



# Senate

General Assembly

**File No. 1**

February Session, 2002

Substitute Senate Bill No. 33

*Senate, February 22, 2002*

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT CONCERNING CERTAIN TAXES RELATED TO HEALTH CARE.**

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

1 Section 1. Subdivision (2) of section 12-407 of the general statutes, as  
2 amended by section 2 of public act 01-109 and section 1 of public act  
3 01-6 of the June special session, is repealed and the following is  
4 substituted in lieu thereof (*Effective from passage*):

5 (2) "Sale" and "selling" mean and include: (a) Any transfer of title,  
6 exchange or barter, conditional or otherwise, in any manner or by any  
7 means whatsoever, of tangible personal property for a consideration;  
8 (b) any withdrawal, except a withdrawal pursuant to a transaction in  
9 foreign or interstate commerce, of tangible personal property from the  
10 place where it is located for delivery to a point in this state for the  
11 purpose of the transfer of title, exchange or barter, conditional or  
12 otherwise, in any manner or by any means whatsoever, of the property

13 for a consideration; (c) the producing, fabricating, processing, printing  
14 or imprinting of tangible personal property for a consideration for  
15 consumers who furnish either directly or indirectly the materials used  
16 in the producing, fabricating, processing, printing or imprinting,  
17 including, but not limited to, sign construction, photofinishing,  
18 duplicating and photocopying; (d) the furnishing and distributing of  
19 tangible personal property for a consideration by social clubs and  
20 fraternal organizations to their members or others; (e) the furnishing,  
21 preparing, or serving for a consideration of food, meals or drinks; (f) a  
22 transaction whereby the possession of property is transferred but the  
23 seller retains the title as security for the payment of the price; (g) a  
24 transfer for a consideration of the title of tangible personal property  
25 which has been produced, fabricated or printed to the special order of  
26 the customer, or of any publication, including, but not limited to, sign  
27 construction, photofinishing, duplicating and photocopying; (h) a  
28 transfer for a consideration of the occupancy of any room or rooms in a  
29 hotel or lodging house for a period of thirty consecutive calendar days  
30 or less; (i) the rendering of certain services for a consideration,  
31 exclusive of such services rendered by an employee for the employer,  
32 as follows: (A) Computer and data processing services, including, but  
33 not limited to, time, programming, code writing, modification of  
34 existing programs, feasibility studies and installation and  
35 implementation of software programs and systems even where such  
36 services are rendered in connection with the development, creation or  
37 production of canned or custom software or the license of custom  
38 software, and exclusive of services rendered in connection with the  
39 creation, development hosting or maintenance of all or part of a web  
40 site which is part of the graphical, hypertext portion of the Internet,  
41 commonly referred to as the World-Wide Web, (B) credit information  
42 and reporting services, (C) services by employment agencies and  
43 agencies providing personnel services, (D) private investigation,  
44 protection, patrol work, watchman and armored car services, exclusive  
45 of services of off-duty police officers and off-duty firefighters, (E)

46 painting and lettering services, (F) photographic studio services, (G)  
47 telephone answering services, (H) stenographic services, (I) services to  
48 industrial, commercial or income-producing real property, including,  
49 but not limited to, such services as management, electrical, plumbing,  
50 painting and carpentry and excluding any such services rendered in  
51 the voluntary evaluation, prevention, treatment, containment or  
52 removal of hazardous waste, as defined in section 22a-115, or other  
53 contaminants of air, water or soil, provided income-producing  
54 property shall not include property used exclusively for residential  
55 purposes in which the owner resides and which contains no more than  
56 three dwelling units, or a housing facility for low and moderate  
57 income families and persons owned or operated by a nonprofit  
58 housing organization, as defined in subsection (29) of section 12-412,  
59 (J) business analysis, management, management consulting and public  
60 relations services, excluding (i) any environmental consulting services,  
61 and (ii) any training services provided by an institution of higher  
62 education licensed or accredited by the Board of Governors of Higher  
63 Education pursuant to section 10a-34, (K) services providing "piped-in"  
64 music to business or professional establishments, (L) flight instruction  
65 and chartering services by a certificated air carrier on an aircraft, the  
66 use of which for such purposes, but for the provisions of subsection (4)  
67 of section 12-410 and subsection (12) of section 12-411, would be  
68 deemed a retail sale and a taxable storage or use, respectively, of such  
69 aircraft by such carrier, (M) motor vehicle repair services, including  
70 any type of repair, painting or replacement related to the body or any  
71 of the operating parts of a motor vehicle, (N) motor vehicle parking,  
72 including the provision of space, other than metered space, in a lot  
73 having thirty or more spaces, excluding (i) space in a seasonal parking  
74 lot provided by a person who is exempt from taxation under this  
75 chapter pursuant to subsection (1), (5) or (8) of section 12-412, (ii) space  
76 in a parking lot owned or leased under the terms of a lease of not less  
77 than ten years' duration and operated by an employer for the exclusive  
78 use of its employees, (iii) valet parking provided at any airport, (iv)

79 space in municipally-operated railroad parking facilities in  
80 municipalities located within an area of the state designated as a  
81 severe nonattainment area for ozone under the federal Clean Air Act,  
82 or space in a railroad parking facility in a municipality located within  
83 an area of the state designated as a severe nonattainment area for  
84 ozone under the federal Clean Air Act owned or operated by the state  
85 on or after April 1, 2000, (O) radio or television repair services, (P)  
86 furniture reupholstering and repair services, (Q) repair services to any  
87 electrical or electronic device, including, but not limited to, equipment  
88 used for purposes of refrigeration or air-conditioning, (R) lobbying or  
89 consulting services for purposes of representing the interests of a client  
90 in relation to the functions of any governmental entity or  
91 instrumentality, (S) services of the agent of any person in relation to  
92 the sale of any item of tangible personal property for such person,  
93 exclusive of the services of a consignee selling works of art, as defined  
94 in subsection (b) of section 12-376c, or articles of clothing or footwear  
95 intended to be worn on or about the human body other than (i) any  
96 special clothing or footwear primarily designed for athletic activity or  
97 protective use and which is not normally worn except when used for  
98 the athletic activity or protective use for which it was designed, and (ii)  
99 jewelry, handbags, luggage, umbrellas, wallets, watches and similar  
100 items carried on or about the human body but not worn on the body in  
101 the manner characteristic of clothing intended for exemption under  
102 subdivision (47) of section 12-412, under consignment, exclusive of  
103 services provided by an auctioneer, (T) locksmith services, (U)  
104 advertising or public relations services, including layout, art direction,  
105 graphic design, mechanical preparation or production supervision, not  
106 related to the development of media advertising or cooperative direct  
107 mail advertising, (V) landscaping and horticulture services, (W)  
108 window cleaning services, (X) maintenance services, (Y) janitorial  
109 services, (Z) exterminating services, (AA) swimming pool cleaning and  
110 maintenance services, (BB) renovation and repair services as set forth  
111 in this subparagraph, to other than industrial, commercial or

112 income-producing real property: Paving of any sort, painting or  
113 staining, wallpapering, roofing, siding and exterior sheet metal work,  
114 (CC) miscellaneous personal services included in industry group 729  
115 in the Standard Industrial Classification Manual, United States Office  
116 of Management and Budget, 1987 edition, or U.S. industry 532220,  
117 812191, 812199 or 812990 in the North American Industrial  
118 Classification System United States Manual, United States Office of  
119 Management and Budget, 1997 edition, exclusive of (i) services  
120 rendered by massage therapists licensed pursuant to chapter 384a, and  
121 (ii) services rendered by an electrologist licensed pursuant to chapter  
122 388, (DD) any repair or maintenance service to any item of tangible  
123 personal property including any contract of warranty or service related  
124 to any such item, (EE) business analysis, management or managing  
125 consulting services rendered by a general partner, or an affiliate  
126 thereof, to a limited partnership, provided (i) that the general partner,  
127 or an affiliate thereof, is compensated for the rendition of such services  
128 other than through a distributive share of partnership profits or an  
129 annual percentage of partnership capital or assets established in the  
130 limited partnership's offering statement, and (ii) the general partner, or  
131 an affiliate thereof, offers such services to others, including any other  
132 partnership. As used in subparagraph (EE)(i) "an affiliate of a general  
133 partner" means an entity which is directly or indirectly owned fifty per  
134 cent or more in common with a general partner, and (FF)  
135 notwithstanding the provisions of section 12-412, except subsection  
136 (87) thereof, patient care services, as defined in subsection (29) of this  
137 section by a hospital, except that "sale" and "selling" does not include  
138 such patient care services [rendered] for which payment is received by  
139 the hospital during the period commencing July 1, 2001, and ending  
140 June 30, 2003; (j) the leasing or rental of tangible personal property of  
141 any kind whatsoever, including, but not limited to, motor vehicles,  
142 linen or towels, machinery or apparatus, office equipment and data  
143 processing equipment, provided for purposes of this subdivision and  
144 the application of sales and use tax to contracts of lease or rental of

145 tangible personal property, the leasing or rental of any motion picture  
146 film by the owner or operator of a motion picture theater for purposes  
147 of display at such theater shall not constitute a sale within the meaning  
148 of this subsection; (k) the rendering of telecommunications service, as  
149 defined in subsection (26) of this section, for a consideration on or after  
150 January 1, 1990, exclusive of any such service rendered by an employee  
151 for the employer of such employee, subject to the provisions related to  
152 telecommunications service in accordance with section 12-407a, as  
153 amended; (l) the rendering of community antenna television service, as  
154 defined in subsection (27) of this section, for a consideration on or after  
155 January 1, 1990, exclusive of any such service rendered by an employee  
156 for the employer of such employee; (m) the transfer for consideration  
157 of space or the right to use any space for the purpose of storage or  
158 mooring of any noncommercial vessel, exclusive of dry or wet storage  
159 or mooring of such vessel during the period commencing on the first  
160 day of November in any year to and including the thirtieth day of  
161 April of the next succeeding year; (n) the sale for consideration of  
162 naming rights to any place of amusement, entertainment or recreation  
163 within the meaning of subdivision (3) of section 12-540; (o) the transfer  
164 for consideration of a prepaid telephone calling service, as defined in  
165 subsection (34) of this section, and the recharge of a prepaid telephone  
166 calling service, provided, if the sale or recharge of a prepaid telephone  
167 calling service does not take place at the retailer's place of business and  
168 an item is shipped by the retailer to the customer, the sale or recharge  
169 shall be deemed to take place at the customer's shipping address, but,  
170 if such sale or recharge does not take place at the retailer's place of  
171 business and no item is shipped by the retailer to the customer, the sale  
172 or recharge shall be deemed to take place at the customer's billing  
173 address or the location associated with the customer's mobile  
174 telephone number. Wherever in this chapter reference is made to the  
175 sale of tangible personal property or services, it shall be construed to  
176 include sales described in this subsection, except as may be specifically  
177 provided to the contrary.

178 Sec. 2. Subdivision (1) of section 12-408 of the general statutes, as  
179 amended by section 3 of public act 01-6 of the June special session, is  
180 repealed and the following is substituted in lieu thereof (*Effective from*  
181 *passage*):

182 (1) For the privilege of making any sales, as defined in subdivision  
183 (2) of section 12-407, as amended by this act, at retail, in this state for a  
184 consideration, a tax is hereby imposed on all retailers at the rate of six  
185 per cent of the gross receipts of any retailer from the sale of all tangible  
186 personal property sold at retail or from the rendering of any services  
187 constituting a sale in accordance with subdivision (2) of section 12-407,  
188 as amended by this act, except, in lieu of said rate of six per cent, (A) at  
189 a rate of twelve per cent with respect to each transfer of occupancy,  
190 from the total amount of rent received for such occupancy of any room  
191 or rooms in a hotel or lodging house for the first period not exceeding  
192 thirty consecutive calendar days, (B) with respect to the sale of a motor  
193 vehicle to any individual who is a member of the armed forces of the  
194 United States and is on full-time active duty in Connecticut and who is  
195 considered, under 50 App USC 574, a resident of another state, or to  
196 any such individual and the spouse thereof, at a rate of four and  
197 one-half per cent of the gross receipts of any retailer from such sales,  
198 provided such retailer requires and maintains a declaration by such  
199 individual, prescribed as to form by the commissioner and bearing  
200 notice to the effect that false statements made in such declaration are  
201 punishable, or other evidence, satisfactory to the commissioner,  
202 concerning the purchaser's state of residence under 50 App USC 574,  
203 (C) (i) with respect to the sales of computer and data processing  
204 services occurring on or after July 1, 1997, and prior to July 1, 1998, at  
205 the rate of five per cent, on or after July 1, 1998, and prior to July 1,  
206 1999, at the rate of four per cent, on or after July 1, 1999, and prior to  
207 July 1, 2000, at the rate of three per cent, on or after July 1, 2000, and  
208 prior to July 1, 2001, at the rate of two per cent, on or after July 1, 2001,  
209 and prior to July 1, 2002, at the rate of one per cent and on and after  
210 July 1, 2002, such services shall be exempt from such tax, (ii) with

211 respect to sales of Internet access services, on and after July 1, 2001,  
212 such services shall be exempt from such tax, (D) with respect to the  
213 sales of labor that is otherwise taxable under subdivision (c) or (g) of  
214 subsection (2) of section 12-407, as amended by this act, on existing  
215 vessels and repair or maintenance services on vessels occurring on and  
216 after July 1, 1999, such services shall be exempt from such tax, (E) with  
217 respect to sales of the renovation and repair services of paving of any  
218 sort, painting or staining, wallpapering, roofing, siding and exterior  
219 sheet metal work, to other than industrial, commercial or income-  
220 producing real property, occurring on or after July 1, 1999, and prior to  
221 July 1, 2000, at the rate of four per cent, with respect to such sales  
222 occurring on or after July 1, 2000, but prior to July 1, 2001, at the rate of  
223 two per cent, and on and after July 1, 2001, sales of such renovation  
224 and repair services shall be exempt from such tax, and (F) with respect  
225 to patient care services [occurring] for which payment is received by  
226 the hospital on or after July 1, 1999, and prior to July 1, 2001, and with  
227 respect to such services [occurring] for which payment is received by  
228 the hospital on or after July 1, 2003, at the rate of five and three-fourths  
229 per cent. The rate of tax imposed by this chapter shall be applicable to  
230 all retail sales upon the effective date of such rate, except that a new  
231 rate which represents an increase in the rate applicable to the sale shall  
232 not apply to any sales transaction wherein a binding sales contract  
233 without an escalator clause has been entered into prior to the effective  
234 date of the new rate and delivery is made within ninety days after the  
235 effective date of the new rate. For the purposes of payment of the tax  
236 imposed under this section, any retailer of services taxable under  
237 subdivision (2)(i) of section 12-407, as amended by this act, who  
238 computes taxable income, for purposes of taxation under the Internal  
239 Revenue Code of 1986, or any subsequent corresponding internal  
240 revenue code of the United States, as from time to time amended, on  
241 an accounting basis which recognizes only cash or other valuable  
242 consideration actually received as income and who is liable for such  
243 tax only due to the rendering of such services may make payments

244 related to such tax for the period during which such income is  
245 received, without penalty or interest, without regard to when such  
246 service is rendered.

247 Sec. 3. Subdivision (1) of section 12-411 of the general statutes, as  
248 amended by sections 2 and 65 of public act 01-6 of the June special  
249 session, is repealed and the following is substituted in lieu thereof  
250 (*Effective from passage*):

251 (1) An excise tax is hereby imposed on the storage, acceptance,  
252 consumption or any other use in this state of tangible personal  
253 property purchased from any retailer for storage, acceptance,  
254 consumption or any other use in this state, the acceptance or receipt of  
255 any services constituting a sale in accordance with subdivision (2) of  
256 section 12-407, as amended by this act, purchased from any retailer for  
257 consumption or use in this state, or the storage, acceptance,  
258 consumption or any other use in this state of tangible personal  
259 property which has been manufactured, fabricated, assembled or  
260 processed from materials by a person, either within or without this  
261 state, for storage, acceptance, consumption or any other use by such  
262 person in this state, to be measured by the sales price of materials, at  
263 the rate of six per cent of the sales price of such property or services,  
264 except, in lieu of said rate of six per cent, (A) at a rate of twelve per  
265 cent of the rent paid for occupancy of any room or rooms in a hotel or  
266 lodging house for the first period of not exceeding thirty consecutive  
267 calendar days, (B) with respect to the storage, acceptance, consumption  
268 or use in this state of a motor vehicle purchased from any retailer for  
269 storage, acceptance, consumption or use in this state by any individual  
270 who is a member of the armed forces of the United States and is on  
271 full-time active duty in Connecticut and who is considered, under 50  
272 App USC 574, a resident of another state, or to any such individual  
273 and the spouse of such individual at a rate of four and one-half per  
274 cent of the sales price of such vehicle, provided such retailer requires  
275 and maintains a declaration by such individual, prescribed as to form

276 by the commissioner and bearing notice to the effect that false  
277 statements made in such declaration are punishable, or other evidence,  
278 satisfactory to the commissioner, concerning the purchaser's state of  
279 residence under 50 App USC 574, (C) with respect to the acceptance or  
280 receipt in this state of labor that is otherwise taxable under subdivision  
281 (c) or (g) of subsection (2) of section 12-407, as amended by this act, on  
282 existing vessels and repair or maintenance services on vessels  
283 occurring on and after July 1, 1999, such services shall be exempt from  
284 such tax, (D) (i) with respect to the acceptance or receipt in this state of  
285 computer and data processing services purchased from any retailer for  
286 consumption or use in this state occurring on or after July 1, 1997, and  
287 prior to July 1, 1998, at the rate of five per cent of such services, on or  
288 after July 1, 1998, and prior to July 1, 1999, at the rate of four per cent of  
289 such services, on or after July 1, 1999, and prior to July 1, 2000, at the  
290 rate of three per cent of such services, on or after July 1, 2000, and prior  
291 to July 1, 2001, at the rate of two per cent of such services, on and after  
292 July 1, 2001, and prior to July 1, 2002, at the rate of one per cent of such  
293 services and on and after July 1, 2002, such services shall be exempt  
294 from such tax, and (ii) with respect to the acceptance or receipt in this  
295 state of Internet access services, on or after July 1, 2001, such services  
296 shall be exempt from tax, (E) with respect to the acceptance or receipt  
297 in this state of patient care services purchased from any retailer for  
298 consumption or use in this state [occurring] for which payment is  
299 received by the hospital on or after July 1, 1999, and prior to July 1,  
300 2001, and with respect to acceptance or receipt in this state of such  
301 services [occurring] for which payment is received by the hospital on  
302 or after July 1, 2003, at the rate of five and three-fourths per cent, and  
303 (F) with respect to acceptance of the renovation and repair services of  
304 paving of any sort, painting or staining, wallpapering, roofing, siding  
305 and exterior sheet metal work, to other than industrial, commercial or  
306 income-producing real property, occurring on or after July 1, 1999, and  
307 prior to July 1, 2000, at the rate of four per cent, with respect to such  
308 sales occurring on or after July 1, 2000, and prior to July 1, 2001, at the

309 rate of two per cent, and on and after July 1, 2001, sales of such  
310 renovation and repair services shall be exempt from such tax.

311 Sec. 4. Section 12-202b of the general statutes, as amended by section  
312 4 of public act 01-6 of the June special session, is repealed and the  
313 following is substituted in lieu thereof (*Effective from passage and*  
314 *applicable to income years commencing on or after January 1, 2001*):

315 (a) For the income [years] year commencing [on or after] January 1,  
316 2000, there shall be allowed as a credit against the tax imposed by  
317 section 12-202a an amount as calculated pursuant to subsection (b) of  
318 this section.

319 (b) [(1)] The amount of credit allowed [in any income year  
320 commencing prior to January 1, 2001,] shall be equal to fifty-five  
321 dollars multiplied by the sum of the number of persons provided  
322 health care coverage by the taxpayer under the HUSKY Plan, Part A,  
323 HUSKY Plan, Part B or the HUSKY Plus programs, each as defined in  
324 section 17b-290, on the first day of each month of the income year for  
325 which the credit is taken, divided by twelve.

326 [(2) The amount of credit allowed in any income year commencing  
327 on or after January 1, 2001, shall be equal to seventy-three dollars and  
328 fifty cents multiplied by the sum of the number of persons provided  
329 health care coverage by the taxpayer under the HUSKY Plan, Part A,  
330 HUSKY Plan, Part B or the HUSKY Plus programs, each as defined in  
331 section 17b-290, on the first day of each month of the income year for  
332 which the credit is taken, divided by twelve.]

333 (c) The credit allowed under this section shall not be taken into  
334 account for purposes of the installment payments due under section  
335 12-204c but shall be taken into account in the annual return required  
336 under section 12-205.

337 (d) The amount of credit allowed any taxpayer under this section for

338 any income year may not exceed the amount of tax due from such  
339 taxpayer under section 12-202a with respect to such income year.

340 Sec. 5. (*Effective from passage*) (a) Any company filing the annual  
341 return required under section 12-205 of the general statutes for the  
342 income year commencing January 1, 2001, that, except for the  
343 amendment to section 12-202b of the general statutes made by section  
344 4 of this act providing for the repeal of the tax credit with respect to  
345 income years commencing on or after January 1, 2001, would have  
346 been entitled to take a credit under section 12-202b of the general  
347 statutes, shall be entitled for the fiscal year ending June 30, 2002, to a  
348 supplemental payment. The amount of the supplemental payment  
349 shall be equal to the amount of the credit the company would have  
350 received, provided such company, together with the final return, pays  
351 the full amount of the tax that is due and provides to the commissioner  
352 the computation of the amount of credit that could have been taken.

353 (b) For the fiscal year ending June 30, 2003, any company that  
354 received a payment under subsection (a) of this section shall be  
355 entitled to an additional supplemental payment equal to thirty-six  
356 dollars and seventy-five cents multiplied by the sum of the number of  
357 persons provided health care coverage by the taxpayer under the  
358 HUSKY Plan, Part A, HUSKY Plan, Part B or the HUSKY Plus  
359 programs, each as defined in section 17b-290 of the general statutes, on  
360 the first day of each month, January to June, inclusive, of 2002, divided  
361 by six.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>from passage</i>
Sec. 4	<i>from passage and applicable to income years commencing on or after January 1, 2001</i>
Sec. 5	<i>from passage</i>

**Statement of Legislative Commissioners:**

In section 5, a reference to section 4 was added for clarity.

**FIN**      *Joint Favorable Subst.-LCO*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

### **OFA Fiscal Note**

#### **State Impact:**

Fund-Type	Agency Affected	Current FY \$	FY 03 \$
GF - Rev Loss (Sec 1-3)	Revenue Serv., Dept.	-18.0 million	
GF - Rev Gain (Sec. 4&5)	Revenue Serv., Dept.	14.0 million	15.6 million

Note: GF=General Fund

**Municipal Impact:** None

#### **Explanation**

The table below provides a detailed explanation of the revenue impact outlined above.

Sec.	Description	FY 02	FY 03
1-3	Applies the sales tax exemption to services for which hospital are paid rather than when they are provided. The change excludes hospitals from having to remit taxes for services rendered in May and June 2001 (services rendered in May and June are remitted in July and August).	-\$18.0 mil	-
4	Eliminates the tax credit for HMO's providing health coverage under HUSKY A, B, and Plus programs.	14.0 mil	15.6 mil
5	Replaces the credit with supplemental payments (The governor's budget bill		

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	proposes \$14 million in FY 02 and \$18.3 for payments).		
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**OLR Bill Analysis**

sSB 33

**AN ACT CONCERNING CERTAIN TAXES RELATED TO HEALTH CARE.****SUMMARY:**

A 2001 law exempted hospital patient care services from the 5.75% sales and use tax from July 1, 2001 through June 30, 2003. This bill applies the exemption to services for which hospitals are paid, rather than those they provide, during the two-year period.

The bill also eliminates, retroactive to January 1, 2001, a credit against the net direct subscriber tax for HMOs providing health coverage under the HUSKY A, HUSKY B, or HUSKY Plus programs. It replaces the credit with supplemental payments equal to 100% of the credit in FY 2001-02 and 25% in FY 2002-03. (The governor's budget bill (HB 5019) proposes to convert the HMO tax credit program to an appropriation in FY 2002-03.)

**EFFECTIVE DATE:** Upon passage. The credit repeal applies to income years starting on or after January 1, 2001.

**SUPPLEMENTAL PAYMENTS**

Under current law, an HMO's total tax credit is determined by multiplying \$73.50 by the 12-month average number of eligible patients the HMO covers under the HUSKY programs on the first of each month. The bill gives an HMO that would have been eligible for a credit for calendar year 2001 an equal amount as a supplemental payment for FY 2001-02 if it (1) pays its full tax due for calendar year 2001 and (2) along with its final return, gives the revenue services commissioner a computation of the credit it could have taken.

Any HMO that receives a supplemental payment for FY 2001-02 is eligible for another supplemental payment for FY 2002-03. That payment is \$36.75 multiplied by the six-month average number of

eligible patients the HMO covers under the HUSKY programs on the first of each month from January through June 2002.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 42 Nay 0