) an Enterprise Zone. Benefits are subject to the same conditions as those for businesses located in an Enterprise Zone.

## **APPLICATION AND CERTIFICATION PROCESS**

An Enterprise Zone business applicant must complete a preliminary application to determine if all eligibility criteria will be met. Enterprise Corridor Zone applicants are processed identically to those in Enterprise Zones.

A Targeted Investment Community (Urban Jobs) business applicant must submit a formal request (preferably through the local economic development official of the town) for the urban jobs program incentive before initiating an otherwise eligible project. The request must demonstrate (1) inducement and (2) need or economic benefit as described above.

Neither the preliminary questionnaire nor the letter of request constitutes a formal application. If the Enterprise Zone applicant demonstrates that all of the requirements will be met, a formal application is provided. A Targeted Investment Community (Urban Jobs)

applicant is sent a formal application after his request has been approved by the commissioner of the Department of Economic and Community Development.

All applicants must submit a completed application to the Department of Economic and Community Development prior to October 1 of the assessment year in which the project is completed. In addition to the completion of the formal application a business applicant must provide the following in order to be certified:

1. a copy of the lease, if the facility is being leased.
2. a copy of the deed to the property if it is acquired by purchase.
3. a notarized letter from a municipal official testifying to the idleness condition if that criterion is being used to qualify a facility.
4. a copy of the company's Certificate of Good Standing from the Secretary of State.

Completed applications are reviewed and Certificates of Eligibility are issued within 2-3 weeks after receipt. The department does not impose any charges or fees for the application and certification process. Monitoring consists of inspections of certified facilities and businesses by department officials as well as local and municipal program administrators. These inspections may be announced or unannounced and may include the municipal assessor.

Connecticut Department of Economic and Community Development (DECD) Website:  
<http://www.ct.gov/ecd>

## Addendum A - Service Businesses

The following service establishments, as defined by NAICS numbers, may be eligible for Enterprise Zone benefits if located in an enterprise zone designated pursuant to section [32-70](#) of the statutes as amended. Benefits are generally subject to the establishment not regularly having direct business with, or service to, the general public.

NOTE: This list is meant for reference only. Program eligibility is determined on a case-by-case basis by staff of DECD's Office of Business and Industry Development.

### Description

112511	Finfish Farming and Fish Hatcheries
112512	Shellfish Farming
114111	Finfish Fishing
114112	Shellfish Fishing
114119	Other Marine Fishing
339116	Dental Laboratories
481111	Scheduled Passenger Air Transportation
481112	Scheduled Freight Air Transportation
483111	Deep Sea Freight Transportation
483113	Coastal and Great Lakes Freight Transportation
483211	Inland Water Freight Transportation
488210	Support Activities for Rail Transportation
488310	Port and Harbor Operations
488320	Marine Cargo Handling
488330	Navigational Services to Shipping
488490	Other Support Activities for Road Transportation
488510	Freight Transportation Arrangement
488991	Packing and Crating
488999	All Other Support Activities for Transportation
492110	Couriers
493120	Refrigerated Warehousing and Storage
493130	Farm Product Warehousing and Storage
493190	Special Warehousing and Storage not elsewhere classified
511210	Software Publishers
518111	Internet Service Providers
518210	Data Processing, Hosting and Related Services
521110	Monetary Authorities - Central Bank
522110	Commercial Banking
522120	Savings Institutions
522130	Credit Unions
522291	Consumer Lending
522292	Real Estate Credit
522293	International Trade Financing
522298	All Other Nondepository Credit Intermediation
522310	Mortgage and Nonmortgage Loan Brokers
522320	Financial Transactions Processing, Reserve and Clearhousing Activities
523110	Investment Banking and Securities Dealing

523130 Commodity Contracts Dealing  
523140 Commodity Contracts Brokerage  
523210 Securities and Commodity Exchanges  
523910 Miscellaneous Intermediation  
523920 Portfolio Management  
523930 Investment Advice  
523991 Trust, Fiduciary and Custody Activities  
523999 Miscellaneous Financial Investment Activities  
524113 Insurance Underwriting, Life, Direct  
524114 Direct Health and Medical Insurance Carriers  
524126 Direct Property and Casualty Insurance Carriers  
524127 Direct Title Insurance Carriers  
524128 Other Direct Insurance Carriers (except Life, Health and Medical) Carriers  
525110 Pension Funds  
525120 Health and Welfare Funds  
525910 Open-End Investment Funds  
525920 Trusts, Estates and Agency Accounts  
525930 Real Estate Investment Trusts  
525990 Other Financial Vehicles  
532411 Commercial Air, Rail and Water Transportation Equipment Rental and Leasing  
532420 Office Machinery and Equipment Rental and Leasing  
533110 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)  
541380 Testing Laboratories  
541511 Custom Computer Programming Services  
541512 Computer Systems Design Services  
541513 Computer Facilities Management Services  
541519 Other Computer Related Services  
541611 Management Consulting Services  
541710 Research and Development in the Physical, Engineering and Life Sciences  
541720 Research and Development in the Social Sciences and Humanities  
551111 Offices of Bank Holding Companies  
551112 Offices of Other Holding Companies  
561110 Office Administrative Services  
561422 Telemarketing Bureaus  
561450 Credit Bureaus  
621511 Medical Laboratories  
811212 Computer and Office Machine Repair and Maintenance  
813211 Grantmaking Foundations