

# Connecticut Opportunities for Offshore Wind Businesses

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## A. The Advantages of Connecticut

Connecticut offers companies many advantages for economic success. The state offers business incentives, a superior transportation network, strategic location, and business assistance programs. It offers a number of statewide tax incentives for manufacturers that create jobs, purchase machinery and equipment, relocate to Connecticut, expand or renovate facilities, and invest in R&D, among other things. A number of these incentives are targeted to enterprise zones, designated business development zones within the state.

Connecticut lies in the heart of America's business corridor with easy access to major markets, financial centers, and universities. One-third of the U.S. economy is within a one-day drive from central Connecticut. Its integrated transportation network links the state to major national and global markets. The Long Island Sound ports provide direct connections to railroads and highways, and provide easy access to Europe. The Port of New Haven handles the highest volume of commercial goods on the Long Island Sound. The deep-water harbor handles ships ranging from 20,000 to 40,000 tons.

In 2011, Connecticut established the Clean Energy Finance and Investment Authority as the successor organization to the Connecticut Clean Energy Fund. It has the explicit mission of creating financing products that support the state's clean energy objectives, including growing the supply of clean energy, accelerating clean energy technologies, and building clean energy businesses.

Connecticut is home to high-technology industries, is a research and development hub, and is a leader in emerging technologies, including alternative energy. Major corporations based in Connecticut—GE, General Dynamics, and United Technologies—are active in clean energy. In addition, the state supports the development of supply chains through the Connecticut Center for Manufacturing Supply Chain Integration (CMSCI). CMSCI was formed in 2005 by the legislature and is supported by the Department of Economic and Community Development. It establishes supply chain clusters, provides education on supply chain development, and provides lean assessment services for small and medium-sized businesses. The program is administered by the Connecticut Center for Advanced Technologies.

## B. Government Policies Pertaining to Offshore Wind Power

### Renewable Resource Portfolio Standard

Connecticut established its renewable portfolio standard (RPS) in 1998. The current RPS requires each electric supplier and distribution company wholesale supplier to obtain at least 27% of its retail load from renewable energy sources by 2020. The standards are separate for

various energy resources and are classified into Class I, II, and III. The state has as ambitious target (20% by 2020) for Class I renewables, which includes wind.

### Offshore Wind Planning

Unlike neighboring states, Connecticut has not formed an offshore task force. However, the state would benefit from the proposed Deepwater Wind development in federal waters off the Rhode Island coast, which has plans to develop an offshore transmission network to southern New England and eastern Long Island.

## C. Government Policies Pertaining to Manufacturing and Service Activities Related to Offshore Wind

### Business Incentive Loans and Bonds

The Clean Energy Finance and Investment Authority (CEFIA) has a specific charge to support and help develop clean energy businesses in the state. As a new agency, CEFIA is in the process of developing its program offerings. For more information, see [www.ctcleanenergy.com](http://www.ctcleanenergy.com).

The Department of Economic and Community Development (DECD), the Connecticut Development Authority, and Connecticut Innovations administer programs providing direct funding to businesses. There are over 125 federal, state, regional, and municipal financial assistance programs for new and existing businesses. The **Small Business Express Program** provides loans and grants to small businesses (fewer than 50 employees) to spur job creation and growth. The Program provides access to capital through a revolving loan fund, and provides loans and grants through two job creation incentive programs. The **EXP Revolving Loan Fund** provides loans between \$10,000 and \$100,000, with a 4% interest rate for a maximum five-year term. The loans may be used to purchase machinery and equipment, for construction or relocation costs, working capital, or other business-related expenses authorized by DECD. Business expenditures related to training, marketing, working capital, or other DECD-authorized expenses may be eligible for loans through the **Small Business Express Job Creation Incentive Program**. Loan amounts range from \$10,000 to \$250,000, with a 4% interest rate. DECD may choose to defer loan payments or forgive up to 50% of the loan if job creation goals are met. DECD offers a matching grant program to small businesses that are likely to maintain job growth. Grant amounts from \$10,000 to \$100,000 are available through the **Small Business Matching Grant Program** and business must match the award dollar for dollar.

The **Industrial Revenue Bond Program** offers lower-cost, tax-exempt financing for manufacturers. The bonds can equal 100% of the project cost and interest on the bonds is exempt from federal and state income tax. The proceeds from the bond sales must be used to acquire capital assets directly related to manufacturing. Up to \$10 million is available.

The **Connecticut Development Authority** (CDA) is the state's bank that provides debt financing and investment capital to businesses and projects to enhance the state's economic base, increase tax revenues, encourage technology-intensive industry growth, create economic health, and rejuvenate environmentally contaminated properties. CDA provides direct loans,

subordinated loans, guaranteed loans, and lines-of-credit. In particular, CDA supports early-stage companies through loan guarantees and direct financing.

Connecticut Innovations (CI) provides early-stage funding to companies across a broad range of industries. CI's **Seed Investment Fund** can provide seed investments of up to \$500,000 to entrepreneurs growing Connecticut-based emerging technology companies. The **Clean Tech Fund** makes investments of up to \$1 million in cleantech companies. Follow-on investing may be available through CI's **Eli Whitney Fund**. In addition, CI can connect companies to co-investors, academic and industry partners, professional service providers, and prospective employees. The funding is available to several business sectors, including energy and advanced materials. Details on the various funds and investment tools managed by CI are available in its investment brochure, available [www.ctinnovations.com](http://www.ctinnovations.com).

## Tax Credits

The Department of Economic and Community Development assists companies in identifying state and local tax incentives. Numerous tax credits, exemptions and abatements are available at the state level, and municipalities can offer property tax incentives. A full list of Connecticut's tax incentives is available here:

<http://www.ct.gov/ecd/cwp/view.asp?a=1097&q=437460&ecdNav=|>

Under the **Urban and Industrial Sites Reinvestment Tax Credit Program**, the state may provide up to \$100 million in tax credits over a ten-year period to support projects that create jobs and capital investment in underserved areas. An Urban Site Investment Project is eligible if it creates significant economic activity and if it is located in a designated community. Eligible Industrial Site Investment Projects must have made an investment in or improvement to real property that has been subject to environmental contamination. A \$5 million direct investment is eligible for up to a 20% tax credit.

Connecticut businesses are eligible for tax credits for each new full-time position created. Up to \$500 per month per employee is available under the **Job Expansion Tax Credit** for up to three years. The credit can be applied against a variety of taxes. Businesses must hire a pre-determined number of employees per company size threshold to qualify for the credits. Connecticut also offers a **Hiring Incentive Tax Credit** to businesses that hire recipients of Temporary Family Assistance. The business may claim \$125 each month that the employee was employed.

A tax credit amount of 5% of the amount paid for any new fixed capital investment may be claimed by a company under the **Fixed Capital Investment Tax Credit**. Companies with fewer than 800 full-time employees may take a tax credit for machinery and equipment purchased and installed in a facility. The credit is based on a percentage of the amount spent on machinery that exceeds the amount spent on machinery in the preceding income year. A tax credit of 5% of the incremental increase is available for companies with 251 to 800 full-time employees. Companies with fewer than 250 full-time employees may take a tax credit equal to 10% of the incremental increase.

Companies may take a tax credit for the **Incremental Increase in Research and Experimental Expenditures**. The credit amount is the excess of the research and experimental expenditures in the current year multiplied by 20% over the amount spent during the preceding income year. The credit may be carried forward for 15 years.

There are various tax incentives available to manufacturers. A manufacturing facility may take a tax credit of 50%, if it meets employment criteria and is located within a designated **Enterprise Zone**. If the facility does not meet the employment criteria or is not located in an Enterprise Zone, the credit is 25%. DECD designates Enterprise Zones. In addition, qualifying corporations established within Enterprise Zones that meet certain employment levels may apply the **Enterprise Zone Tax Credit for Qualifying Corporations**. The tax credit amount is equal to 100% of the corporation business tax liability in years 1 through 3, and 50% of the liability in years 4 through 10.

Manufacturers may take a 100% **Corporate Sales Tax Exemption** on the purchase, repair or replacement of machinery, on alternative-fueled vehicles, safety apparel for personnel, and fuel and electricity used in heating or powering the facility, among other things. In addition, **the Machinery and Equipment Expenditure Tax Credit** is available to companies with fewer than 800 full-time employees for new equipment. The credit is 5% of the incremental increase in expenditures on machinery and equipment (50% in Enterprise Zones).

### **Programs for Small Businesses**

Small businesses that hire new employees by January 1, 2013 are eligible for a tax credit equal to \$200 per month for each new full-time employee through the **Qualified Small Business Job Creation Tax Credit**.

Small businesses are also eligible for the **Research and Development Expenses Tax Credit** equal to 6% of related expenses. Larger companies may take a tax credit based on research and development expenses. The CDA's **Export Financing Program** assists small and mid-sized businesses with exports.