

**Testimony of the  
BioCT**  
Connecticut Industry Trade Association

Hearing of the Connecticut General Assembly's Senate and House of Representatives  
Monday February 27, 2023

**Statement Regarding House Proposed bill 5014 – AN ACT CONCERNING THE CAP ON RESEARCH  
AND DEVELOPMENT TAX CREDITS**

Dear Senator Fonfara, Representative Horn, Senator Martin, Representative Cheeseman and Distinguished Members of the Finance Revenue & Bonding Committee

BioCT submits testimony to provide comment on House Bill 5014, "**AN ACT CONCERNING THE CAP ON RESEARCH AND DEVELOPMENT TAX CREDITS**" on behalf of BioCT Connecticut trade group representing biotechnology companies, academic institutions, industry and more. Connecticut's biotechnology sector is comprised of 2,021 establishments, employing 24,251 people who earn an average annual salary of \$136,103.

As Committee members are aware, in 2021, the General Assembly approved, and Governor Ned Lamont signed into law legislation increasing the research and development tax credit from 50 percent to 70 percent and phasing in the bump up over a two-year period. That positive development is just the latest in a six-year yo-yo of decreasing, increasing, decreasing, and now increasing again the percent of tax liability the R&D tax credit can offset and the value it can bring to a business in Connecticut.

The Connecticut R&D tax credit generates a substantial return on investment that helps create jobs in the technology sectors, which in turn generates income tax dollars for the state of Connecticut. The credits also help to build the ecosystem of companies in Connecticut that provide goods and services to research and development companies.

BioCT supported the 2021 legislation and we very much appreciate the General Assembly's Senate and House of Representatives interest in expanding the R&D tax credit and wanted to make Committee members aware of BioCT's involvement with BIO's work with members of the Joint Committee on Finance, Revenue and Bonding this year to improve the law to make Connecticut more competitive with neighboring states in attracting biotechnology companies.

BioCT respectfully requests that the committee amend the bill to:

- (1) increase the cash exchange rate for biotechnology companies from 65 percent to 100 percent;
- (2) increase the R&D tax credit rate from 70 percent to 100 percent for biotechnology businesses;
- and
- (3) expand the R&D tax credit to include biotechnology S Corporations and LLCs.

Due to Connecticut's strong education system the biotechnology sector is particularly ripe for growth, although neighboring states, which have worked hard to create attractive business climates for bioscience companies, are stiff competitors for such entities.

Currently, Connecticut companies operating at a loss may exchange the research & development tax credit for 65% of its value. The cash exchange provision is critical to early-stage development companies, especially in the biotech sector where the runway to generating revenue can be 7-10 years. In Massachusetts, biotechnology companies may exchange up to 90% of the credit's value if job creation metrics are reached. An increase in the value of the credit exchange, equal to the Massachusetts level of 90% could make a significant impact on smaller biotechnology companies that may operate at a loss for years until research and development results come to fruition. New York's cash exchange rate is 100 percent.

While Connecticut's R&D tax credit is accessible to C Corporations, other business entity types including S Corporations, partnerships and LLCs are not permitted to claim the Connecticut R&D credit. Whether this was due to an error in draftsmanship or an intentional omission, the time has come to allow non-corporate entities the right to claim the R&D credit. Expanding the eligible group of qualified small businesses to include biotechnology S Corporations, partnerships, and limited liability corporations would allow for more growth in the life science industry.

BioCT and the Life Science Industry continue to put programs in place to make sure there is a pipeline of talent to fill current and future jobs as this industry continues to grow. The many facets of support include but not limited to:

- BioCT, supporting key stake holders' goals for workforce development
- Good Jobs Grant award.
  - BioCT plans to enhance our Career Portal landing page to include mapping of career choices, student training available, internship links and linking state, industry and University that programs that support workforce in STEM.
  - BioCT will also expand professional development courses for adults
- Industry led Life Science Sprints linking internship programs, students and universities <https://lifescisprints.com/>
- BioLaunch: BioLaunch's goal is to shape the biotech industry to better benefit the broader New Haven community, as well as to provide an avenue for historically underrepresented communities in biotech to build rewarding careers. The program is designed for non-college-bound 18 to 26-year-olds and includes both a classroom curriculum and internship opportunities. [https://www.nhaec.org/apps/news/show\\_news.jsp?REC\\_ID=835288&id=0](https://www.nhaec.org/apps/news/show_news.jsp?REC_ID=835288&id=0)
- STEM introduction to K-12 age appropriate introductions. BioCT in partnership with other organizations to bring age appropriate hands on learning.

BioCT appreciates the opportunity to submit written testimony on Bill 5014 and inform Committee members of our efforts to improve Connecticut's R&D tax credit for biotechnology companies.

Respectfully submitted, on behalf of the Connecticut Life Science Industry

*Dawn Hocevar*

*BioCT*

[www.bioct.org](http://www.bioct.org)

[BioCT is the voice of Connecticut's bioscience industry.](#)

BioCT's mission is to catalyze and accelerate growth in the life sciences with the goal of improving human health, by fostering a rich, innovative ecosystem and promoting Connecticut as a preferred destination for life science exploration and innovation.