



General Assembly

**Substitute Bill No. 1182**

January Session, 2001

**AN ACT CONCERNING VARIOUS TAX LAWS ADMINISTERED BY  
THE DEPARTMENT OF REVENUE SERVICES.**

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

1 Section 1. Subsection (d) of section 12-15 of the general statutes is  
2 repealed and the following is substituted in lieu thereof:

3 (d) (1) The commissioner may, upon request, verify whether or not  
4 any license, permit or certificate required under the provisions of this  
5 title to be conspicuously displayed has been issued by [him] the  
6 commissioner to any particular person.

7 (2) The commissioner may make public names and mailing  
8 addresses for purposes of notifying persons entitled to tax refunds  
9 when the commissioner, after reasonable effort and lapse of time, has  
10 been unable to locate such persons.

11 Sec. 2. Subparagraph (K) of subdivision (6) of subsection (a) of  
12 section 12-218b of the general statutes is repealed and the following is  
13 substituted in lieu thereof:

14 (K) (i) Any person described in subparagraph (J) of this subdivision  
15 may submit a petition in writing to the commissioner for permission to  
16 apportion its income without regard to the provisions of this section  
17 [upon such person proving] not later than sixty days prior to the due  
18 date of the return to which the petition applies, determined with

19 regard to any extension of time for filing such return, and said  
20 commissioner shall grant or deny such permission before said due  
21 date. The commissioner shall grant such permission only in the event  
22 that the petitioner has proved, by clear and convincing evidence, that  
23 the income-producing activity of [such person] the petitioner is not in  
24 substantial competition with a financial service company without  
25 regard to subparagraph (I) of this subdivision.

26 (ii) Any person may submit a petition in writing to the  
27 commissioner for permission to apportion its income in accordance  
28 with the provisions of this section [upon such person proving] not later  
29 than sixty days prior to the due date of the return to which the petition  
30 applies, determined with regard to any extension of time for filing  
31 such return, and said commissioner shall grant or deny such  
32 permission before said due date. The commissioner shall grant such  
33 permission only in the event that the petitioner has proved, by clear  
34 and convincing evidence, that the income-producing activity is  
35 substantially similar to the income-producing activities of a financial  
36 service company without regard to subparagraph (I) of this  
37 subdivision.

38 Sec. 3. Subsections (b) to (e), inclusive, of section 12-222 of the  
39 general statutes are repealed and the following is substituted in lieu  
40 thereof:

41 (b) Such return shall be due on or before the first day of the [fourth]  
42 month next succeeding the [end of the income year] due date of the  
43 company's corresponding federal income tax return for the income  
44 year, determined without regard to any extension of time for filing, or,  
45 in the case of [an S corporation] any company that is not required to  
46 file a federal income tax return for the income year, on or before the  
47 [fifteenth] first day of the fourth month next succeeding the end of the  
48 income year.

49 (c) The commissioner may grant a reasonable extension of time for  
50 filing a [completed] return, if the company files a tentative return and

51 application for extension of time in which to file a [completed] return,  
52 on forms furnished or prescribed by the commissioner, and pays the  
53 tax reported to be due on such tentative return on or before the [first  
54 day of the fourth month next succeeding the end of the income year,  
55 or, in the case of an S corporation, on or before the fifteenth day of the  
56 fourth month next succeeding the end of the income year] original due  
57 date of the return, as provided in subsection (b) of this section. Any  
58 additional tax which may be found to be due on the filing of the return  
59 as allowed by such extension shall bear interest at the rate of one per  
60 cent per month or fraction thereof from the original due date of [such  
61 tax] the return to the date of actual payment. Notwithstanding the  
62 provisions of section 12-229, if the commissioner grants a reasonable  
63 extension of time for filing a [completed] return, no penalty shall be  
64 imposed on account of any failure to pay the amount of tax reported to  
65 be due on a return within the time specified under the provisions of  
66 this chapter if the excess of the amount of tax shown on the return over  
67 the amount of tax paid on or before the original due date of such  
68 return is no greater than ten per cent of the amount of tax shown on  
69 such return, and any balance due shown on such return is remitted  
70 with such return on or before the extended due date of such return.

71 (d) In any case in which the commissioner believes that it would be  
72 advantageous [to him in] for the computation of the tax as imposed by  
73 this part, such state return shall be accompanied by a true copy of the  
74 last income tax return, if any, made to the Internal Revenue Service.

75 (e) The amount of tax reported to be due on such return or tentative  
76 return shall be due and payable on or before the [first day of the fourth  
77 month next succeeding the end of the income year, or, in the case of an  
78 S corporation, on or before the fifteenth day of the fourth month next  
79 succeeding the end of the income year] original due date of the return,  
80 as defined in subsection (b) of this section.

81 Sec. 4. Subdivision (2) of subsection (c) of section 12-223a of the  
82 general statutes is repealed and the following is substituted in lieu  
83 thereof:

84 (2) If the method of determining the combined measure of such tax  
85 in accordance with this subsection for two or more affiliated  
86 companies validly electing to file a combined return under the  
87 provisions of subsection (a) of this section is deemed by such  
88 companies to unfairly attribute an undue proportion of their total  
89 income or minimum tax base to this state, said companies may submit  
90 a petition in writing to the Commissioner of Revenue Services for  
91 approval of an alternate method of determining the combined measure  
92 of their tax not later than sixty days prior to the due date of the  
93 combined return to which the petition applies, determined with regard  
94 to any extension of time for filing such return, and said commissioner  
95 shall grant or deny such approval before said due date. In deciding  
96 whether or not the companies included in such combined return  
97 should be granted approval to employ the alternate method proposed  
98 in such petition, the Commissioner of Revenue Services shall consider  
99 approval only in the event that the petitioners have clearly established  
100 to the satisfaction of said commissioner that all the companies  
101 included in such combined return are, in substance, parts of a unitary  
102 business engaged in a single business enterprise and further that there  
103 are substantial intercorporate business transactions among such  
104 included companies.

105 Sec. 5. Section 12-285 of the general statutes is repealed and the  
106 following is substituted in lieu thereof:

107 (a) When used in this chapter, unless the context otherwise requires:  
108 [ ]

109 (1) ["person"] "Person" means any individual, firm, fiduciary,  
110 partnership, corporation, limited liability company, trust or  
111 association, however formed;

112 (2) ["distributor"] "Distributor" means [(1)] (A) any person in this  
113 state engaged in the business of manufacturing cigarettes; [(2)] (B) any  
114 person, other than a buying pool, as defined herein, who purchases  
115 cigarettes at wholesale from manufacturers or other distributors for

116 sale to licensed dealers, and who maintains an established place of  
117 business, including a location used exclusively for such business,  
118 which has facilities in which a substantial stock of cigarettes and  
119 related merchandise for resale can be kept at all times, and who sells at  
120 least seventy-five per cent of such cigarettes to retailers who, at no  
121 time, shall own any interest in the business of the distributor as a  
122 partner, stockholder or trustee; [(3)] (C) any person operating five or  
123 more retail stores in this state for the sale of cigarettes who purchases  
124 cigarettes at wholesale for sale to dealers but sells such cigarettes  
125 exclusively to retail stores such person is operating; [(4)] (D) any  
126 person operating and servicing twenty-five or more cigarette vending  
127 machines in this state who buys such cigarettes at wholesale and sells  
128 them exclusively in such vending machines. If a person qualified as a  
129 distributor in accordance with this [subdivision] subparagraph, in  
130 addition sells cigarettes other than in vending machines, such person  
131 shall be required to be qualified as a distributor in accordance with  
132 [subdivision (2) of this section] subparagraph (B) of this subdivision  
133 and have an additional distributor's license for purposes of such other  
134 sales; [(5)] (E) any person who imports into this state unstamped  
135 cigarettes, at least seventy-five per cent of which are to be sold to  
136 others for resale; and [(6)] (F) any person operating storage facilities for  
137 unstamped cigarettes in this state;

138 (3) ["cigarette"] "Cigarette vending machine" means a machine used  
139 for the purpose of automatically merchandising packaged cigarettes  
140 through the insertion of the proper amount of coins therein by the  
141 purchaser, but does not mean a restricted cigarette vending machine;

142 (4) ["restricted"] "Restricted cigarette vending machine" means a  
143 machine used for the dispensing of packaged cigarettes which  
144 automatically deactivates after each individual sale, cannot be left  
145 operable after a sale and requires, prior to each individual sale, a face-  
146 to-face interaction or display of identification between an employee of  
147 the area, facility or business where such machine is located and the  
148 purchaser;

149 (5) ["dealer"] "Dealer" means any person other than a distributor  
150 who is engaged in this state in the business of selling cigarettes,  
151 including any person operating and servicing fewer than twenty-five  
152 cigarette vending machines; [who shall be classified herein as a  
153 vending machine dealer;]

154 (6) ["licensed"] "Licensed dealer" means a dealer licensed under the  
155 provisions of this chapter;

156 (7) ["stamp"] "Stamp" means any stamp authorized to be used under  
157 this chapter by the Commissioner of Revenue Services and includes  
158 [impressions made by metering machines authorized to be used under  
159 the provisions of section 12-299] heat-applied decals;

160 (8) ["sale"] "Sale" or "sell" includes or applies to gifts, exchanges and  
161 barter; and

162 (9) ["buying"] "Buying pool" means and includes any combination,  
163 corporation, association, affiliation or group of retail dealers operating  
164 jointly in the purchase, sale, exchange or barter of cigarettes, the profits  
165 from which accrue directly or indirectly to such retail dealers,  
166 provided any person holding a distributor's license issued prior to  
167 June 29, 1951, shall be deemed to be a distributor within the terms of  
168 this section.

169 (b) For the purposes of part I and part II only of this chapter: [.]

170 (1) ["cigarette"] "Cigarette" means and includes (A) any roll for  
171 smoking made wholly or in part of tobacco, irrespective of size or  
172 shape and irrespective of whether the tobacco is flavored, adulterated  
173 or mixed with any other ingredient, where such roll has a wrapper or  
174 cover made of paper or any other material, except where such wrapper  
175 is wholly or in the greater part made of tobacco and such roll weighs  
176 over three pounds per thousand, provided, if any roll for smoking has  
177 a wrapper made of homogenized tobacco or natural leaf tobacco, and  
178 the roll is a cigarette size so that it weighs three pounds or less per  
179 thousand, such roll is a cigarette and subject to the tax imposed by part

180 I and part II of this chapter; and (B) each nine one-hundredths of an  
181 ounce of roll-your-own tobacco;

182 (2) ["unstamped"] "Unstamped cigarette" means any package of  
183 cigarettes to which the proper amount of Connecticut cigarette tax  
184 stamps [or impressions] have not been affixed; and

185 (3) "Roll-your-own tobacco" means any tobacco which, because of its  
186 appearance, type, packaging or labeling, is suitable for use and likely  
187 to be offered to, or purchased by, consumers as tobacco for making  
188 cigarettes.

189 Sec. 6. Subsection (d) of section 12-295a of the general statutes is  
190 repealed and the following is substituted in lieu thereof:

191 (d) If said commissioner finds, after a hearing, that any owner of an  
192 establishment in which a cigarette vending machine or restricted  
193 cigarette vending machine is located has sold, given or delivered  
194 cigarettes or tobacco products from any such machine to a minor other  
195 than a minor who is delivering or accepting delivery in [his] such  
196 minor's capacity as an employee, or has allowed cigarettes or tobacco  
197 products to be sold, given or delivered to such minor from any such  
198 machine, said commissioner shall assess such [dealer or distributor]  
199 owner a civil penalty of two hundred fifty dollars for the first violation  
200 and five hundred dollars for a second violation within eighteen  
201 months. For a third violation within eighteen months, such [dealer or  
202 distributor] owner shall be assessed a civil penalty of five hundred  
203 dollars and any such machine shall be immediately removed from  
204 such establishment and no such machine may be placed in such  
205 establishment for a period of one year following such removal.

206 Sec. 7. Section 12-330a of the general statutes is repealed and the  
207 following is substituted in lieu thereof:

208 As used in this chapter: (1) "Commissioner" means the  
209 Commissioner of Revenue Services; (2) "tobacco products" means  
210 cigars, cheroots, stogies, periques, granulated, plug cut, crimp cut,

211 ready rubbed and other smoking tobacco, snuff tobacco products,  
212 cavendish, plug and twist tobacco, fine cut and other chewing  
213 tobaccos, shorts, refuse scraps, clippings, cuttings and sweepings of  
214 tobacco and all other kinds and forms of tobacco, prepared in such  
215 manner as to be suitable for chewing or smoking in a pipe or otherwise  
216 or for both chewing and smoking, but shall not include any cigarette,  
217 as defined in section 12-285, as amended by this act, or any roll-your-  
218 own tobacco, as defined in section 12-285, as amended by this act; (3)  
219 "distributor" means [(1)] (A) any person in this state engaged in the  
220 business of manufacturing tobacco products, [(2)] (B) any person who  
221 purchases tobacco products at wholesale from manufacturers or other  
222 distributors for sale, or [(3)] (C) any person who imports into this state  
223 tobacco products, at least seventy-five per cent of which are to be sold;  
224 (4) "unclassified importer" means any person, other than a distributor,  
225 who imports, receives or acquires tobacco products from outside this  
226 state for use or consumption in this state; (5) "sale" or "sell" includes or  
227 applies to gifts, exchanges and barter; (6) "wholesale sales price"  
228 means, in the case of a manufacturer of tobacco products, the price set  
229 for such products or, if no price has been set, the wholesale value of  
230 such products, and, in the case of a distributor who is not a  
231 manufacturer of tobacco products, the price at which the distributor  
232 purchased such products, and, in the case of an unclassified importer  
233 of tobacco products, the price at which the unclassified importer  
234 purchased such products; and (7) "snuff tobacco products" means only  
235 those snuff tobacco products that have imprinted on the packages the  
236 designation "snuff" or "snuff flour", or the federal tax designation "Tax  
237 Class M", or both.

238 Sec. 8. Section 12-330c of the general statutes is repealed and the  
239 following is substituted in lieu thereof:

240 (a) (1) A tax is imposed on all tobacco products held in this state by  
241 any person. [, said tax to be] Except as otherwise provided in  
242 subdivision (2) of this subsection with respect to the rate of tax on  
243 snuff tobacco products, the tax shall be imposed at the rate of twenty  
244 per cent of the wholesale sales price of such products.

245 [(2) A tax is imposed on all snuff tobacco products held in this state  
246 by any person, said tax to be imposed as follows:]

247 (2) The tax shall be imposed on snuff tobacco products, on the net  
248 weight as listed by the manufacturer, as follows: Forty cents per ounce  
249 of snuff and a proportionate tax at the like rate on all fractional parts of  
250 an ounce of snuff. [For purposes of this subsection, the tax on snuff  
251 tobacco products shall be computed on the net weight as listed by the  
252 manufacturer.]

253 (b) Said tax shall be imposed on the distributor or the unclassified  
254 importer at the time the tobacco product [or snuff tobacco product] is  
255 manufactured, purchased, imported, received or acquired in this state.

256 (c) Said tax shall not be imposed on any tobacco products [or snuff  
257 tobacco products] which (1) are exported from the state, or (2) are not  
258 subject to taxation by this state pursuant to any laws of the United  
259 States.

260 Sec. 9. Section 12-407a of the general statutes is repealed and the  
261 following is substituted in lieu thereof:

262 (a) [The] Except as otherwise provided in subsection (b) of this  
263 section, the rendering of telecommunications service shall be subject to  
264 tax under this chapter as a sale, for purposes of subdivision (k) of  
265 subsection (2) of section 12-407 when such service is (1) (A) originated  
266 in this state and terminated in this state, (B) originated in this state and  
267 terminated outside this state and with respect to which such service is  
268 charged to a telephone number, customer or account located in this  
269 state or to the account of any transmission instrument in this state or  
270 (C) originated outside this state and terminated in this state and with  
271 respect to which such service is charged to a telephone number,  
272 customer or account located in this state or to the account of any  
273 transmission instrument in this state, or (2) rendered by providing a  
274 private interstate telecommunications line on which the customer for  
275 such line has two or more locations connected to such line and the  
276 charges for which are related to (A) the number of customer locations

277 connected to such line in this state, (B) the distance between customer  
278 locations connected to such line in this state, and (C) a portion of such  
279 line determined by a ratio, the numerator of which is the number of air  
280 miles between the state border and the denominator of which is the  
281 number of air miles between said closest connection to the state border  
282 in this state and the customer location connected to such line which is  
283 closest to the state border outside this state.

284 [(b) For purposes of determining the application of tax under this  
285 chapter to cellular mobile telecommunications service in accordance  
286 with subdivision (1) of subsection (a) of this section, (A) a call  
287 originated from a cellular mobile telephone shall be deemed to have  
288 originated in this state if the first site in a cellular telephone system, at  
289 which messages to or from cellular mobile telephones are transmitted  
290 or received, to establish a completed call is located in this state, (B) a  
291 call terminated at a cellular mobile telephone shall be deemed to have  
292 terminated in this state if the first such site to transmit the call to such  
293 telephone is located in this state, (C) a call originated in this state as  
294 described in subparagraph (A) of this subsection shall be deemed to  
295 have originated and terminated in this state if the call terminates in  
296 this state and (D) a call terminated in this state as described in  
297 subparagraph (B) of this subsection shall be deemed to have originated  
298 and terminated in this state if the call originates in this state.]

299 (b) (1) For purposes of this subsection:

300 (A) "Mobile telecommunications service" means mobile  
301 telecommunications service, as defined in 4 USC 124;

302 (B) "Charges for mobile telecommunications services" means  
303 charges for mobile telecommunications services, as defined in 4 USC  
304 124;

305 (C) "Home service provider" means home service provider, as  
306 defined in 4 USC 124;

307 (D) "Customer" means customer, as defined in 4 USC 124;

308 (E) "Place of primary use" means place of primary use, as defined in  
309 4 USC 124; and

310 (F) "Taxing jurisdiction" means taxing jurisdiction, as defined in 4  
311 USC 124.

312 (2) (A) For purposes of determining the application of tax under this  
313 chapter to mobile telecommunications service, mobile  
314 telecommunications services provided in any taxing jurisdiction to a  
315 customer, the charges for which are billed by or for the customer's  
316 home service provider, shall be deemed to be provided by the  
317 customer's home service provider.

318 (B) Subject to the specific exceptions described in 4 USC 116(c), all  
319 charges for mobile telecommunications services that are deemed to be  
320 provided by the customer's home service provider are subject to tax  
321 under this chapter if the customer's place of primary use is in this state  
322 regardless of where the mobile telecommunications services originate,  
323 terminate or pass through.

324 (3) (A) A home service provider shall be responsible for obtaining  
325 and maintaining a record of the customer's place of primary use.  
326 Except as provided in subdivision (4) of this subsection, if the home  
327 service provider's reliance on the information provided by its customer  
328 is in good faith: (i) The home service provider may rely on the  
329 applicable residential or business street address supplied by the home  
330 service provider's customer; and (ii) the home service provider shall  
331 not be held liable for any additional taxes under this chapter based on  
332 a different determination of the place of primary use.

333 (B) Except as provided in subdivision (4) of this subsection, a home  
334 service provider may treat the address used by the home service  
335 provider for purposes of this chapter, for any customer under a service  
336 contract or agreement in effect on July 28, 2002, as that customer's  
337 place of primary use for the remaining term of such service contract or  
338 agreement, excluding any extension or renewal of such service contract  
339 or agreement.

340 (4) (A) If the commissioner determines that the address used by a  
341 home service provider as a customer's place of primary use is not, in  
342 fact, the customer's place of primary use, the commissioner shall notify  
343 such customer of such determination and provide such customer an  
344 opportunity to demonstrate that the address used by a home service  
345 provider as a customer's place of primary use is, in fact, the customer's  
346 place of primary use.

347 (B) If the customer fails to demonstrate, to the satisfaction of the  
348 commissioner, that the address is, in fact, the customer's place of  
349 primary use, the commissioner shall provide the home service  
350 provider with notice of the proper address to be used as such  
351 customer's place of primary use, and the home service provider shall  
352 begin using the address provided by the commissioner as such  
353 customer's place of primary use on a prospective basis from the date  
354 the commissioner provides notice of such address.

355 (5) (A) Notwithstanding any other provision of law, the  
356 commissioner may provide an electronic database, as described in 4  
357 USC 119, and any revisions to such database, to a home service  
358 provider.

359 (B) If the commissioner does not provide an electronic database, as  
360 described in subparagraph (A) of this subdivision, to a home service  
361 provider, the home service provider shall be held harmless from tax  
362 under this chapter that otherwise would be due solely as a result of an  
363 assignment of a street address to an incorrect taxing jurisdiction if,  
364 subject to subdivision (4) of this subsection, the home service provider  
365 employs an enhanced zip code to assign each street address to a  
366 specific taxing jurisdiction for each level of taxing jurisdiction and  
367 exercises due diligence at each level of taxing jurisdiction to ensure  
368 that each such street address is assigned to the correct taxing  
369 jurisdiction.

370 (6) (A) If a customer believes that an amount of tax or an assignment  
371 of place of primary use or taxing jurisdiction included on a billing is

372 erroneous, the customer shall notify the home service provider in  
373 writing. The customer shall include in such written notification the  
374 street address for the customer's place of primary use, the account  
375 name and number for which the customer requests a correction, a  
376 description of the error asserted by the customer and any other  
377 information that the home service provider reasonably requires to  
378 process the request. No later than sixty days after the date of receiving  
379 a notice under this subdivision, the home service provider shall review  
380 its records. If such review establishes that the amount of tax, or the  
381 assignment of place of primary use or taxing jurisdiction is erroneous,  
382 then the home service provider shall correct the error and refund or  
383 credit the amount of tax erroneously collected from the customer for a  
384 period of up to two years from the date of the customer's written  
385 notification. If such review establishes that the amount of tax, or the  
386 assignment of place of primary use or taxing jurisdiction is correct,  
387 then the home service provider shall provide a written explanation to  
388 the customer.

389 (B) If the customer is not satisfied with the explanation of the home  
390 service provider under subparagraph (A) of this subdivision, the  
391 customer may claim a refund from the taxing jurisdiction affected,  
392 provided the customer has first exhausted the remedy available to  
393 customers under subparagraph (A) of this subdivision, and, if the  
394 customer has done so and if the taxing jurisdiction affected is this state,  
395 the claim is made within the time prescribed in section 12-425.

396 (7) If nontaxable charges are aggregated with and not separately  
397 stated from taxable charges for mobile telecommunications services,  
398 then the nontaxable charges may be subject to tax unless the home  
399 service provider can reasonably identify charges not subject to tax  
400 under this chapter from its books and records that are kept in the  
401 regular course of business. A customer may not rely upon the  
402 nontaxability of charges for services unless the customer's home  
403 service provider separately states the charges for nontaxable services  
404 from taxable charges for mobile telecommunications services or the  
405 home service provider elects, after receiving a written request from the

406 customer in the form required by the home service provider, to  
407 provide verifiable data based upon the home service provider's books  
408 and records that are kept in the regular course of business that  
409 reasonably identifies the nontaxable charges.

410 Sec. 10. Subdivision (62) of section 12-412 of the general statutes is  
411 repealed and the following is substituted in lieu thereof:

412 (62) (A) Sales of any of the services enumerated in subdivisions (2)  
413 (i), (2) (k) or (2) (l) of section 12-407 that are rendered for a business  
414 entity affiliated with the business entity rendering such service in such  
415 manner that (i) either business entity in such transaction owns a  
416 controlling interest in the other business entity, or (ii) a controlling  
417 interest in each business entity in such transaction is owned by the  
418 same person or persons or business entity or business entities.

419 (B) For purposes of this subdivision, (i) "business entity" means a  
420 corporation, trust, estate, partnership, limited partnership, limited  
421 liability partnership, limited liability company, single member limited  
422 liability company, sole proprietorship, [and] nonstock corporation or a  
423 federally-recognized Indian tribe; (ii) "controlling interest" means, in  
424 the case of a business entity that is a corporation, ownership of stock  
425 possessing one hundred per cent of the total combined voting power  
426 of all classes of stock entitled to vote or one hundred per cent of the  
427 total value of shares of all classes of stock of such corporation; in the  
428 case of a business entity that is a trust or estate, ownership of a  
429 beneficial interest of one hundred per cent in such trust or estate; in the  
430 case of a business entity that is a partnership, limited partnership or  
431 limited liability partnership, ownership of one hundred per cent of the  
432 profits interest or capital interest in such partnership, limited  
433 partnership or limited liability partnership; in the case of a limited  
434 liability company with more than one member, ownership of one  
435 hundred per cent of the profits interest, capital interest or membership  
436 interests in such limited liability company; in the case of a business  
437 entity that is a sole proprietorship or single member limited liability  
438 company, ownership of such sole proprietorship or single member

439 limited liability company; in the case of a business entity that is a  
440 nonstock corporation with voting members, control of one hundred  
441 per cent of all voting membership interests in such corporation; and in  
442 the case of a business entity that is a nonstock corporation with no  
443 voting members, control of one hundred per cent of the board of  
444 directors of such corporation; (iii) whether a controlling interest in a  
445 business entity is owned shall be determined in accordance with  
446 Section 267 of the Internal Revenue Code of 1986, or any subsequent  
447 corresponding internal revenue code of the United States, as from time  
448 to time amended, provided where a controlling interest is owned in a  
449 business entity other than a stock corporation, the term "stock" as used  
450 in said Section 267 of the Internal Revenue Code means, in the case of a  
451 partnership, limited partnership, limited liability partnership or  
452 limited liability company treated as a partnership for federal income  
453 tax purposes, the profits interest or capital interest in such partnership,  
454 in the case of a business entity that is a trust or estate, the beneficial  
455 interests in such trust or estate, and in the case of a business entity that  
456 is a nonstock corporation, the voting membership interests in such  
457 corporation, or if it has no voting members, the control of the board of  
458 directors; (iv) a business entity has "control of" the board of directors of  
459 a nonstock corporation if one hundred per cent of the voting members  
460 of the board of directors are either representatives of, including ex-  
461 officio directors, or persons appointed by such business entity, or  
462 "control of" one hundred per cent of the voting membership interests  
463 in a nonstock corporation if one hundred per cent of the voting  
464 membership interests are held by the business entity or by  
465 representatives of, including ex-officio members, or persons appointed  
466 by such business entity.

467 Sec. 11. Subdivision (1) of subsection (c) of section 12-587 of the  
468 general statutes is repealed and the following is substituted in lieu  
469 thereof:

470 (c) (1) Any company which imports or causes to be imported into  
471 this state petroleum products for sale, use or consumption in this state,  
472 other than a company subject to and having paid the tax on such

473 company's gross earnings from first sales of petroleum products  
474 within this state, which earnings include gross earnings attributable to  
475 such imported or caused to be imported petroleum products, in  
476 accordance with subsection (b) of this section, shall pay a quarterly tax  
477 on the consideration given or contracted to be given for such  
478 petroleum product if the consideration given or contracted to be given  
479 for all such deliveries during the quarterly period for which such tax is  
480 to be paid exceeds [one hundred] three thousand dollars. Except as  
481 otherwise provided in subdivision (3) of this subsection, the rate of tax  
482 shall be five per cent. Fuel in the fuel supply tanks of a motor vehicle,  
483 which fuel tanks are directly connected to the engine, shall not be  
484 considered a delivery for the purposes of this subsection.

485 Sec. 12. Subsection (a) of section 12-632 of the general statutes is  
486 repealed and the following is substituted in lieu thereof:

487 (a) (1) [On or before September 1, 1995, and] Except as otherwise  
488 provided in subdivision (2) of this subsection, on or before July first of  
489 each [succeeding] year, any municipality desiring to obtain benefits  
490 under the provisions of this chapter shall, after approval by the  
491 legislative body of such municipality, submit to the Commissioner of  
492 Revenue Services a list on a form prescribed and made available by the  
493 commissioner of programs eligible for investment by business firms  
494 under the provisions of this chapter. Such activities shall consist of  
495 providing neighborhood assistance; job training or education;  
496 community services; crime prevention; energy conservation or  
497 construction or rehabilitation of dwelling units for families of low and  
498 moderate income in the state; donation of money to an open space  
499 acquisition fund of any political subdivision of the state or any  
500 nonprofit land conservation organization which fund qualifies under  
501 subsection (h) of section 12-631 and is used for the purchase of land,  
502 interest in land or permanent conservation restriction on land, which is  
503 to be permanently preserved as protected open space; or any of the  
504 activities described in section 12-634, 12-635 or 12-635a. Such list shall  
505 indicate, for each program specified: The concept of the program, the  
506 neighborhood area to be served, why the program is needed, the

507 estimated amount required to be invested in the program, the  
508 suggested plan for implementing the program, the agency designated  
509 by the municipality to oversee implementation of the program and  
510 such other information as the commissioner may prescribe. Each  
511 municipality shall hold at least one public hearing on the subject of  
512 which programs shall be included on such list prior to the submission  
513 of such list to the commissioner.

514 (2) If any municipality desiring to obtain benefits under the  
515 provisions of this chapter submits to the Commissioner of Revenue  
516 Services a list on a form prescribed and made available by the  
517 commissioner of programs eligible for investment by business firms  
518 under the provisions of this chapter after the July first due date, the  
519 commissioner shall include the list of programs on the list compiled by  
520 the commissioner under subsection (b) of this section if the  
521 municipality submits such list no later than fifteen days following such  
522 July first due date, provides an explanation for its failure to submit  
523 such list on or before such July first due date and submits proof that  
524 both the public hearing required by subdivision (1) of this subsection  
525 to be held on the programs to be included on such list and the  
526 approval of such list by the legislative body of such municipality  
527 required by subdivision (1) of this subsection occurred on or before  
528 such July first due date.

529 Sec. 13. Subsection (b) of section 12-688 of the general statutes is  
530 repealed and the following is substituted in lieu thereof:

531 (b) (1) If the department grants permission to any person to pay tax  
532 by electronic funds transfer, such person shall, except as provided in  
533 subdivision (2) of this subsection, be regarded, for the period for which  
534 such permission is granted, as a person who is required under section  
535 12-686 to pay a tax by electronic funds transfer. If such person gives  
536 notice, by certified mail, to the department, at least sixty days before  
537 the expiration of such period, that such person no longer chooses to  
538 pay tax by electronic funds transfer beyond such period, such person  
539 shall cease to be regarded as a person who is required under section

540 12-686 to pay a tax by electronic funds transfer after the expiration of  
541 such period. If such person does not give such notice, such person  
542 shall cease to be regarded as a person who is required under section  
543 12-686 to pay tax by electronic funds transfer sixty days after notice is  
544 given, by certified mail, to the department that the person no longer  
545 chooses to pay tax by electronic funds transfer.

546 (2) If the department grants permission to any person to pay a tax  
547 by electronic funds transfer, any tax payment made by electronic funds  
548 transfer by such person shall be treated as a tax payment made in a  
549 timely manner as long as such transfer is initiated on or before the date  
550 such tax is due, notwithstanding the fact that the bank account  
551 designated by the department may not be credited by electronic funds  
552 transfer for the amount of such payment on or before said due date.

553 Sec. 14. Subsection (a) of section 12-690 of the general statutes is  
554 repealed and the following is substituted in lieu thereof:

555 (a) (1) The Commissioner of Revenue Services may permit the filing,  
556 by computer transmission or by employing new technology as it is  
557 developed, of any return, statement or other document that is required  
558 by law or regulation to be filed with said commissioner.

559 (2) The Commissioner of Revenue Services may permit the filing, by  
560 computer transmission or by employing new technology as it is  
561 developed, by any person of any document that is permitted by law or  
562 regulation to be filed with said commissioner, as long as such person  
563 and said commissioner have agreed that said commissioner may send  
564 any document or notice to such person by computer transmission or  
565 by employing new technology as it is developed.

566 Sec. 15. Subdivision (19) of subsection (a) of section 12-701 of the  
567 general statutes is repealed and the following is substituted in lieu  
568 thereof:

569 (19) "Adjusted gross income" means the adjusted gross income of a  
570 natural person with respect to any taxable year, as determined for

571 federal income tax purposes and as properly reported on such person's  
572 federal income tax return.

573 Sec. 16. Subdivisions (1) and (2) of subsection (b) of section 12-711 of  
574 the general statutes are repealed and the following is substituted in  
575 lieu thereof:

576 (b) (1) Items of income, gain, loss and deduction derived from or  
577 connected with sources within this state shall be those items  
578 attributable to: (A) The ownership or disposition of any interest in real  
579 or tangible personal property in this state; [or] (B) a business, trade,  
580 profession or occupation carried on in this state; [or] (C) in the case of a  
581 shareholder of an S corporation, the ownership of shares issued by  
582 such corporation, to the extent determined under section 12-712; or (D)  
583 winnings from a wager placed in a lottery conducted by the  
584 Connecticut Lottery Corporation, if the proceeds from such wager  
585 exceed five thousand dollars.

586 (2) Income from intangible personal property, including annuities,  
587 dividends, interest and gains from the disposition of intangible  
588 personal property, shall constitute income derived from sources within  
589 this state only to the extent that such income is from property  
590 employed in a business, trade, profession or occupation carried on in  
591 this state or winnings from a wager placed in a lottery conducted by  
592 the Connecticut Lottery Corporation, if the proceeds from such wager  
593 exceed five thousand dollars.

594 Sec. 17. Subsection (b) of section 22a-132a of the general statutes is  
595 repealed and the following is substituted in lieu thereof:

596 (b) Before December thirty-first of each year, the council shall  
597 review the anticipated amount of such expenses for the next fiscal  
598 year, excluding expenses under subsection (c) of this section, at a  
599 public meeting at which interested persons shall be heard. After an  
600 opportunity for public comment at such public meeting, the council  
601 shall determine the anticipated amount of such expenses and submit  
602 its determination to the joint standing committee of the General

603 Assembly having cognizance of appropriations and the budgets of  
604 state agencies for its review. The amount of such expenses shall not  
605 exceed sixty thousand dollars. The [Commissioner of Revenue  
606 Services] council shall apportion and assess the anticipated amount of  
607 expenses among [those persons or entities, as defined in subsection (a)  
608 of section 22a-132, in the proportion which the waste generated by  
609 each such person bears to the aggregate waste generated by all such  
610 persons. On June 1, 1992, each person subject to assessment pursuant  
611 to this subsection shall submit a return to the Commissioner of  
612 Revenue Services, on a form prescribed by the commissioner, together  
613 with such assessment for the six-month period ending June 30, 1992.  
614 Thereafter, beginning on July 1, 1992, such returns and assessments  
615 shall be submitted quarterly] generators of hazardous waste in such  
616 manner as the council shall deem appropriate. The [commissioner]  
617 council shall deposit all payments received under this subsection with  
618 the State Treasurer who shall credit such payments to the Siting  
619 Council Fund established under section 16-50v. Such payments shall  
620 be accounted for as expenses recovered from generators of hazardous  
621 waste.

622 Sec. 18. Subsection (j) of section 38a-88a of the general statutes is  
623 repealed and the following is substituted in lieu thereof:

624 (j) The tax credit allowed by this section shall only be available for  
625 investments in funds that are not open to additional investments or  
626 investors beyond the amount subscribed at the formation of the fund.  
627 No credits shall be allowed under this section for investments in any  
628 fund created on or after July 1, 2000. With respect to any fund created  
629 before July 1, 2000, no credit shall be allowed under this section for  
630 investments made in an insurance business through such fund after  
631 December 31, 2010.

632 Sec. 19. Subparagraph (A) of subdivision (3) of section 38a-841 of the  
633 general statutes is repealed and the following is substituted in lieu  
634 thereof:

635 (3) (A) Each insurer paying an assessment under sections 38a-836 to  
636 38a-853, inclusive, may offset one hundred per cent of the amount of  
637 such assessment against its premium tax liability to this state under  
638 chapter 207. Such offset shall be taken over a period of the five  
639 successive tax years following the year of payment of the assessment,  
640 at the rate of twenty per cent per year of the assessment paid to the  
641 association. [Each insurer which has offset assessments paid to the  
642 association from its premium tax liability to the state shall pay to the  
643 state one hundred per cent of any sums which are acquired by refund  
644 from the association pursuant to subdivision (2) of this section.] Each  
645 insurer to which has been refunded by the association, pursuant to  
646 subdivision (2) of this section, all or a portion of an assessment  
647 previously paid to the association by the insurer shall be required to  
648 pay to the Department of Revenue Services an amount equal to the  
649 total amount that has been claimed as an offset against the premiums  
650 tax liability on the premiums tax return or returns, as the case may be,  
651 filed by such insurer and that is attributable to such refunded  
652 assessment, provided the amount required to be paid to said  
653 department shall not exceed the amount of the refunded assessment. If  
654 the amount of the refunded assessment exceeds the total amount that  
655 has been claimed as an offset against the premiums tax liability on the  
656 premiums tax return or returns filed by such insurer and that is  
657 attributable to such refunded assessment, such excess may not be  
658 claimed as an offset against the premiums tax liability on a premiums  
659 tax return or returns filed by such insurer or, if the offset has been  
660 transferred to another person pursuant to subparagraph (B) of this  
661 subdivision, by such other person. For purposes of this subparagraph,  
662 if the offset has been transferred to another person pursuant to  
663 subparagraph (B) of this subdivision, the total amount that has been  
664 claimed as an offset against the premiums tax liability on the  
665 premiums tax return or returns filed by such insurer includes the total  
666 amount that has been claimed as an offset against the premiums tax  
667 liability on the premiums tax return or returns filed by such other  
668 person. The association shall promptly notify the [commissioner that  
669 such refunds have been made] Commissioner of Revenue Services of

670 the name and address of the insurers to which such refunds have been  
671 made, the amount of such refunds and the date on which such refunds  
672 were mailed to such insurer. If the amount that an insurer is required  
673 to pay to the Department of Revenue Services has not been so paid on  
674 or before the forty-fifth day after the date of mailing of such refunds,  
675 the insurer shall be liable for interest on such amount at the rate of one  
676 per cent per month or fraction thereof from such forty-fifth day to the  
677 date of payment.

678       Sec. 20. Subparagraph (B) of subdivision (3) of section 38a-841 of the  
679 general statutes is repealed and the following is substituted in lieu  
680 thereof:

681       (B) An insurer, in this subparagraph called "the transferor", may  
682 transfer any offset provided under subparagraph (A) of this  
683 subdivision to an affiliate, as defined in section 38a-1, of [that insurer]  
684 the transferor. Any such transfer of the offset by the transferor and any  
685 subsequent transfer or transfers of the same offset shall not affect the  
686 obligation of the transferor to pay to the Department of Revenue  
687 Services any sums which are acquired by refund from the association  
688 pursuant to subdivision (2) of this section and which are required to be  
689 paid to the Department of Revenue Services pursuant to subparagraph  
690 (A) of this subdivision. Such offset may be taken by any transferee  
691 only against the transferee's premium tax liability to this state under  
692 chapter 207. The Commissioner of Revenue Services shall not allow  
693 such offset to a transferee against its premium tax liability unless the  
694 transferor, the affiliate to which the offset was originally transferred,  
695 each subsequent transferor and each subsequent transferee have filed  
696 such information as may be required on forms provided by said  
697 commissioner with respect to any such transfer or transfers on or  
698 before the due date of the premium tax return on which such offset  
699 would have been taken by the transferor if no transfer had been made  
700 by the transferor.

701       Sec. 21. Subdivision (1) of subsection (h) of section 38a-866 of the  
702 general statutes is repealed and the following is substituted in lieu

703 thereof:

704 (h) (1) Each insurer paying an assessment under sections 38a-858 to  
705 38a-875, inclusive, may offset one hundred per cent of the amount of  
706 such assessment against its premium tax liability to this state under  
707 chapter 207. Such offset shall be taken over a period of the five  
708 successive tax years following the year of payment of the assessment,  
709 at the rate of twenty per cent per year of the assessment paid to the  
710 association. [Each insurer which has offset assessments paid to the  
711 association against its premium tax liability to the state shall pay to the  
712 Department of Revenue Services one hundred per cent of any sums  
713 which are acquired by refund from the association pursuant to  
714 subsection (f) of this section.] Each insurer to which has been refunded  
715 by the association, pursuant to subsection (f) of this section, all or a  
716 portion of an assessment previously paid to the association by the  
717 insurer shall be required to pay to the Department of Revenue Services  
718 an amount equal to the total amount that has been claimed as an offset  
719 against the premiums tax liability on the premiums tax return or  
720 returns, as the case may be, filed by such insurer and that is  
721 attributable to such refunded assessment, provided the amount  
722 required to be paid to said department shall not exceed the amount of  
723 the refunded assessment. If the amount of the refunded assessment  
724 exceeds the total amount that has been claimed as an offset against the  
725 premiums tax liability on the premiums tax return or returns filed by  
726 such insurer and that is attributable to such refunded assessment, such  
727 excess may not be claimed as an offset against the premiums tax  
728 liability on a premiums tax return or returns filed by such insurer or, if  
729 the offset has been transferred to another person pursuant to  
730 subdivision (2) of this subsection, by such other person. For purposes  
731 of the subdivision, if the offset has been transferred to another person  
732 pursuant to subdivision (2) of this subsection, the total amount that has  
733 been claimed as an offset against the premiums tax liability on the  
734 premiums tax return or returns filed by such insurer includes the total  
735 amount that has been claimed as an offset against the premiums tax  
736 liability on the premiums tax return or returns filed by such other

737 person. The association shall promptly notify the [commissioner]  
738 Commissioner of Revenue Services of the name and address of the  
739 insurers to which such refunds have been made, the amount of such  
740 refunds, and the date on which such refunds were mailed to such  
741 insurer. If the amount that an insurer is required to pay to the  
742 Department of Revenue Services has not been so paid on or before the  
743 [thirtieth] forty-fifth day after the date of mailing of such refunds, the  
744 insurer shall be liable for interest on such amount at the rate of one per  
745 cent per month or fraction thereof from such [thirtieth] forty-fifth day  
746 to the date of payment.

747 Sec. 22. Subdivision (2) of subsection (h) of section 38a-866 of the  
748 general statutes is repealed and the following is substituted in lieu  
749 thereof:

750 (2) An insurer, in this subdivision called "the transferor", may  
751 transfer any offset provided under subdivision (1) of this subsection to  
752 an affiliate, as defined in section 38a-1, of [that insurer] the transferor.  
753 Any such transfer of the offset by the transferor, and any subsequent  
754 transfer or transfers of the same offset, shall not affect the obligation of  
755 the transferor to pay to the Department of Revenue Services any sums  
756 which are acquired by refund from the association pursuant to  
757 subsection (f) of this section and which are required to be paid to the  
758 Department of Revenue Services pursuant to subdivision (1) of this  
759 subsection. Such offset may be taken by any transferee only against the  
760 transferee's premium tax liability to this state under chapter 207. The  
761 Commissioner of Revenue Services shall not allow such offset to a  
762 transferee against its premium tax liability unless the transferor, the  
763 affiliate to which the offset was originally transferred, each subsequent  
764 transferor and each subsequent transferee have filed such information  
765 as may be required on forms provided by said commissioner with  
766 respect to any such transfer or transfers on or before the due date of  
767 the premium tax return on which such offset would have been taken  
768 by the transferor, if no transfer had been made by the transferor.

769 Sec. 23. If a court of competent jurisdiction enters a final judgment

770 on the merits that is based on federal law, is no longer subject to  
771 appeal, and substantially limits or impairs the essential elements of  
772 Sections 116 to 126, inclusive, of Title 4 of the United States Code, then  
773 the amendment made by section 9 of this act to subsection (b) of  
774 section 12-407a of the general statutes shall be invalid and have no  
775 legal effect as of the date of entry of such judgment.

776 Sec. 24. The intent of the amendment made by section 15 of this act  
777 to subdivision (19) of subsection (a) of section 12-701 of the general  
778 statutes is to clarify that a natural person's adjusted gross income is not  
779 further modified in determining such person's Connecticut adjusted  
780 gross income for purposes of chapter 229 of the general statutes, except  
781 as expressly provided in subdivision (20) of subsection (a) of said  
782 section 12-701.

783 Sec. 25. Subsection (a) of section 12-314 of the general statutes is  
784 repealed and the following is substituted in lieu thereof:

785 (a) (1) The sale of cigarettes other than in an unopened package  
786 containing twenty or more cigarettes originating with the  
787 manufacturer which bears the health warning required by law is  
788 prohibited.

789 (2) If the Commissioner of Revenue Services finds, after a hearing,  
790 that any dealer or distributor has violated the provisions of this  
791 subsection, said commissioner may assess such person a civil penalty  
792 of fifty dollars for a first offense, two hundred fifty dollars for a second  
793 offense and five hundred dollars for a third or subsequent offense.  
794 Such penalty may be in addition to any other penalty provided by law,  
795 including, but not limited to, the suspension or revocation of the  
796 license of such dealer or distributor pursuant to section 12-295. Any  
797 person aggrieved by any action of said commissioner pursuant to this  
798 subsection may take an appeal of such action as provided in sections  
799 12-311 and 12-312.

800 Sec. 26. Subsection (7) of section 12-430 of the general statutes is  
801 repealed and the following is substituted in lieu thereof:

802 (7) (a) (i) When a nonresident contractor enters into a contract with a  
803 person other than a direct payment permit holder, as the term is used  
804 in section 12-409a, pursuant to which, or in the carrying out of which,  
805 tangible personal property will be consumed or used in this state, such  
806 nonresident contractor shall deposit with the Commissioner of  
807 Revenue Services at the commencement of such contract a sum  
808 equivalent to five per cent of the total amount to be paid under the  
809 contract or shall furnish the Commissioner of Revenue Services with a  
810 guarantee bond satisfactory to said commissioner in a sum equivalent  
811 to five per cent of such total amount, to secure payment of the taxes  
812 payable with respect to tangible personal property consumed or used  
813 pursuant to or in the carrying out of such contract or any other state  
814 taxes, and shall obtain a certificate from the Commissioner of Revenue  
815 Services that the requirements of this subsection have been met.

816 (ii) When a nonresident contractor enters into a contract with a  
817 direct payment permit holder pursuant to which, or in the carrying out  
818 of which, tangible personal property will be consumed or used in this  
819 state, such nonresident contractor shall deposit with the Commissioner  
820 of Revenue Services at the commencement of such contract a sum  
821 equivalent to two per cent of the total amount to be paid under the  
822 contract or shall furnish the Commissioner of Revenue Services with a  
823 guarantee bond satisfactory to said commissioner in a sum equivalent  
824 to two per cent of such total amount, to secure payment of the taxes  
825 payable with respect to tangible personal property consumed or used  
826 pursuant to or in the carrying out of such contract or any other state  
827 taxes, and shall obtain a certificate from the Commissioner of Revenue  
828 Services that the requirements of this subsection have been met.

829 (b) (i) Any person other than a direct payment permit holder  
830 dealing with a nonresident contractor without first obtaining a copy of  
831 such certificate from said commissioner shall no later than [thirty]  
832 ninety days after the commencement of such contract or, if the contract  
833 is to be completed in less than ninety days, no later than forty-five  
834 days after the commencement of such contract deduct five per cent of  
835 all amounts payable to such nonresident contractor and pay it over to

836 said commissioner on behalf of or as agent for such nonresident  
837 contractor or shall furnish said commissioner with a guarantee bond  
838 satisfactory to said commissioner in a sum equivalent to five per cent  
839 of such total amount, to secure payment of the taxes payable with  
840 respect to such tangible personal property consumed or used pursuant  
841 to or in the carrying out of such contract or any other state taxes.

842 (ii) Any direct payment permit holder dealing with a nonresident  
843 contractor without first obtaining a copy of such certificate from said  
844 commissioner shall no later than [thirty] ninety days after the  
845 commencement of such contract or, if the contract is to be completed in  
846 less than ninety days, no later than forty-five days after the  
847 commencement of such contract deduct two per cent of all amounts  
848 payable to such nonresident contractor and pay it over to said  
849 commissioner on behalf of or as agent for such nonresident contractor  
850 or shall furnish said commissioner with a guarantee bond satisfactory  
851 to said commissioner in a sum equivalent to two per cent of such total  
852 amount, to secure payment of the taxes payable with respect to such  
853 tangible personal property consumed or used pursuant to or in the  
854 carrying out of such contract or any other state taxes.

855 (c) If any person dealing with such nonresident contractor fails to  
856 comply with subdivision (b) of this subsection, such person shall be  
857 personally liable for payment of the taxes imposed by this chapter with  
858 respect to such tangible personal property consumed or used pursuant  
859 to or in carrying out such contract or any other state taxes.

860 (d) When a nonresident contractor enters into a contract with the  
861 state, said contractor shall provide the Labor Department with  
862 evidence demonstrating compliance with the provisions of chapters  
863 567 and 568, the prevailing wage requirements of chapter 557 and any  
864 other provisions of the general statutes related to conditions of  
865 employment.

866 Sec. 27. Subdivision (20) of subsection (a) of section 12-701 of the  
867 general statutes is repealed and the following is substituted in lieu

868 thereof:

869 (20) "Connecticut adjusted gross income" means adjusted gross  
870 income, with the following modifications:

871 (A) There shall be added thereto (i) to the extent not properly  
872 includable in gross income for federal income tax purposes, any  
873 interest income from obligations issued by or on behalf of any state,  
874 political subdivision thereof, or public instrumentality, state or local  
875 authority, district or similar public entity, exclusive of such income  
876 from obligations issued by or on behalf of the state of Connecticut, any  
877 political subdivision thereof, or public instrumentality, state or local  
878 authority, district or similar public entity created under the laws of the  
879 state of Connecticut and exclusive of any such income with respect to  
880 which taxation by any state is prohibited by federal law, (ii) any  
881 exempt-interest dividends, as defined in Section 852(b)(5) of the  
882 Internal Revenue Code, exclusive of such exempt-interest dividends  
883 derived from obligations issued by or on behalf of the state of  
884 Connecticut, any political subdivision thereof, or public  
885 instrumentality, state or local authority, district or similar public entity  
886 created under the laws of the state of Connecticut and exclusive of  
887 such exempt-interest dividends derived from obligations, the income  
888 with respect to which taxation by any state is prohibited by federal  
889 law, (iii) any interest or dividend income on obligations or securities of  
890 any authority, commission or instrumentality of the United States  
891 which federal law exempts from federal income tax but does not  
892 exempt from state income taxes, (iv) to the extent included in gross  
893 income for federal income tax purposes for the taxable year, the total  
894 taxable amount of a lump sum distribution for the taxable year  
895 deductible from such gross income in calculating federal adjusted  
896 gross income, (v) to the extent properly includable in determining the  
897 net gain or loss from the sale or other disposition of capital assets for  
898 federal income tax purposes, any loss from the sale or exchange of  
899 obligations issued by or on behalf of the state of Connecticut, any  
900 political subdivision thereof, or public instrumentality, state or local  
901 authority, district or similar public entity created under the laws of the

902 state of Connecticut, in the income year such loss was recognized, (vi)  
903 to the extent deductible in determining federal adjusted gross income,  
904 any income taxes imposed by this state, (vii) to the extent deductible in  
905 determining federal adjusted gross income, any interest on  
906 indebtedness incurred or continued to purchase or carry obligations or  
907 securities the interest on which is exempt from tax under this chapter  
908 and (viii) expenses paid or incurred during the taxable year for the  
909 production or collection of income which is exempt from taxation  
910 under this chapter or the management, conservation or maintenance of  
911 property held for the production of such income, and the amortizable  
912 bond premium for the taxable year on any bond the interest on which  
913 is exempt from tax under this chapter to the extent that such expenses  
914 and premiums are deductible in determining federal adjusted gross  
915 income.

916 (B) There shall be subtracted therefrom (i) to the extent properly  
917 includable in gross income for federal income tax purposes, any  
918 income with respect to which taxation by any state is prohibited by  
919 federal law, (ii) to the extent allowable under section 12-718, exempt  
920 dividends paid by a regulated investment company, (iii) the amount of  
921 any refund or credit for overpayment of income taxes imposed by this  
922 state, or any other state of the United States or a political subdivision  
923 thereof, or the District of Columbia, to the extent properly includable  
924 in gross income for federal income tax purposes, (iv) to the extent  
925 properly includable in gross income for federal income tax purposes,  
926 any tier 1 railroad retirement benefits, (v) with respect to any natural  
927 person who is a shareholder of an S corporation which is carrying on,  
928 or which has the right to carry on, business in this state, as said term is  
929 used in section 12-214, the amount of such shareholder's pro rata share  
930 of such corporation's nonseparately computed items, as defined in  
931 Section 1366 of the Internal Revenue Code, that is subject to tax under  
932 chapter 208, in accordance with subsection (c) of section 12-217,  
933 multiplied by such corporation's apportionment fraction, if any, as  
934 determined in accordance with section 12-218, (vi) to the extent  
935 properly includable in gross income for federal income tax purposes,

936 any interest income from obligations issued by or on behalf of the state  
937 of Connecticut, any political subdivision thereof, or public  
938 instrumentality, state or local authority, district or similar public entity  
939 created under the laws of the state of Connecticut, (vii) to the extent  
940 properly includable in determining the net gain or loss from the sale or  
941 other disposition of capital assets for federal income tax purposes, any  
942 gain from the sale or exchange of obligations issued by or on behalf of  
943 the state of Connecticut, any political subdivision thereof, or public  
944 instrumentality, state or local authority, district or similar public entity  
945 created under the laws of the state of Connecticut, in the income year  
946 such gain was recognized, (viii) any interest on indebtedness incurred  
947 or continued to purchase or carry obligations or securities the interest  
948 on which is subject to tax under this chapter but exempt from federal  
949 income tax, to the extent that such interest on indebtedness is not  
950 deductible in determining federal adjusted gross income and is  
951 attributable to a trade or business carried on by such individual, (ix)  
952 ordinary and necessary expenses paid or incurred during the taxable  
953 year for the production or collection of income which is subject to  
954 taxation under this chapter but exempt from federal income tax, or the  
955 management, conservation or maintenance of property held for the  
956 production of such income, and the amortizable bond premium for the  
957 taxable year on any bond the interest on which is subject to tax under  
958 this chapter but exempt from federal income tax, to the extent that  
959 such expenses and premiums are not deductible in determining federal  
960 adjusted gross income and are attributable to a trade or business  
961 carried on by such individual, (x) (I) for a person who files a return  
962 under the federal income tax as an unmarried individual whose  
963 federal adjusted gross income for such taxable year is less than fifty  
964 thousand dollars, or as a married individual filing separately whose  
965 federal adjusted gross income for such taxable year is less than fifty  
966 thousand dollars, or for a husband and wife who file a return under  
967 the federal income tax as married individuals filing jointly whose  
968 federal adjusted gross income for such taxable year is less than sixty  
969 thousand dollars or a person who files a return under the federal  
970 income tax as a head of household whose federal adjusted gross

971 income for such taxable year is less than sixty thousand dollars, an  
972 amount equal to the Social Security benefits includable for federal  
973 income tax purposes; and (II) for a person who files a return under the  
974 federal income tax as an unmarried individual whose federal adjusted  
975 gross income for such taxable year is fifty thousand dollars or more, or  
976 as a married individual filing separately whose federal adjusted gross  
977 income for such taxable year is fifty thousand dollars or more, or for a  
978 husband and wife who file a return under the federal income tax as  
979 married individuals filing jointly whose federal adjusted gross income  
980 from such taxable year is sixty thousand dollars or more or for a  
981 person who files a return under the federal income tax as a head of  
982 household whose federal adjusted gross income for such taxable year  
983 is sixty thousand dollars or more, an amount equal to the difference  
984 between the amount of Social Security benefits includable for federal  
985 income tax purposes and the lesser of twenty-five per cent of the Social  
986 Security benefits received during the taxable year, or twenty-five per  
987 cent of the excess described in Section 86(b)(1) of the Internal Revenue  
988 Code, (xi) to the extent properly includable in gross income for federal  
989 income tax purposes, any amount rebated to a taxpayer pursuant to  
990 section 12-746, (xii) to the extent properly includable in the gross  
991 income for federal income tax purposes of a designated beneficiary,  
992 any distribution to such beneficiary from any qualified state tuition  
993 program, as defined in Section 529(b) of the Internal Revenue Code,  
994 established and maintained by this state or any official, agency or  
995 instrumentality of the state, (xiii) to the extent properly includable in  
996 gross income for federal income tax purposes, the amount of any  
997 Holocaust victims' settlement payment received in the taxable year by  
998 a Holocaust victim, [and] (xiv) to the extent properly includable in  
999 gross income for federal income tax purposes of an account holder, as  
1000 defined in section 31-51ww, interest earned on funds deposited in the  
1001 individual development account, as defined in section 31-51ww, of  
1002 such account holder, and (xv) to the extent properly includable in  
1003 gross income for federal income tax purposes, the amount of any  
1004 reimbursement received from insurance or other sources by a taxpayer  
1005 for expenses that were paid by the taxpayer during a preceding taxable

1006 year for medical care and that were allowed as a deduction for such  
1007 year under Section 213 of the Internal Revenue Code.

1008 (C) With respect to a person who is the beneficiary of a trust or  
1009 estate, there shall be added or subtracted, as the case may be, from  
1010 adjusted gross income such person's share, as determined under  
1011 section 12-714, in the Connecticut fiduciary adjustment.

1012 Sec. 28. This act shall take effect from its passage, except that  
1013 sections 2 and 4 shall apply to income years commencing on or after  
1014 January 1, 2001, with respect to the petitions filed on or after October 1,  
1015 2001; section 3 shall apply to income years commencing on or after  
1016 January 1, 2001; sections 6, 12, 14, 17, 19 and 21 shall take effect July 1,  
1017 2001; section 11 shall apply to quarterly periods commencing on or  
1018 after October 1, 2001; section 13 shall take effect July 1, 2001, and shall  
1019 apply to payments required to be made on or after said date; section 9  
1020 shall apply only to customer bills issued after the first day of the first  
1021 month beginning more than two years after the date of enactment of  
1022 Public Law No. 106-252; section 10 shall take effect October 1, 2001,  
1023 and shall apply to sales or purchases made on or after said date;  
1024 section 15 shall apply to all open tax periods; section 16 shall apply to  
1025 taxable years commencing on or after January 1, 2001; sections 20 and  
1026 22 shall apply to calendar years commencing on or after January 1,  
1027 2001; and sections 5, 7 and 8 shall take effect January 1, 2002.

**FIN**        *Joint Favorable Subst.*