



SMALL BUSINESS FINANCIAL ASSISTANCE AND TAX INCENTIVE PROGRAMS

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STATE, FEDERAL, AND NONPROFIT SMALL BUSINESS ASSISTANCE AGENCIES

State:

- [Connecticut Innovations, Inc. \(CI\)](#)
- [Department of Economic and Community Development \(DECD\)](#)
- [Department of Labor \(DOL\)](#)
- [Office of Policy and Management \(OPM\)](#)

Federal:

- [Small Business Administration, Department of Commerce \(SBA\)](#)

Nonprofit:

- [Connecticut Community Economic Development Fund \(CEDF\)](#)

Summarize state, federal, and nonprofit programs providing grants, loans, and tax breaks to small businesses (business assistance programs). This report updates OLR Report [2011-R-0452](#).

SUMMARY

Most state, federal, and nonprofit business assistance programs serve large and small businesses, although some, like Connecticut's Department of Economic and Community Development (DECD) Small Business Express Program (Express), serve only small businesses.

The criteria small business assistance programs use to determine a business' eligibility vary. For example, DECD's Express is open only to businesses with 100 or fewer employees while the nonprofit Community Economic Development Fund's loan guarantee programs are open only to businesses with 50 or fewer employees.

This report summarizes state, federal, and nonprofit business assistance programs, identifying those limited to small businesses. It does not include municipal property tax exemptions for constructing or renovating business facilities. Attachment 1 summarizes the programs providing grants, loans, and other types of financial assistance. Attachments 2 and 3, respectively, summarize the state and federal programs providing tax incentives.

The number of business assistance programs and implementing agencies could make it hard for small business owners to identify the ones that meet their needs. But several organizations can help perform this task, including the following:

1. Connecticut Economic Resource Center's Business Response Center (http://www.cerc.com/Content/Connecticutand_39_s_Business_Response_Center.asp),
2. DECD's Small Business Affairs Office (<http://www.ct.gov/eecd/cwp/view.asp?a=3931&q=462650>), and
3. The Small Business Administration (SBA) (<http://www.sba.gov/category/navigation-structure/loans-grants>).

Attachment 1: Small Business Financial Assistance Programs by Agency

Program	Assistance Limits	Assistance Terms	Eligible Uses
Community Economic Development Fund (CEDF)			
Three separate Micro Loan Guarantees for Business Owners employing 50 or fewer employees (two programs targeted to specific geographic areas, one targeted to women and minority owners)	30% loan guarantee	Terms and conditions tailored to help business secure bank loan	<ul style="list-style-type: none"> Working capital Machinery and equipment Inventory
CEDF-administered Small Business Administration Micro Loans	Maximum \$50,000, but this SBA funded loan can be combined with other loans for a total loan package of up to \$150,000	<ul style="list-style-type: none"> Up to six years loan repayment Payment amounts based on business' cash flow Personal guarantee and pledge of business assets 	<ul style="list-style-type: none"> Working capital Machinery and equipment Inventory
Standard Loans for businesses in eligible communities or business owners with household incomes less than \$85,700	\$50,000-\$250,000	<ul style="list-style-type: none"> Up to 10 years loan repayment Payment amounts based on business' cash flow Personal guarantee and pledge of business assets Fixed and variable interest rates 	<ul style="list-style-type: none"> Working capital Machinery and equipment Inventory Owner-occupied real estate
Grow Your Business Loans for businesses in eligible communities or business owners with household incomes less than \$85,700	\$50,000 to \$250,000	<ul style="list-style-type: none"> Business in existence for at least three years Up to 10 years loan repayment Payment amounts based on business' cash flow Personal guarantee and pledge of business assets Interest rate equals prime rate plus 4% 	<ul style="list-style-type: none"> Fund expansion of existing business Working capital Machinery and equipment Inventory Owner-occupied real estate
Connecticut Innovations, Inc. (CII)			
Urbank	30% first-loss loan guarantee for up to \$500,000	<ul style="list-style-type: none"> 15-year loan maturity Interest rate and other terms set by lender Capable of repaying debt 1.5%-2.5% borrower fees 	<ul style="list-style-type: none"> Working capital Machinery and equipment Purchase, construct, expand, or upgrade facilities
Line of Credit	\$250,000-\$1 million	<ul style="list-style-type: none"> Business in existence for at least three years Owner's personal guarantee Demonstrate ability to create or retain jobs Capable of repaying debt 	<ul style="list-style-type: none"> Revenue producing equipment Information technology upgrades Building expansions
Early Stage Business Loans	Up to \$ 5 million	<ul style="list-style-type: none"> Based on business opportunity Owner's personal guarantee Equity interest Maturity tailored to transaction 	<ul style="list-style-type: none"> Working capital Machinery and equipment Purchase, construct, expand, or upgrade facilities Mortgages on owner-occupied real property

Attachment 1 (continued)

Program	Assistance Limits	Assistance Terms	Eligible Uses
Direct Loans	Up to \$5 million	<ul style="list-style-type: none"> • Business in existence for at least three years • Owner's personal guarantee • Demonstrate ability to create or retain jobs • Capable of repaying debt • Up to 25 years repayment 	<ul style="list-style-type: none"> • Working capital • Machinery and equipment • Purchase, construct, expand, or upgrade facility • Mortgages on owner-occupied real property • Brownfields cleanup and redevelopment
Guaranteed Loans	Guarantee up to 40% of principal	<ul style="list-style-type: none"> • Owner's personal guarantee • \$20,000 per job created or retained • Capable of repaying debt • Up to 20 years repayment • Firm must sell most of its products and services out of state and create jobs • Interest rate, terms, and maturity determined by lender • 1.5% commitment fee (up to \$25,000) • 2.0% annual guarantee fee 	<ul style="list-style-type: none"> • Working capital • Machinery and equipment • Purchasing, constructing, expanding, or upgrading facility • Mortgages on owner-occupied real property • Brownfields cleanup and redevelopment • Finance foreign trade or receivables
Participation Loans	Up to \$5 million "junior participation" loan matching conventional bank loan plus 50% CI share in project cost	<ul style="list-style-type: none"> • Business in existence for at least three years • Owner's personal guarantee • Demonstrate ability to create or retain jobs • Capable of repaying debt • Bank determines interest rate, terms, and maturity; proportionately shares fees and interest with CI; and services the loan 	<ul style="list-style-type: none"> • Working capital • Machinery and equipment • Purchasing, constructing, expanding, or upgrading facility • Mortgages on owner-occupied real property • Brownfields cleanup and redevelopment
CII-administered Small Business Administration 504 Debentures	SBA guarantee up to \$4 million	<ul style="list-style-type: none"> • Lender provides 50% of investment at fixed or variable rate • Business provides 40% through sale of long-term debenture (unsecured bond) guaranteed by SBA and funded by private sources • Business provides remaining 10% 	<ul style="list-style-type: none"> • Machinery and equipment • Purchase, construct, expand, or upgrade facility • Leasehold improvements • Owner-occupied buildings
Technology-Intensive Businesses and Projects	Up to \$5 million	<ul style="list-style-type: none"> • Up to 20-year terms • Appropriate to business opportunity • Owner's personal guarantee • Equity interest when appropriate • \$20,000 per job created or retained 	<ul style="list-style-type: none"> • Working capital • Software, hardware, and infrastructure • Machinery and equipment • Purchase, construct, or expand facilities
Direct Inducement Loans	Up to \$5 million	<ul style="list-style-type: none"> • Up to 20 years • \$20,000 per job created or retained 	<ul style="list-style-type: none"> • Working capital • Machinery and equipment • Purchase, construct, or expand facilities • Mortgages on owner-occupied property
Seed, Pre-seed, and Early Stage Investments	\$500,000 to \$1 million per round in technology-based businesses	Investments based on: <ul style="list-style-type: none"> • quality of the management team • potential market for product or service • company's proposed product can withstand copyright challenges 	Operating expenses incurred while developing new ideas or concepts for commercially viable products and services

Attachment 1 (continued)

Program	Assistance Limits	Assistance Terms	Eligible Uses
Connecticut Bioscience Innovation Fund	Up to \$500,000 in project funding in secured loans and/or equity	<ul style="list-style-type: none"> • Terms depend on the type of assistance received • Projects must demonstrate a quantifiable commercial return on investment 	Project expenses
Regenerative Medicine Research Fund (formerly Stem Cell Research Fund), (PA 05-149, PA 14-98, §§ 32-40)	Up to \$1.5 million in research grants	Grant terms and conditions determined by advisory board based on grant's purpose	<ul style="list-style-type: none"> • Direct and indirect project costs • Facilities
Department of Economic and Community Development			
Connecticut Credit Consortium Program (for businesses with 50 or fewer employees)	Up to \$500,000 in direct loans and credit lines	<ul style="list-style-type: none"> • Up to 10-year term • 4% interest rate 	<ul style="list-style-type: none"> • Machinery and equipment • Land and facilities • Property improvements
Small Business Express Program, Revolving Loan Fund (100 or fewer employees)	\$10,000–\$100,000	<ul style="list-style-type: none"> • Business has been registered to conduct business in Connecticut for at least a year • Up to 4% interest • Maximum 10-year term • DECD determines other loan terms, conditions, and collateral requirements to prioritize job growth and retention • No delinquent state or local taxes 	<ul style="list-style-type: none"> • Purchasing machinery and equipment • Construction or leasehold improvements • Relocation costs • Working capital • Other commissioner-approved expenses
Small Business Express Program, Job Creation Incentive Loans (100 or fewer employees)	\$10,000–\$300,000 potentially forgivable loans	<ul style="list-style-type: none"> • Business has been registered to conduct business in Connecticut for at least a year • Up to 4% interest • Up to 10-year term • Loan forgiveness based on attainment of job goals • DECD determines other loan terms, conditions, and collateral requirements to prioritize job growth and retention • No delinquent state or local taxes 	<ul style="list-style-type: none"> • Training • Marketing • Working capital • Other commissioner-approved expenses that support job creation
Small Business Express Program, Matching Grants (100 or fewer employees)	\$10,000–\$100,000 grants	<ul style="list-style-type: none"> • Business has been registered to conduct business in Connecticut for at least a year • No delinquent state or local taxes • Business must match state grants 	<ul style="list-style-type: none"> • Training • Working capital • Acquiring machinery and equipment • Construction or leasehold improvements • Relocation within state • Other commissioner-approved expenses

Attachment 1 (continued)

Program	Assistance Limits	Assistance Terms	Eligible Uses
Manufacturing Assistance Act (MAA)	Fixed percent of costs depending on project's location or purpose Range: Up to 90% in 17 targeted investment communities to up to 50% of costs in other communities	<ul style="list-style-type: none"> • Commissioner sets terms and conditions • State Bond Commission sets interest rate 	<ul style="list-style-type: none"> • Feasibility studies, engineering, appraisals, and other planning activities • Property, machinery, and equipment purchases • Facility construction and site improvements • Relocation costs • Working capital • Job training, day care, energy conservation, pollution control, and other specified business support services
First Five Program	Up to 100% MAA for up to 15 projects meeting specified employment and investment targets	Commissioner sets terms and conditions	Same as above
Connecticut Manufacturing Innovation Fund (PA 14-98 §§ 47-49)	Grants, loans, credit extensions, vouchers, and other types of assistance to businesses specializing in technologically advanced products and services, entities leveraging federal grants, and certified education or training programs Assistance limits determined by the Manufacturing Innovation Advisory Board	Terms set by the Manufacturing Innovation Advisory Board	<ul style="list-style-type: none"> • Facilities costs • Furniture, fixtures, or equipment • Tooling development and manufacture • Materials and supplies • Proof of concept • Research and development • Compensation and apprenticeships • Other costs board deems eligible
Department of Labor			
Small Business Subsidized Training and Employment Program (STEP UP)	Up to \$20 per hour subsidy for new employee's training and compensation Subsidy amount phases out over employee's first six months of employment	Business must hire new employee who: <ul style="list-style-type: none"> • was unemployed immediately before being hired and • has a family income of less than 250% of federal poverty level 	Subsidize employment and training costs
Small Manufacturer Training Grant Program (STEP UP)	Monthly grants subsidizing new employee training and compensation Initial grants up to \$2,500; grant amount phases out over six months	Business must hire a new employee	Training and compensation

Attachment 1 (continued)

Program	Assistance Limits	Assistance Terms	Eligible Uses
Unemployed Armed Forces Member STEP UP Program	Up to \$20 per hour (maximum \$12,500) subsidy for veteran's employee training and compensation Subsidy amount phases out over 6 months of employment	Business must hire a new employee who: <ul style="list-style-type: none"> • served in the Armed Forces or reserves and was honorably discharged and • was unemployed immediately before being hired 	Subsidize employment and training costs
New Apprentice STEP UP (PA 14-38)	Up to \$10 per hour subsidy for apprentice's training and compensation Subsidy amount phases out over 6 months of employment	Business must hire a new employee who is a student at a high school, preparatory school, or higher education institution	Subsidize employment and training costs
Federal Small Business Administration (SBA)			
CDC/504 Loan Program (for businesses with net worth under \$15 million and after tax income under \$5 million)	Maximum \$5 million loans (\$4 million for small manufacturers or \$5.5 million for those meeting energy reduction goals)	<ul style="list-style-type: none"> • Create or retain one job per \$65,000 of SBA assistance (\$100,000 per job created or retained for small manufacturers) • 10-20 year loan terms 	<ul style="list-style-type: none"> • Land and building acquisition • Property improvements • Facility construction, renovation, or conversion • Machinery and equipment purchase
7(a) Loan Guarantees	<ul style="list-style-type: none"> • Maximum \$5 million loans • 85% guarantee for loans up to \$150,000 and 75% for loans above that amount 	Loan term varies depending on purpose	<ul style="list-style-type: none"> • Short- and long-term working capital • Land acquisition • Building construction or renovation • Business expansion • Debt financing

Attachment 2: State Business Tax Incentives

Name and Agency	Applicable Business Taxes	Eligibility	Incentive Amount
Rehabilitation of Historic Business Property for Mixed Residential and Commercial Use (PA 14-217, §§ 165-68 , Department of Economic and Community Development (DECD)	<ul style="list-style-type: none"> • Insurance Premium • Corporation • Air Carrier • Railroad Company • Community Antenna • Utility Companies 	Certified historic commercial, industrial, mixed residential and nonresidential, cultural, and former municipal, state, and federal property on the national or state Register of Historic Places or located in an historic district on the national or state register	<ul style="list-style-type: none"> • Total credits capped at \$31.7 million per year beginning FY 16 • 25% of qualified rehabilitation expenditures; 30% if project includes units affordable to low- and moderate-income people • No project can receive more than \$4.5 million • Unused credits may be carried forward for up to five years
Manufacturing and Specified Service Facilities in Enterprise Zones, Enterprise Zone Municipalities, or Designated Airport Development Zones (DECD and Connecticut Airport Authority) (CGS § 12-217e)	Corporation	<p>Based on developing facilities and creating jobs</p> <p>Facility must be:</p> <ul style="list-style-type: none"> • newly acquired, constructed, or improved • located in the enterprise zone or in another part of the town with the zone • used for manufacturing or specified financial services <p>Business must have created jobs to do work in the facility</p>	<ul style="list-style-type: none"> • 10-year credit against tax allocable to facility: <ul style="list-style-type: none"> ○ 25% credit or ○ 50% if at least 150 or 30% of new jobs are held by zone or city residents who qualify for federal job training assistance • Credits automatic in zones; available to manufacturers outside the zone at state's discretion • Specified service firms outside the zones qualify for credits under the program below
Service Facilities in Enterprise Zone Municipalities (DECD) (CGS § 12-217e)	Corporation	Based on developing facilities and creating jobs	<p>10-year credit based on number of jobs created:</p> <ul style="list-style-type: none"> • 15%, 300-599 jobs • 20%, 600-899 jobs • 25%, 900-1,199 jobs • 30%, 1,200-1,499 jobs • 40%, 1,500-1,999 jobs • 50%, 2000 or more jobs

Attachment 2 (continued)

Name and Agency	Applicable Business Taxes	Eligibility	Incentive Amount
Apprenticeship Training , Department of Labor (DOL) (CGS § 12-217g)	Corporation (S Corps and other business entities that are not subject to this tax may earn the manufacturing trade apprenticeship credit and sell, assign, or transfer it to another taxpayer)	Hiring manufacturing, plastics, or construction apprentices participating in state-approved apprenticeship training programs Businesses hiring plastics trade apprentices qualify if the number hired exceeds the average number of plastic apprentices hired during the prior five years	<ul style="list-style-type: none"> • Maximum \$7,500 or 50% of wages paid, whichever is less, for manufacturing and plastics trade apprentices • Maximum \$4,000 or 50% of wages, whichever is less, for construction trade
Incremental Research and Development Expenditures , Department of Revenue Services (DRS) (CGS § 12-217j)	Corporation	Businesses that increase their R&D expenditures over the prior year	20% of the amount spent on R&D over the prior year's spending
Research and Development Expenditures (DECD) (CGS § 12-217n)	Corporation	Any business incurring R&D expenditures	<ul style="list-style-type: none"> • Credit amount determined according to statutory two-step formula • Credits range from 1% for expenditures under \$50 million to 6% for expenditures over \$200 million • Only one-third of credit can be taken per year • Unused credits may be carried forward until fully taken
Research and Development Expenditures for Qualified Small Businesses (DECD) (CGS § 12-217n)	Corporation	Businesses with gross incomes under \$100 million	<ul style="list-style-type: none"> • 6% of total R&D expenditure • Only one-third of credit can be taken per year • Unused credits may be carried forward until fully taken
Research and Development Expenditures for Enterprise Zone Businesses (DECD) (CGS § 12-217n)	Corporation	Any business headquartered in an enterprise zone employing over 2,500 people and with annual revenues over \$3 billion	The greater of 3.5% of total R&D expenditure or the amount derived from the statutory two-step formula used by big businesses outside the zone
Machinery and Equipment (DRS) (CGS § 12-217o)	Corporation	Business must have increased the amount it spent for machinery and equipment used in Connecticut over the prior year's amount	Credit depends on the number of employees: <ul style="list-style-type: none"> • 10% for businesses with 250 or fewer employees • 5% for businesses with between 251 and 800 employees
Purchase of Electronic Data Processing (DRS) (CGS § 12-217t)	<ul style="list-style-type: none"> • Unrelated Business Income of Nonprofit Corporations • Air Carrier • Railroad Company • Community Antenna • Utility Companies • Insurance Premium • Corporation 	Businesses paying property taxes on computers, printers, peripheral computer equipment, bundled software, and similar equipment	Credit is 100% of property tax paid on electronic data processing equipment

Attachment 2 (continued)

Name and Agency	Applicable Business Taxes	Eligibility	Incentive Amount
Fixed Capital Investments (DRS) (CGS § 12-217w)	Corporation	Property must: <ul style="list-style-type: none"> • Have a minimum five-year class life • Not be sold or transferred • Be held or used in Connecticut 	5% of fixed capital costs incurred during income year
Human Capital Investments (DRS) (CGS § 12-217x)	Corporation	Eligible activities include: <ul style="list-style-type: none"> • job training • work education • child care subsidies • day care facilities • donations to colleges and universities for technology 	<ul style="list-style-type: none"> • 5% of expenditure • Unused credits may be carried forward for up to five years
Urban and Industrial Sites Reinvestment (DECD) (CGS § 32-9t)	<ul style="list-style-type: none"> • Insurance Premium • Corporation • Air Carriers • Railroad Company • Community Antenna • Utility Companies • Other specified business taxes 	Business investing in projects developing or redeveloping property, including brownfields, that meet statutory criteria, including generating new tax revenue and other economic benefits Business may invest the funds directly in a project or through a fund manager	Total credits available for all projects capped at \$800 million 100% credit, up to \$100 million, spread out over 10 years: 0% in first three years after the investment was made, 10% per year in the next four years, and 20% per year in the remaining three years Unused credits may be carried forward for up to five years or assigned to another taxpayer
Corporations Created in Enterprise Zones (DECD) (CGS § 12-217v)	Corporation	Corporation must be created in a zone and meet one of these job goals: <ul style="list-style-type: none"> • has at least 375 employees, at least 40% of whom reside in the zone or its city and qualify for federal job training assistance or • has less than 375 employees, at least 150 of whom reside in the zone or its city or qualify for federal job training benefits 	10-year credit: <ul style="list-style-type: none"> • 100% for the first three years • 50% for the next seven years
Manufacturing Reinvestment Account (DECD) (CGS § 32-9zz , as amended by PA 14-69)	100% of the funds withdrawn from the account and used for eligible purposes are exempted from <ul style="list-style-type: none"> • Corporation • Personal Income 	Up to 50 small manufacturers (150 or fewer employees)	<ul style="list-style-type: none"> • Up to five-year tax deferral on up to \$100,000 deposited in interest-bearing bank account. • Funds withdrawn within five years are exempted from taxes if used for worker training, capital expenses, and other eligible uses.

Attachment 3: Federal Tax Incentives

Program and Agency	Applicable Business Taxes	Eligibility	Incentive Amount
Section 179 Tax Deduction for qualifying purchases of property , Internal Revenue Service (IRS)	<ul style="list-style-type: none"> • Corporation • Personal Income 	Wide range of depreciable tangible personal property, including: <ul style="list-style-type: none"> • machinery and equipment • office equipment • gasoline storage tanks and pumps 	Deduction equal to the cost of qualifying property, subject to dollar and business income limits determined by the type of property
Section 199 Domestic Production Activities Tax Deduction (DPAD); (IRS)	<ul style="list-style-type: none"> • Corporation • Personal Income 	Eligible activities include: <ul style="list-style-type: none"> • U.S.-based manufacturing • selling, leasing, or licensing U.S. made goods • selling, leasing, or licensing films produced in U.S. • construction services related to a U.S. construction project 	Generally, 9% of the smaller of: <ul style="list-style-type: none"> • qualified production activities income or • adjusted gross income for an individual, estate, or trust figured without the DPAD
Empowerment Zones (IRS)	<ul style="list-style-type: none"> • Corporation 	<ul style="list-style-type: none"> • Businesses hiring zone residents or acquiring property eligible for Section 179 deduction 	<ul style="list-style-type: none"> • Wage credits of up to \$3,000 for qualifying employees • Increased Section 179 deductions • Increased Work Opportunity Tax credit
New Market Tax Credit (IRS)	<ul style="list-style-type: none"> • Corporation 	<ul style="list-style-type: none"> • Corporations and individuals investing in eligible "Community Development Entities" 	Credit equals 39% of original investment amount and is claimed over a 7-year period
Work Opportunity Tax Credits (IRS)	<ul style="list-style-type: none"> • Corporation 	<ul style="list-style-type: none"> • Hiring and retaining veterans and people from other qualified groups 	Tax credit amount varies from 25-40% of an individual's first year wages, depending which "target group" the individual belongs to

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