



Substitute House Bill No. 6500

Public Act No. 07-236

AN ACT EXPANDING CONNECTICUT'S FILM INDUSTRY.

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

Section 1. Section 12-217jj of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2007, and applicable to income years commencing on or after January 1, 2007*):

(a) As used in this section:

(1) "Commissioner" means the Commissioner of Revenue Services.

(2) "Commission" means the Connecticut Commission on Culture and Tourism.

(3) (A) "Qualified production" means [the process of producing any type of] entertainment content [which shall include] created in whole or in part within the state, including motion pictures; documentaries; long-form, specials, mini-series, series, sound recordings, videos and music videos and interstitials television programming; interactive television; interactive games; videogames; commercials; infomercials; any format of digital media, including an interactive website, created [primarily] for distribution or exhibition to the general public; and any trailer, pilot, video teaser or demo created primarily to stimulate the sale, marketing, promotion or exploitation of future investment in either a product or a qualified production via any means and media in any digital media format, film or videotape, provided such program meets all the underlying criteria of a qualified production.

(B) "Qualified production" shall not include [(A)] any ongoing television program created primarily as news, weather or financial market reports, a production featuring current events, sporting events, an awards show or other gala event, a production whose sole purpose is fundraising, a long-form production that primarily markets a product or service, a production used for corporate training or in-house corporate advertising or other similar productions, or [(B)] any production [containing any material or performance that is obscene, as defined in section 53a-193] for which records are required to be maintained under 18 USC 2257 with respect to sexually explicit content.

(4) "Eligible production company" means a corporation, partnership, limited liability company, or other business entity engaged in the business of producing qualified productions on a one-time or ongoing basis, and qualified by the Secretary of the State to engage in business in the state.

(5) "Production expenses or costs" means all expenditures clearly and demonstrably incurred [in

the state] in the development, preproduction, production or postproduction costs of a qualified production, including:

[(A) Expenditures for optioning or purchase of any intellectual property including, but not limited to, books, scripts, music or trademarks relating to the development or purchase of a script, screenplay or format, provided (i) the intellectual property was produced primarily in the state, (ii) seventy-five per cent of the qualified production based on such intellectual property is produced in the state, and (iii) the production expenses or costs for such optioning or purchase are less than thirty-five per cent of the production expenses or costs incurred in the state. Such expenses or costs shall include all expenditures generally associated with the optioning or purchase of intellectual property, including option money, agent fees and attorney fees relating to the transaction, but shall not include any and all deferrals, deferments, royalties, profit participation or recourse or nonrecourse loans which the eligible production company may negotiate in order to obtain the rights to the intellectual property;]

[(B) (A) Expenditures incurred [in the state] in the form of either compensation or purchases including production work, production equipment not eligible for the infrastructure tax credit provided in section 2 of this act, production software, postproduction work, postproduction equipment, postproduction software, set design, set construction, props, lighting, wardrobe, makeup, makeup accessories, special effects, visual effects, audio effects, film processing, music, sound mixing, editing, location fees, soundstages and any and all other costs or services directly incurred [in the state] in connection with a state-certified qualified production;

[(C) (B) Expenditures for distribution, including preproduction, production or postproduction costs relating to the creation of trailers, marketing videos, commercials, point-of-purchase videos and any and all content created on film or digital media, including the duplication of films, videos, CDs, DVDs and any and all digital files now in existence and those yet to be created for mass consumer consumption; the purchase, by a company in the state, of any and all equipment relating to the duplication or mass market distribution of any content created or produced in the state by any digital media format which is now in use and those formats yet to be created for mass consumer consumption; and

[(D) (C) "Production expenses or costs" does not include the following: (i) [Talent fees for extras, principal day players and atmosphere, as defined by the Screen Actors Guild, to the extent the individual performer costs exceed the rates of the Screen Actors Guild for double scale wages under the current collective bargaining agreements] On and after January 1, 2008, compensation in excess of fifteen million dollars paid to any individual or entity representing an individual, for services provided in the production of a qualified production; (ii) media buys, promotional events or gifts or public relations associated with the promotion or marketing of any qualified production; (iii) deferred, leveraged or profit participation costs relating to any and all personnel associated with any and all aspects of the production, including, but not limited to, producer fees, director fees, talent fees and writer fees; (iv) costs relating to the transfer of the production tax credits; and (v) any amounts paid to persons or businesses as a result of their participation in profits from the exploitation of the qualified production.

(6) "Sound recording" means a recording of music, poetry or spoken-word performance, but does not include the audio portions of dialogue or words spoken and recorded as part of a motion picture, video, theatrical production, television news coverage or athletic event.

~~[(6)]~~ (7) "State-certified qualified production" means a qualified production produced by an eligible production company that (A) is in compliance with regulations adopted pursuant to subsection ~~[(e)]~~ (g) of this section, (B) is authorized to conduct business in this state, and (C) has been approved by the commission as qualifying for a production tax credit under this section.

(8) "Interactive web site" means a web site, the production costs of which (A) exceed five hundred thousand dollars per income year, and (B) is primarily (i) interactive games or end user applications, or (ii) animation, simulation, sound, graphics, story lines or video created or repurposed for distribution over the internet. An interactive web site does not include a web site primarily used for institutional, private, industrial, retail or wholesale marketing or promotional purposes, or which contains obscene content.

(9) "Post-certification remedy" means the recapture, disallowance, recovery, reduction, repayment, forfeiture, decertification or any other remedy that would have the effect of reducing or otherwise limiting the use of a tax credit provided by this section.

(b) (1) The Connecticut Commission on Culture and Tourism shall administer a system of tax credit vouchers within the resources, requirements and purposes of this section for eligible production companies producing a state-certified qualified production in the state. For income years commencing on or after January 1, ~~[2006]~~ 2007, any eligible production company incurring production expenses or costs in excess of fifty thousand dollars shall be eligible for a credit against the tax imposed under chapter 207 or this chapter equal to thirty per cent of such production expenses or costs, provided (A) on and after January 1, 2009, fifty per cent of such expenses or costs shall be counted toward such credit when incurred outside the state and used within the state, and one hundred per cent of such expenses or costs shall be counted toward such credit when incurred within the state and used within the state, and (B) on and after January 1, 2012, no expenses or costs incurred outside the state and used within the state shall be eligible for a credit, and one hundred per cent of such expenses or costs shall be counted toward such credit when incurred within the state and used within the state.

(2) Any credit allowed pursuant to this subsection may be sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers, ~~[provided such taxpayers may claim such credit only for an income year in which the eligible production company would have been eligible to claim such credit]~~ provided no credit, after issuance, may be sold, assigned or otherwise transferred, in whole or in part, more than three times.

(3) Any such credit allowed under this subsection shall be claimed against the tax imposed under chapter 207 or this chapter for the income year in which ~~[final certification for the state-certified qualified production is made by the commission pursuant to this section]~~ the production expenses or costs were incurred, and may be carried forward for the three immediately succeeding income years. Any production tax credit allowed under this subsection shall be nonrefundable.

(c) (1) An eligible production company shall apply to the commission for ~~[an eligibility certificate]~~ a tax credit voucher on an annual basis, but not later than ninety days after the first production expenses or costs are incurred in the production of a qualified production, and shall provide with such application such information as the commission may require to determine such company's eligibility to claim a credit under this section. No production expenses or costs may be listed more than once for purposes of the tax credit voucher pursuant to this section, or pursuant to section 2 or 3 of this act, and if a production expense or cost has been included in a claim for a credit, such

production expense or cost may not be included in any subsequent claim for a credit.

(2) Not earlier than three months after the application in subdivision (1) of this subsection, an eligible production company may apply to the commission for a production tax credit voucher, and shall provide with such application such information as the commission may require pertaining to the amount of such company's production expenses or costs to date. If the commission determines that such company is eligible to be issued a production tax credit voucher, the commission shall enter on the voucher the amount of production expenses or costs that has been established to the satisfaction of the commission, and the amount of such company's credit under this section. The commission shall provide a copy of such voucher to the commissioner, upon request.

~~[(2)]~~ (3) Not later than ninety days after the end of the annual period, or after the last production expenses or costs are incurred in the production of a qualified production, an eligible production company shall apply to the commission for a production tax credit [certificate] voucher, and shall provide with such application such information as the commission may require pertaining to the amount of [the] such company's production expenses or costs. If the commission determines that [the] such company is eligible to be issued a production tax credit [certificate] voucher, the commission shall enter on the [certificate] voucher the amount of production expenses or costs that has been established to the satisfaction of the commission, minus the amount of any credit issued pursuant to subdivision (2) of this subsection, and the amount of [the] such company's credit under this section. The commission shall provide a copy of such [certificate] voucher to the commissioner, upon request.

(d) If an eligible production company sells, assigns or otherwise transfers a credit under this section to another taxpayer, the transferor and transferee shall jointly submit written notification of such transfer to the commission not later than thirty days after such transfer. If such transferee sells, assigns or otherwise transfers a credit under this section to a subsequent transferee, such transferee and such subsequent transferee shall jointly submit written notification of such transfer to the commission not later than thirty days after such transfer. The notification after each transfer shall include the credit [certificate] voucher number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and the transferee, and any other information required by the commission. Failure to comply with this subsection will result in a disallowance of the tax credit until there is full compliance on [both] the part of the transferor and the transferee, and for a second or third transfer, on the part of all subsequent transferors and transferees. The commission shall provide a copy of the notification of assignment to the commissioner upon request.

(e) Any eligible production company that wilfully submits information to the commission that it knows to be fraudulent or false shall, in addition to any other penalties provided by law, be liable for a penalty equal to the amount of such company's credit entered on the production tax credit certificate issued under this section.

(f) The issuance by the commissioner of a tax credit voucher with respect to an amount of tax credits stated thereon shall mean that none of such tax credits are subject to a post-certification remedy, and that the commission and the commissioner shall have no right, except in the case of possible material misrepresentation or fraud, to conduct any further or additional review, examination or audit of the expenditures or costs for which such tax credits were issued. In the event that at any time after the issuance of a tax credit voucher, the commission or the commissioner determines that there was a material misrepresentation or fraud on the part of an

eligible production company in connection with the submission of an expense report and the result of such material misrepresentation or fraud was that (1) a specific amount of tax credits was reflected on the tax credit voucher issued in response to such expense report that would not have otherwise been so reflected, and (2) such tax credits would otherwise be subject to a post-certification remedy, such tax credits shall not be subject to any post-certification remedy and the sole and exclusive remedy of the commission and the commissioner shall be to seek collection of the amount of such tax credits from the eligible production company that committed the fraud or misrepresentation, not from any transferee of such tax credits.

~~[(e)]~~ (g) The commission, in consultation with the commissioner, shall adopt regulations, in accordance with the provisions of chapter 54, as may be necessary for the administration of this section.

Sec. 2. (NEW) (*Effective July 1, 2007, and applicable to income years commencing on or after January 1, 2007*) (a) As used in this section:

(1) "Commissioner" means the Commissioner of Revenue Services.

(2) "Commission" means the Connecticut Commission on Culture and Tourism.

(3) "Infrastructure project" means a capital project to provide basic buildings, facilities or installations needed for the functioning of the digital media and motion picture industry in this state.

(4) "State-certified project" means an infrastructure project undertaken in this state by an entity that (A) is in compliance with regulations adopted pursuant to subsection (e) of this section, (B) is authorized to conduct business in this state, (C) is not in default on a loan made by the state or a loan guaranteed by the state, nor has ever declared bankruptcy under which an obligation of the entity to pay or repay public funds was discharged as a part of such bankruptcy, and (D) has been approved by the commission as qualifying for an infrastructure tax credit under this section.

(5) "Post-certification remedy" means the recapture, disallowance, recovery, reduction, repayment, forfeiture, decertification or any other remedy that would have the effect of reducing or otherwise limiting the use of a tax credit provided by this section.

(b) (1) There shall be allowed a state-certified project credit against the tax imposed under chapter 207 or 208 of the general statutes to any taxpayer that invests in a state-certified project. Such credit may be in the following amounts: (A) For state-certified projects costing greater than fifteen thousand dollars and less than one hundred fifty thousand dollars, each taxpayer may be allowed a tax credit of ten per cent of the investment made by such taxpayer; (B) for state-certified projects costing one hundred fifty thousand dollars or more, but less than one million dollars, each taxpayer may be allowed a tax credit of fifteen per cent of the investment made by such taxpayer; and (C) for state-certified projects costing one million dollars or more, each taxpayer may be allowed a tax credit of twenty per cent of the investment made by such taxpayer.

(2) Eligible expenditures pursuant to this section shall include the following: All expenditures for a capital project to provide buildings, facilities or installations, whether leased or purchased, together with necessary equipment for a film, video, television, digital production facility or digital animation production facility; project development, including design, professional consulting fees and transaction costs; development, preproduction, production, post-production and distribution

equipment and system access; and fixtures and other equipment.

(3) Any credit allowed pursuant to this section may be sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers, and such taxpayers may sell, assign or otherwise transfer, in whole or in part, such credit. Any taxpayer holding such credit may claim such credit only for the income year in which expenditures were made by the taxpayer for the infrastructure project.

(4) Any credit allowed pursuant to this section shall be claimed against the tax imposed under chapter 207 or 208 of the general statutes. If the amount of the credit allowable under this section exceeds the sum of any taxes due from a taxpayer, any such excess amount of the credit allowable under this section may be taken in any of the three immediately succeeding income years.

(5) Any tax credit earned under this section shall be nonrefundable.

(c) (1) An entity undertaking an infrastructure project shall apply to the commission for an eligibility certificate not later than ninety days after the first expenses or costs are incurred, and shall provide with such application such information as the commission may require to determine such infrastructure project's eligibility as a state-certified project.

(2) Each application for an eligibility certificate shall include: (A) A detailed description of the infrastructure project; (B) a preliminary budget; (C) estimated completion date; and (D) such other information as the commission may require. The commission may require an independent audit of all project costs and expenditures prior to certification. If the commission determines that such project is eligible to be a state-certified project, the commission shall indicate the amount of costs or expenditures that has been established to the satisfaction of the commission, and issue to such entity a tax credit certification letter for investors indicating the amount of tax credits available under this section. The commission shall provide a copy of such letter to the commissioner, upon request.

(3) Prior to the issuance of a state-certified project tax credit voucher to a taxpayer based upon the tax credit certification letter issued pursuant to subdivision (2) of this subdivision, the entity undertaking such infrastructure project shall provide the commission with a description of the progress on such project and an estimated completion date. The commission may require an independent audit of all project costs and expenditures prior to issuance of such tax credit voucher to a taxpayer. No such tax credit voucher may be issued prior to such time as such state-certified project is shown to be not less than sixty per cent complete.

(d) If a taxpayer sells, assigns or otherwise transfers a credit under this section to another taxpayer, the transferor and transferee shall jointly submit written notification of such transfer to the commission not later than thirty days after such transfer. The notification shall include the credit certificate number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and the transferee and any other information required by the commissioner. After the initial issuance of a tax credit, such credit may be sold, assigned or otherwise transferred not more than three times. Failure to comply with this subsection will result in a disallowance of the tax credit until there is full compliance on both the part of the transferor and the transferee, and all subsequent transferors and transferees. The commission shall provide a copy of the notification of assignment to the commissioner upon request.

(e) The issuance by the commissioner of a tax credit voucher with respect to an amount of tax credits stated thereon shall mean that none of such tax credits are subject to a post-certification remedy, and that the commission and the commissioner shall have no right except in the case of a possible material misrepresentation or fraud, to conduct any further or additional review, examination or audit of the expenditures or costs for which such tax credits were issued. In the event that at any time after the issuance of a tax credit voucher, the commission or the commissioner determines that there was a material misrepresentation or fraud on the part of a taxpayer in connection with the submission of an expense report and the result of such material misrepresentation or fraud was that (1) a specific amount of tax credits was reflected on the tax credit voucher issued in response to such expense report that would not have otherwise been so reflected, and (2) such tax credits would otherwise be subject to a post-certification remedy, such tax credits shall not be subject to any post-certification remedy and the sole and exclusive remedy of the commission and the commissioner shall be to seek collection of the amount of such tax credits from the taxpayer that committed the fraud or misrepresentation, not from any transferee of the tax credits.

(f) The commission, in consultation with the commissioner, shall adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, as may be necessary for the administration of this section.

Sec. 3. (NEW) (*Effective July 1, 2007, and applicable to income years commencing on or after January 1, 2007*) (a) As used in this section:

(1) "Commissioner" means the Commissioner of Revenue Services.

(2) "Commission" means the Connecticut Commission on Culture and Tourism.

(3) "Digital animation production company" means a corporation, partnership, limited liability company or other business entity engaged exclusively in digital animation production activity on an ongoing basis, and that is qualified by the Secretary of the State to engage in business in the state.

(4) "State-certified digital animation production company" means a digital animation production company that (A) maintains studio facilities located within the state at which digital animation production activities are conducted, (B) employs at least two hundred full-time employees within the state, (C) is in compliance with regulations adopted pursuant to subsection (h) of this section, and (D) has been certified by the commission.

(5) "Digital animation production activity" means the creation, development and production of computer-generated animation content for distribution or exhibition to the general public, but not for the production of any material for which records are required to be maintained under 18 USC 2257 with respect to sexually explicit content.

(6) "Full-time employee" means an employee required to work at least thirty-five hours or more per week, and who is not a temporary or seasonal employee.

(7) "Post-certification remedy" means the recapture, disallowance, recovery, reduction, repayment, forfeiture, decertification or any other remedy that would have the effect of reducing or otherwise limiting the use of a tax credit provided by this section.

(8) "Production expenses or costs" means all expenditures clearly and demonstrably incurred in the state in the development, preproduction, production or postproduction costs of a digital animation production activity, including:

(A) Expenditures for optioning or purchase of any intellectual property including, but not limited to, books, scripts, music or trademarks relating to the development or purchase of a script, screenplay or format, to the extent that such expenditures are less than thirty-five per cent of the production expenses or costs incurred by a digital animation production company in any income year. Such expenses or costs shall include all expenditures generally associated with the optioning or purchase of intellectual property, including option money, agent fees and attorney fees relating to the transaction, but shall not include any and all deferrals, deferments, profit participation or recourse or nonrecourse loans which the digital animation production company may negotiate in order to obtain the rights to the intellectual property;

(B) Expenditures incurred in the form of either compensation or purchases including production work, production equipment not eligible for the infrastructure tax credit provided in section 2 of this act, production software, postproduction work, postproduction equipment, postproduction software, set design, set construction, props, lighting, wardrobe, makeup, makeup accessories, special effects, visual effects, audio effects, actors, voice talent, film processing, music, sound mixing, editing, location fees, soundstages, rent, utilities, insurance, administrative support, systems support, all reasonably-related expenses in connection with digital animation production activity, and any and all other costs or services directly incurred in the state in connection with a state-certified digital animation production company;

(C) Expenditures for distribution, including preproduction, production or postproduction costs relating to the creation of trailers, marketing videos, short films, commercials, point-of-purchase videos and any and all content created on film or digital media, including the duplication of films, videos, CDs, DVDs and any and all digital files now in existence and those yet to be created for mass consumer consumption; the purchase, by a company in the state, of any and all equipment relating to the duplication or mass market distribution of any content created or produced in the state by any digital media format which is now in use and those formats yet to be created for mass consumer consumption; and

(D) "Production expenses or costs" does not include the following: (i) Compensation in excess of fifteen million dollars paid to any individual or entity representing an individual, for services provided in a digital animation production activity; (ii) media buys, promotional events or gifts or public relations associated with the promotion or marketing of any digital animation production activity; (iii) deferred, leveraged or profit participation costs relating to any and all personnel associated with any and all aspects of the production, including, but not limited to, producer fees, director fees, talent fees and writer fees; (iv) costs relating to the transfer of the digital animation tax credits; and (v) any amounts paid to persons or businesses as a result of their participation in profits from the exploitation of the digital animation production activity.

(b) (1) The Connecticut Commission on Culture and Tourism shall administer a system of tax credit vouchers within the resources, requirements and purposes of this section for digital animation production companies undertaking digital animation production activity in the state. For income years commencing on or after January 1, 2007, any state-certified digital animation production company incurring production expenses or costs in excess of fifty thousand dollars shall be eligible for a credit against the tax imposed under chapter 207 or 208 of the general statutes, equal to thirty

per cent of such production expenses or costs.

(2) Any credit allowed pursuant to this section may be sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers, provided no credit, after issuance, may be sold, assigned or otherwise transferred, in whole or in part, more than three times.

(3) Any credit allowed pursuant to this section shall be claimed against the tax imposed under chapter 207 or 208 of the general statutes, for the income year in which the production expenses or costs were incurred, and may be carried forward for the three immediately succeeding income years. Any digital animation tax credit allowed under this section shall be nonrefundable.

(4) Any digital animation production company receiving a digital animation tax credit pursuant to this section shall not be eligible to apply for or receive a tax credit pursuant to section 12-217jj of the general statutes, as amended by this act.

(c) Not more frequently than twice during the income year of a state-certified digital animation production company, such company may apply to the commission for a digital animation tax credit voucher, and shall provide with such application such information as the commission may require pertaining to the amount of such company's production expenses or costs incurred during the period for which such application is made. If the commission determines that the company is eligible to be issued a tax credit voucher, the commission shall enter on the voucher the amount of production expenses and costs incurred during the period for which the voucher is issued and the amount of tax credits issued pursuant to such voucher. The commission shall provide a copy of such voucher to the commissioner upon request.

(d) If a state-certified digital animation production company sells, assigns or otherwise transfers a credit under this section to another taxpayer, the transferor and transferee shall jointly submit written notification of such transfer to the commission not later than thirty days after such transfer. If such transferee sells, assigns or otherwise transfers a credit under this section to a subsequent transferee, such transferee and such subsequent transferee shall jointly submit written notification of such transfer to the commission not later than thirty days after such transfer. The notification after each transfer shall include the credit voucher number, the date of transfer, the amount of such credit transferred, the tax credit balance before and after the transfer, the tax identification numbers for both the transferor and the transferee, and any other information required by the commission. Failure to comply with this subsection will result in a disallowance of the tax credit until there is full compliance on the part of the transferor and the transferee, and for a second or third transfer, on the part of all subsequent transferors and transferees. The commission shall provide a copy of the notification of assignment to the commissioner upon request.

(e) Any state-certified digital animation production company that wilfully submits information to the commission that it knows to be fraudulent or false shall, in addition to any other penalties provided by law, be liable for a penalty equal to the amount of such company's credit entered on the digital animation tax credit certificate issued under this section.

(f) The issuance by the commissioner of a digital animation tax credit voucher with respect to an amount of tax credits stated thereon shall mean that none of such tax credits are subject to a post-certification remedy, and that the commission and the commissioner shall have no right, except in the case of possible material misrepresentation or fraud, to conduct any further or additional review, examination or audit of the expenditures or costs for which such tax credits

were issued. In the event that at any time after the issuance of a tax credit voucher, the commission or the commissioner determines that there was a material misrepresentation or fraud on the part of a state-certified digital animation production company in connection with the submission of an expense report and the result of such material misrepresentation or fraud was that (1) a specific amount of tax credits was reflected on the tax credit voucher issued in response to such expense report that would not have otherwise been so reflected, and (2) such tax credits would otherwise be subject to a post-certification remedy, such tax credits shall not be subject to any post-certification remedy and the sole and exclusive remedy of the commission and the commissioner shall be to seek collection of the amount of such tax credits from the digital animation production company that committed the fraud or misrepresentation, not from any transferee of the tax credits.

(g) The aggregate amount of all tax credits which may be reserved by the commission pursuant to this section shall not exceed fifteen million dollars in any one fiscal year.

(h) The commission, in consultation with the commissioner, shall adopt regulations, in accordance with the provisions of chapter 54 of the general statutes, as may be necessary for the administration of this section.

Sec. 4. Section 32-39 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2007*):

The purposes of the corporation shall be to stimulate and encourage the research and development of new technologies, [\[and\] businesses and](#) products, to encourage the creation and transfer of new technologies, to assist existing businesses in adopting current and innovative technological processes, to stimulate and provide services to industry that will advance the adoption and utilization of technology, to achieve improvements in the quality of products and services, to stimulate and encourage the development and operation of new and existing science parks and incubator facilities, and to promote science, engineering, mathematics and other disciplines that are essential to the development and application of technology within Connecticut by the infusion of financial aid for research, invention and innovation in situations in which such financial aid would not otherwise be reasonably available from commercial or other sources, and for these purposes the corporation shall have the following powers:

- (1) To have perpetual succession as a body corporate and to adopt bylaws, policies and procedures for the regulation of its affairs and conduct of its businesses as provided in section 32-36;
- (2) To enter into venture agreements with persons, upon such terms and on such conditions as are consistent with the purposes of this chapter, for the advancement of financial aid to such persons for the research, development and application of specific technologies, products, procedures, services and techniques, to be developed and produced in this state, and to condition such agreements upon contractual assurances that the benefits of increasing or maintaining employment and tax revenues shall remain in this state and shall accrue to it;
- (3) To solicit, receive and accept aid, grants or contributions from any source of money, property or labor or other things of value, to be held, used and applied to carry out the purposes of this chapter, subject to the conditions upon which such grants and contributions may be made, including but not limited to, gifts or grants from any department or agency of the United States or the state;

- (4) To invest in, acquire, lease, purchase, own, manage, hold and dispose of real property and lease, convey or deal in or enter into agreements with respect to such property on any terms necessary or incidental to the carrying out of these purposes; provided, however, that all such acquisitions of real property for the corporation's own use with amounts appropriated by the state to the corporation or with the proceeds of bonds supported by the full faith and credit of the state shall be subject to the approval of the Secretary of the Office of Policy and Management and the provisions of section 4b-23;
- (5) To borrow money or to guarantee a return to the investors in or lenders to any capital initiative, to the extent permitted under this chapter;
- (6) To hold patents, copyrights, trademarks, marketing rights, licenses, or any other evidences of protection or exclusivity as to any products as defined herein, issued under the laws of the United States or any state or any nation;
- (7) To employ such assistants, agents and other employees as may be necessary or desirable, which employees shall be exempt from the classified service and shall not be employees, as defined in subsection (b) of section 5-270; establish all necessary or appropriate personnel practices and policies, including those relating to hiring, promotion, compensation, retirement and collective bargaining, which need not be in accordance with chapter 68, and the corporation shall not be an employer as defined in subsection (a) of section 5-270; and engage consultants, attorneys and appraisers as may be necessary or desirable to carry out its purposes in accordance with this chapter;
- (8) To make and enter into all contracts and agreements necessary or incidental to the performance of its duties and the execution of its powers under this chapter;
- (9) To sue and be sued, plead and be impleaded, adopt a seal and alter the same at pleasure;
- (10) With the approval of the State Treasurer, to invest any funds not needed for immediate use or disbursement, including any funds held in reserve, in obligations issued or guaranteed by the United States of America or the state of Connecticut and in other obligations which are legal investments for retirement funds in this state;
- (11) To procure insurance against any loss in connection with its property and other assets in such amounts and from such insurers as it deems desirable;
- (12) To the extent permitted under its contract with other persons, to consent to any termination, modification, forgiveness or other change of any term of any contractual right, payment, royalty, contract or agreement of any kind to which the corporation is a party;
- (13) To do anything necessary and convenient to render the bonds to be issued under section 32-41 more marketable;
- (14) To acquire, lease, purchase, own, manage, hold and dispose of personal property, and lease, convey or deal in or enter into agreements with respect to such property on any terms necessary or incidental to the carrying out of these purposes;
- (15) In connection with any application for assistance under this chapter, or commitments therefor, to make and collect such fees as the corporation shall determine to be reasonable;

- (16) To enter into venture agreements with persons, upon such terms and conditions as are consistent with the purposes of this chapter to provide financial aid to such persons for the marketing of new and innovative services based on the use of a specific technology, product, device, technique, service or process;
- (17) To enter into limited partnerships or other contractual arrangements with private and public sector entities as the corporation deems necessary to provide financial aid which shall be used to make investments of seed venture capital in companies based in or relocating to the state in a manner which shall foster additional capital investment, the establishment of new businesses, the creation of new jobs and additional commercially-oriented research and development activity. The repayment of such financial aid shall be structured in such manner as the corporation deems will best encourage private sector participation in such limited partnerships or other arrangements. The board of directors, executive director, officers and staff of the corporation may serve as members of any advisory or other board which may be established to carry out the purposes of this subdivision;
- (18) To account for and audit funds of the corporation and funds of any recipients of financial aid from the corporation;
- (19) To advise the Governor, the General Assembly, the Commissioner of Economic and Community Development and the Commissioner of Higher Education on matters relating to science, engineering and technology which may have an impact on state policies, programs, employers and residents, and on job creation and retention;
- (20) To promote technology-based development in the state;
- (21) To encourage and promote the establishment of and, within available resources, to provide financial aid to advanced technology centers;
- (22) To maintain an inventory of data and information concerning state and federal programs which are related to the purposes of this chapter and to serve as a clearinghouse and referral service for such data and information;
- (23) To conduct and encourage research and studies relating to technological development;
- (24) To provide technical or other assistance and, within available resources, to provide financial aid to the Connecticut Academy of Science and Engineering, Incorporated, in order to further the purposes of this chapter;
- (25) To recommend a science and technology agenda for the state that will promote the formation of public and private partnerships for the purpose of stimulating research, new business formation and growth and job creation;
- (26) To encourage and provide technical assistance and, within available resources, to provide financial aid to existing manufacturers and other businesses in the process of adopting innovative technology and new state-of-the-art processes and techniques;
- (27) To recommend state goals for technological development and to establish policies and strategies for developing and assisting technology-based companies and for attracting such companies to the state;

- (28) To promote and encourage and, within available resources, to provide financial aid for the establishment, maintenance and operation of incubator facilities;
- (29) To promote and encourage the coordination of public and private resources and activities within the state in order to assist technology-based entrepreneurs and business enterprises;
- (30) To provide services to industry that will stimulate and advance the adoption and utilization of technology and achieve improvements in the quality of products and services;
- (31) To promote science, engineering, mathematics and other disciplines that are essential to the development and application of technology;
- (32) To coordinate its efforts with existing business outreach centers, as described in section 32-9qq;
- (33) To do all acts and things necessary and convenient to carry out the purposes of this chapter;
- (34) To accept from the department: (A) Financial assistance, (B) revenues or the right to receive revenues with respect to any program under the supervision of the department, and (C) loan assets or equity interests in connection with any program under the supervision of the department; to make advances to and reimburse the department for any expenses incurred or to be incurred by it in the delivery of such assistance, revenues, rights, assets, or interests; to enter into agreements for the delivery of services by the corporation, in consultation with the department, the Connecticut Housing Finance Authority and the Connecticut Development Authority, to third parties which agreements may include provisions for payment by the department to the corporation for the delivery of such services; and to enter into agreements with the department or with the Connecticut Development Authority or Connecticut Housing Finance Authority for the sharing of assistants, agents and other consultants, professionals and employees, and facilities and other real and personal property used in the conduct of the corporation's affairs;
- (35) To transfer to the department: (A) Financial assistance, (B) revenues or the right to receive revenues with respect to any program under the supervision of the corporation, and (C) loan assets or equity interests in connection with any program under the supervision of the corporation, provided the transfer of such financial assistance, revenues, rights, assets or interests is determined by the corporation to be practicable, within the constraints and not inconsistent with the fiduciary obligations of the corporation imposed upon or established upon the corporation by any provision of the general statutes, the corporation's bond resolutions or any other agreement or contract of the corporation and to have no adverse effect on the tax-exempt status of any bonds of the state;
- (36) With respect to any capital initiative, to create, with one or more persons, one or more affiliates and to provide, directly or indirectly, for the contribution of capital to any such affiliate, each such affiliate being expressly authorized to exercise on such affiliate's own behalf all powers which the corporation may exercise under this section, in addition to such other powers provided to it by law;
- (37) To provide financial aid to enable biotechnology and other technology companies to lease, acquire, construct, maintain, repair, replace or otherwise obtain and maintain production, testing, research, development, manufacturing, laboratory and related and other facilities, improvements and equipment;
- (38) To provide financial aid to persons developing smart buildings, as defined in section 32-23d, incubator facilities or other information technology intensive office and laboratory space;

(39) To provide financial aid to persons developing or constructing the basic buildings, facilities or installations needed for the functioning of the media and motion picture industry in this state.

Sec. 5. Subdivision (5) of subsection (b) of section 1-210 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(5) (A) Trade secrets, which for purposes of the Freedom of Information Act, are defined as information, including formulas, patterns, compilations, programs, devices, methods, techniques, processes, drawings, cost data, [or] customer lists, film or television scripts or detailed production budgets that (i) derive independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from their disclosure or use, and (ii) are the subject of efforts that are reasonable under the circumstances to maintain secrecy; and

(B) Commercial or financial information given in confidence, not required by statute.

Sec. 6. (NEW) (*Effective July 1, 2007*) (a) The Office of Workforce Competitiveness, in consultation with the Labor Commissioner, the Commissioners of Education and Economic and Community Development, and the Connecticut Commission on Culture and Tourism, shall establish a program that is designed to develop a trained workforce for the film industry in the state. Such program shall have three components: (1) An unpaid intern training program for high school and college students; (2) a production assistant training program open to any state resident; and (3) a workforce training program that would include classroom training, on-set training and a mentor program.

(b) Not later than ninety days after July 1, 2007, the Office of Workforce Competitiveness shall establish written participation guidelines for the program authorized under this section.

(c) Not later than January 1, 2008, and annually thereafter, the Office of Workforce Competitiveness shall submit a status report, in accordance with the provisions of section 11-4a of the general statutes, on the establishment and operation of the program authorized under this section to the Connecticut Employment and Training Commission, the joint standing committees of the General Assembly having cognizance of matters relating to commerce, and higher education and employment advancement.

Sec. 7. Subsection (a) of section 12-407 is amended by adding subdivision (38) as follows (*Effective July 1, 2007*):

(NEW) (38) "Media payroll services company" means a retailer whose principal business activity is the management and payment of compensation, fringe benefits, workers' compensation, payroll taxes or assessments to individuals providing services to an eligible production company pursuant to section 12-217jj, as amended by this act.

Sec. 8. Subparagraph (B) of subdivision (8) of subsection (a) of section 12-407 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2007*):

(B) "Sales price" does not include any of the following: (i) Cash discounts allowed and taken on sales; (ii) any portion of the amount charged for property returned by purchasers, which upon rescission of the contract of sale is refunded either in cash or credit, provided the property is returned within ninety days from the date of purchase; (iii) the amount of any tax, not including

any manufacturers' or importers' excise tax, imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the purchaser; (iv) the amount charged for labor rendered in installing or applying the property sold, provided such charge is separately stated and exclusive of such charge for any service rendered within the purview of subparagraph (I) of subdivision (37) of this subsection; (v) unless the provisions of subdivision (4) of section 12-430 or of section 12-430a are applicable, any amount for which credit is given to the purchaser by the retailer, provided such credit is given solely for property of the same kind accepted in part payment by the retailer and intended by the retailer to be resold; (vi) the full face value of any coupon used by a purchaser to reduce the price paid to a retailer for an item of tangible personal property, whether or not the retailer will be reimbursed for such coupon, in whole or in part, by the manufacturer of the item of tangible personal property or by a third party; (vii) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of employees of a retailer who has contracted to manage a service recipient's property or business premises and renders management services described in subparagraph (I) or (J) of subdivision (37) of this subsection, provided, the employees perform such services solely for the service recipient at its property or business premises and "sales price" shall include the separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of any employee of the retailer who is an officer, director or owner of more than five per cent of the outstanding capital stock of the retailer. Determination whether an employee performs services solely for a service recipient at its property or business premises for purposes of this subdivision shall be made by reference to such employee's activities during the time period beginning on the later of the commencement of the management contract, the date of the employee's first employment by the retailer or the date which is six months immediately preceding the date of such determination; (viii) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of (I) a leased employee, or (II) a worksite employee by a professional employer organization pursuant to a professional employer agreement. For purposes of this subparagraph, an employee shall be treated as a leased employee if the employee is provided to the client at the commencement of an agreement with an employee leasing organization under which at least seventy-five per cent of the employees provided to the client at the commencement of such initial agreement qualify as leased employees pursuant to Section 414(n) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, or the employee is added to the client's workforce by the employee leasing organization subsequent to the commencement of such initial agreement and qualifies as a leased employee pursuant to Section 414(n) of said Internal Revenue Code of 1986 without regard to subparagraph (B) of paragraph (2) thereof. A leased employee, or a worksite employee subject to a professional employer agreement, shall not include any employee who is hired by a temporary help service and assigned to support or supplement the workforce of a temporary help service's client; [and] (ix) any amount received by a retailer from a purchaser as the battery deposit that is required to be paid under subsection (a) of section 22a-245h; the refund value of a beverage container that is required to be paid under subsection (a) of section 22a-244; or a deposit that is required by law to be paid by the purchaser to the retailer and that is required by law to be refunded to the purchaser by the retailer when the same or similar tangible personal property is delivered as required by law to the retailer by the purchaser, if such amount is separately stated on the bill or invoice rendered by the retailer to the purchaser; and (x) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to a media payroll services company, as defined in this subsection.

Sec. 9. Subparagraph (B) of subdivision (9) of subsection (a) of section 12-407 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2007*):

(B) "Gross receipts" do not include any of the following: (i) Cash discounts allowed and taken on sales; (ii) any portion of the sales price of property returned by purchasers, which upon rescission of the contract of sale is refunded either in cash or credit, provided the property is returned within ninety days from the date of sale; (iii) the amount of any tax, not including any manufacturers' or importers' excise tax, imposed by the United States upon or with respect to retail sales whether imposed upon the retailer or the purchaser; (iv) the amount charged for labor rendered in installing or applying the property sold, provided such charge is separately stated and exclusive of such charge for any service rendered within the purview of subparagraph (I) of subdivision (37) of this subsection; (v) unless the provisions of subdivision (4) of section 12-430 or of section 12-430a are applicable, any amount for which credit is given to the purchaser by the retailer, provided such credit is given solely for property of the same kind accepted in part payment by the retailer and intended by the retailer to be resold; (vi) the full face value of any coupon used by a purchaser to reduce the price paid to the retailer for an item of tangible personal property, whether or not the retailer will be reimbursed for such coupon, in whole or in part, by the manufacturer of the item of tangible personal property or by a third party; (vii) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of employees of a retailer who has contracted to manage a service recipient's property or business premises and renders management services described in subparagraph (I) or (J) of subdivision (37) of this subsection, provided the employees perform such services solely for the service recipient at its property or business premises and "gross receipts" shall include the separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of any employee of the retailer who is an officer, director or owner of more than five per cent of the outstanding capital stock of the retailer. Determination whether an employee performs services solely for a service recipient at its property or business premises for purposes of this subdivision shall be made by reference to such employee's activities during the time period beginning on the later of the commencement of the management contract, the date of the employee's first employment by the retailer or the date which is six months immediately preceding the date of such determination; (viii) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to or on behalf of (I) a leased employee, or (II) a worksite employee by a professional employer organization pursuant to a professional employer agreement. For purposes of this subparagraph, an employee shall be treated as a leased employee if the employee is provided to the client at the commencement of an agreement with an employee leasing organization under which at least seventy-five per cent of the employees provided to the client at the commencement of such initial agreement qualify as leased employees pursuant to Section 414(n) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, or the employee is added to the client's workforce by the employee leasing organization subsequent to the commencement of such initial agreement and qualifies as a leased employee pursuant to Section 414(n) of said Internal Revenue Code of 1986 without regard to subparagraph (B) of paragraph (2) thereof. A leased employee, or a worksite employee subject to a professional employer agreement, shall not include any employee who is hired by a temporary help service and assigned to support or supplement the workforce of a temporary help service's client; [and] (ix) the amount received by a retailer from a purchaser as the battery deposit that is required to be paid under subsection (a) of section 22a-256h; the refund value of a beverage container that is required to be paid under subsection (a) of section 22a-244 or a deposit that is

required by law to be paid by the purchaser to the retailer and that is required by law to be refunded to the purchaser by the retailer when the same or similar tangible personal property is delivered as required by law to the retailer by the purchaser, if such amount is separately stated on the bill or invoice rendered by the retailer to the purchaser; and (x) the amount charged for separately stated compensation, fringe benefits, workers' compensation and payroll taxes or assessments paid to a media payroll services company, as defined in this subsection.