



General Assembly

February Session, 2002

Raised Bill No. 5736

LCO No. 2522

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

AN ACT CONCERNING TAX EXPENDITURES.

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3 01-6 of the June special session, is repealed and the following is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 July 1, 2002*):

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 or space in a campground for a period of thirty
30 consecutive calendar days or less; (i) the rendering of certain services
31 for a consideration, exclusive of such services rendered by an
32 employee for the employer, as follows: (A) Computer and data
33 processing services, including, but not limited to, time, programming,
34 code writing, modification of existing programs, feasibility studies and
35 installation and implementation of software programs and systems
36 even where such services are rendered in connection with the
37 development, creation or production of canned or custom software or
38 the license of custom software, and exclusive of services rendered in
39 connection with the creation, development hosting or maintenance of
40 all or part of a web site which is part of the graphical, hypertext
41 portion of the Internet, commonly referred to as the World-Wide Web,
42 (B) credit information and reporting services, (C) services by
43 employment agencies and agencies providing personnel services, (D)
44 private investigation, protection, patrol work, watchman and armored
45 car services, exclusive of services of off-duty police officers and
46 off-duty firefighters, (E) painting and lettering services, (F)
47 photographic studio services, (G) telephone answering services, (H)
48 stenographic services, (I) services to industrial, commercial or
49 income-producing real property, including, but not limited to, such
50 services as management, electrical, plumbing, painting and carpentry
51 and excluding any such services rendered in the voluntary evaluation,

52 prevention, treatment, containment or removal of hazardous waste, as
53 defined in section 22a-115, or other contaminants of air, water or soil,
54 provided income-producing property shall not include property used
55 exclusively for residential purposes in which the owner resides and
56 which contains no more than three dwelling units, or a housing facility
57 for low and moderate income families and persons owned or operated
58 by a nonprofit housing organization, as defined in subsection (29) of
59 section 12-412, (J) business analysis, management, management
60 consulting and public relations services, excluding [(i) any
61 environmental consulting services, and (ii)] any training services
62 provided by an institution of higher education licensed or accredited
63 by the Board of Governors of Higher Education pursuant to section
64 10a-34, (K) services providing "piped-in" music to business or
65 professional establishments, (L) flight instruction and chartering
66 services by a certificated air carrier on an aircraft, the use of which for
67 such purposes, but for the provisions of subsection (4) of section 12-410
68 and subsection (12) of section 12-411, would be deemed a retail sale
69 and a taxable storage or use, respectively, of such aircraft by such
70 carrier, (M) motor vehicle repair services, including any type of repair,
71 painting or replacement related to the body or any of the operating
72 parts of a motor vehicle, (N) motor vehicle parking, including the
73 provision of space, other than metered space, in a lot having thirty or
74 more spaces, excluding (i) space in a seasonal parking lot provided by
75 a person who is exempt from taxation under this chapter pursuant to
76 subsection (1), (5) or (8) of section 12-412, (ii) space in a parking lot
77 owned or leased under the terms of a lease of not less than ten years'
78 duration and operated by an employer for the exclusive use of its
79 employees, (iii) valet parking provided at any airport, (iv) space in
80 municipally-operated railroad parking facilities in municipalities
81 located within an area of the state designated as a severe
82 nonattainment area for ozone under the federal Clean Air Act, or space
83 in a railroad parking facility in a municipality located within an area of
84 the state designated as a severe nonattainment area for ozone under
85 the federal Clean Air Act owned or operated by the state on or after

86 April 1, 2000, (O) radio or television repair services, (P) furniture
87 reupholstering and repair services, (Q) repair services to any electrical
88 or electronic device, including, but not limited to, equipment used for
89 purposes of refrigeration or air-conditioning, (R) lobbying or
90 consulting services for purposes of representing the interests of a client
91 in relation to the functions of any governmental entity or
92 instrumentality, (S) services of the agent of any person in relation to
93 the sale of any item of tangible personal property for such person,
94 exclusive of the services of a consignee selling works of art, as defined
95 in subsection (b) of section 12-376c, or articles of clothing or footwear
96 intended to be worn on or about the human body other than (i) any
97 special clothing or footwear primarily designed for athletic activity or
98 protective use and which is not normally worn except when used for
99 the athletic activity or protective use for which it was designed, and (ii)
100 jewelry, handbags, luggage, umbrellas, wallets, watches and similar
101 items carried on or about the human body but not worn on the body in
102 the manner characteristic of clothing intended for exemption under
103 subdivision (47) of section 12-412, under consignment, exclusive of
104 services provided by an auctioneer, (T) locksmith services, (U)
105 advertising or public relations services, including layout, art direction,
106 graphic design, mechanical preparation or production supervision,
107 [not related to the development of media advertising or cooperative
108 direct mail advertising,] (V) landscaping and horticulture services, (W)
109 window cleaning services, (X) maintenance services, (Y) janitorial
110 services, (Z) exterminating services, (AA) swimming pool cleaning and
111 maintenance services, (BB) renovation and repair services as set forth
112 in this subparagraph, to other than industrial, commercial or
113 income-producing real property: Paving of any sort, painting or
114 staining, wallpapering, roofing, siding and exterior sheet metal work,
115 (CC) miscellaneous personal services included in industry group 729
116 in the Standard Industrial Classification Manual, United States Office
117 of Management and Budget, 1987 edition, or U.S. industry 532220,
118 812191, 812199 or 812990 in the North American Industrial
119 Classification System United States Manual, United States Office of

120 Management and Budget, 1997 edition, exclusive of (i) services
121 rendered by massage therapists licensed pursuant to chapter 384a, and
122 (ii) services rendered by an electrologist licensed pursuant to chapter
123 388, (DD) any repair or maintenance service to any item of tangible
124 personal property including any contract of warranty or service related
125 to any such item, (EE) business analysis, management or managing
126 consulting services rendered by a general partner, or an affiliate
127 thereof, to a limited partnership, provided (i) that the general partner,
128 or an affiliate thereof, is compensated for the rendition of such services
129 other than through a distributive share of partnership profits or an
130 annual percentage of partnership capital or assets established in the
131 limited partnership's offering statement, and (ii) the general partner, or
132 an affiliate thereof, offers such services to others, including any other
133 partnership. As used in subparagraph (EE)(i) "an affiliate of a general
134 partner" means an entity which is directly or indirectly owned fifty per
135 cent or more in common with a general partner, [and] (FF)
136 notwithstanding the provisions of section 12-412, as amended, except
137 subsection (87) thereof, patient care services, as defined in subsection
138 (29) of this section by a hospital, except that "sale" and "selling" does
139 not include such patient care services rendered during the period
140 commencing July 1, 2001, and ending June 30, 2003, (GG) amusement
141 and recreation services as defined in the North American Industrial
142 Classification System, and (HH) health and athletic club services; (j)
143 the leasing or rental of tangible personal property of any kind
144 whatsoever, including, but not limited to, motor vehicles, linen or
145 towels, machinery or apparatus, office equipment and data processing
146 equipment, provided for purposes of this subdivision and the
147 application of sales and use tax to contracts of lease or rental of
148 tangible personal property, the leasing or rental of any motion picture
149 film by the owner or operator of a motion picture theater for purposes
150 of display at such theater shall not constitute a sale within the meaning
151 of this subsection; (k) the rendering of telecommunications service, as
152 defined in subsection (26) of this section, for a consideration on or after
153 January 1, 1990, exclusive of any such service rendered by an employee

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

181 Sec. 2. Subparagraph (A) of subdivision (3) of section 12-407 of the
182 general statutes is repealed and the following is substituted in lieu
183 thereof (*Effective July 1, 2002*):

184 (3) (A) "Retail sale" or "sale at retail" means and includes a sale for
185 any purpose other than resale in the regular course of business of
186 tangible personal property or a transfer for a consideration of the

187 occupancy of any room or rooms in a hotel or lodging house or space
188 in a campground for a period of thirty consecutive calendar days or
189 less, or the rendering of any service described in subdivision (2) of this
190 section, as amended by this act. The delivery in this state of tangible
191 personal property by an owner or former owner thereof or by a factor,
192 if the delivery is to a consumer pursuant to a retail sale made by a
193 retailer not engaged in business in this state, is a retail sale in this state
194 by the person making the delivery. Such person shall include the retail
195 selling price of the property in such person's gross receipts.

196 Sec. 3. Subsection (7) of section 12-407 of the general statutes is
197 repealed and the following is substituted in lieu thereof (*Effective July*
198 *1, 2002*):

199 (7) "Purchase" and "purchasing" means and includes: (a) Any
200 transfer, exchange or barter, conditional or otherwise, in any manner
201 or by any means whatsoever, of tangible personal property or of the
202 occupancy of any room or rooms in a hotel or lodging house or space
203 in a campground for a period of thirty consecutive calendar days or
204 less for a consideration; (b) a transaction whereby the possession of
205 property is transferred but the seller retains the title as security for the
206 payment of the price; (c) a transfer for a consideration of tangible
207 personal property which has been produced, fabricated or printed to
208 the special order of the customer, or of any publication; (d) when
209 performed outside this state or when the customer gives a resale
210 certificate pursuant to section 12-410, the producing, fabricating,
211 processing, printing or imprinting of tangible personal property for a
212 consideration for consumers who furnish either directly or indirectly
213 the materials used in the producing, fabricating, processing, printing
214 or imprinting; (e) the acceptance or receipt of any service described in
215 any of the subdivisions of subsection (2) of this section, as amended by
216 this act; (f) any leasing or rental of tangible personal property.
217 Wherever in this chapter reference is made to the purchase or
218 purchasing of tangible personal property, it shall be construed to
219 include purchases as described in this subsection.

220 Sec. 4. Subparagraph (A) of subdivision (15) of section 12-407 of the
221 general statutes is repealed and the following is substituted in lieu
222 thereof (*Effective July 1, 2002*):

223 (15) (A) "Engaged in business in the state" means and includes but
224 shall not be limited to the following acts or methods of transacting
225 business: (i) Selling in this state, or any activity in this state in
226 connection with selling in this state, tangible personal property for use,
227 storage or consumption within the state; (ii) engaging in the transfer
228 for a consideration of the occupancy of any room or rooms in a hotel or
229 lodging house or space in a campground for a period of thirty
230 consecutive calendar days or less; (iii) rendering in this state any
231 service described in any of the subdivisions of subsection (2) of this
232 section, as amended by this act; (iv) maintaining, occupying or using,
233 permanently or temporarily, directly or indirectly, through a
234 subsidiary or agent, by whatever name called, of any office, place of
235 distribution, sales or sample room or place, warehouse or storage point
236 or other place of business or having any representative, agent,
237 salesman, canvasser or solicitor operating in this state for the purpose
238 of selling, delivering or taking orders; (v) notwithstanding the fact that
239 retail sales are made from outside this state to a destination within this
240 state and that a place of business is not maintained in this state,
241 engaging in regular or systematic solicitation of sales of tangible
242 personal property in this state by the display of advertisements on
243 billboards or other outdoor advertising in this state, by the distribution
244 of catalogs, periodicals, advertising flyers or other advertising by
245 means of print, radio or television media, or by mail, telegraphy,
246 telephone, computer data base, cable, optic, microwave or other
247 communication system, for the purpose of effecting retail sales of
248 tangible personal property, provided one hundred or more retail sales
249 from outside this state to destinations within this state are made
250 during the twelve-month period ended on the September thirtieth
251 immediately preceding the monthly or quarterly period with respect to
252 which liability for tax under this chapter is determined; (vi) being
253 owned or controlled, either directly or indirectly, by a retailer engaged

254 in business in this state which is the same as or similar to the line of
255 business in which the retailer so owned or controlled is engaged; (vii)
256 being owned or controlled, either directly or indirectly, by the same
257 interests that own or control, either directly or indirectly, a retailer
258 engaged in business in this state which is the same as or similar to the
259 line of business in which the retailer so owned or controlled is
260 engaged; (viii) being the assignee of a person engaged in the business
261 of leasing tangible personal property to others, where leased property
262 of such person is situated within this state and such assignee has a
263 security interest, as defined in subsection (37) of section 42a-1-201, as
264 amended, in such property; and (ix) notwithstanding the fact that
265 retail sales of items of tangible personal property are made from
266 outside this state to a destination within this state and that a place of
267 business is not maintained in this state, repairing or servicing such
268 items, under a warranty, in this state, either directly or indirectly
269 through an agent, independent contractor or subsidiary.

270 Sec. 5. Subdivisions (18) and (19) of section 12-407 of the general
271 statutes are repealed and the following is substituted in lieu thereof
272 (*Effective July 1, 2002*):

273 (18) "Operator" means any person operating a hotel or lodging
274 house or a campground in the state, including, but not limited to, the
275 owner or proprietor of such premises, lessee, sublessee, mortgagee in
276 possession, licensee or any other person otherwise operating such
277 hotel or lodging house or campground.

278 (19) "Occupancy" means the use or possession, or the right to the
279 use or possession, of any room or rooms in a hotel or lodging house or
280 space in a campground or the right to the use or possession of the
281 furnishings or the services and accommodations accompanying the use
282 and possession of such room or rooms or space in a campground, for
283 the first period of not exceeding thirty consecutive calendar days.

284 Sec. 6. Subdivision (1) of section 12-408 of the general statutes, as
285 amended by section 3 of public act 01-6 of the June special session, is

286 repealed and the following is substituted in lieu thereof (*Effective July*
287 *1, 2002*):

288 (1) For the privilege of making any sales, as defined in subdivision
289 (2) of section 12-407, as amended by this act, at retail, in this state for a
290 consideration, a tax is hereby imposed on all retailers at the rate of six
291 per cent of the gross receipts of any retailer from the sale of all tangible
292 personal property sold at retail or from the rendering of any services
293 constituting a sale in accordance with subdivision (2) of section 12-407,
294 as amended by this act, except, in lieu of said rate of six per cent, (A) at
295 a rate of twelve per cent with respect to each transfer of occupancy,
296 from the total amount of rent received for such occupancy of any room
297 or rooms in a hotel or lodging house or space in a campground for the
298 first period not exceeding thirty consecutive calendar days, (B) with
299 respect to the sale of a motor vehicle to any individual who is a
300 member of the armed forces of the United States and is on full-time
301 active duty in Connecticut and who is considered, under 50 App USC
302 574, a resident of another state, or to any such individual and the
303 spouse thereof, at a rate of four and one-half per cent of the gross
304 receipts of any retailer from such sales, provided such retailer requires
305 and maintains a declaration by such individual, prescribed as to form
306 by the commissioner and bearing notice to the effect that false
307 statements made in such declaration are punishable, or other evidence,
308 satisfactory to the commissioner, concerning the purchaser's state of
309 residence under 50 App USC 574, (C) (i) with respect to the sales of
310 computer and data processing services occurring on or after July 1,
311 1997, and prior to July 1, 1998, at the rate of five per cent, on or after
312 July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or
313 after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent,
314 on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per
315 cent, on or after July 1, 2001, and prior to July 1, 2002, at the rate of one
316 per cent, [and] on and after July 1, 2002, [such services shall be exempt
317 from such tax] and prior to July 1, 2003, at the rate of three per cent, on
318 or after July 1, 2003, and prior to July 1, 2004, at the rate of two per
319 cent, on or after July 1, 2004 and prior to July 1, 2005, at the rate of one

320 per cent and on or after July 1, 2005, such services shall be exempt from
321 such tax, (ii) with respect to sales of Internet access services, on and
322 after July 1, 2001, such services shall be exempt from such tax, (D) with
323 respect to the sales of labor that is otherwise taxable under subdivision
324 (c) or (g) of subsection (2) of section 12-407, as amended by this act, on
325 existing vessels and repair or maintenance services on vessels
326 occurring on and after July 1, 1999, such services shall be exempt from
327 such tax, (E) with respect to sales of the renovation and repair services
328 of paving of any sort, painting or staining, wallpapering, roofing,
329 siding and exterior sheet metal work, to other than industrial,
330 commercial or income-producing real property, occurring on or after
331 July 1, 1999, and prior to July 1, 2000, at the rate of four per cent, with
332 respect to such sales occurring on or after July 1, 2000, but prior to July
333 1, 2001, at the rate of two per cent, and on and after July 1, 2001, sales
334 of such renovation and repair services shall be exempt from such tax,
335 [and] (F) with respect to patient care services occurring on or after July
336 1, 1999, and prior to July 1, 2001, and with respect to such services
337 occurring on or after July 1, 2003, at the rate of five and three-fourths
338 per cent, (G) at a rate of three per cent with respect to sales of (i)
339 machinery used directly in a manufacturing production process. The
340 word "machinery" as used in this subparagraph means the basic
341 machine itself, and includes all of its component parts and
342 contrivances, such as belts, pulleys, shafts, moving parts, operating
343 structures and equipment or devices, which component parts and
344 contrivances are used or required to control, regulate or operate the
345 machinery or to enhance or alter its productivity or functionality,
346 whether such component parts and contrivances are purchased
347 separately or in conjunction with such machine and all replacement
348 and repair parts for the basic machine or for its component parts and
349 contrivances, whether such replacement or repair parts are purchased
350 separately or in conjunction with such machine. For the purposes of
351 this subparagraph, "machinery" includes machinery used exclusively
352 to control or monitor an activity occurring during the manufacturing
353 production process and machinery used exclusively during the

354 manufacturing production process to test or measure materials and
355 products being manufactured but shall not include office equipment or
356 data processing equipment other than numerically controlled
357 machinery used directly in the manufacturing process, (ii) any part of a
358 machine purchased exclusively for the purpose of assembling a
359 machine for use directly in a manufacturing production process,
360 provided the purchaser submits a certified statement at the time of
361 such purchase, on a form prepared by the Commissioner of Revenue
362 Services, certifying that such part is purchased exclusively for use in a
363 machine to be assembled by the purchaser, or someone acting on
364 behalf of the purchaser, and that such machine shall be used directly in
365 a manufacturing production process. The purchaser shall prepare a
366 record of the use of such part which shall be maintained by the
367 purchaser for a period of not less than three years following the date of
368 purchase, and (iii) materials, rope, fishing nets, tools and fuel or any
369 substitute therefor, which become an ingredient or component part of
370 tangible personal property to be sold or which are used directly in the
371 fishing industry or in an industrial plant in the actual fabrication of the
372 finished product to be sold. Sales of and the storage or use of materials,
373 tools and fuel or any substitute therefor, when such products are used
374 directly in the furnishing of power to an industrial manufacturing
375 plant or in the furnishing of gas, water, steam or electricity when
376 delivered to consumers through mains, lines or pipes, (H) at a rate of
377 three per cent for sales of commercial trucks, truck tractors, tractors
378 and semitrailers, and vehicles used in combination therewith, which (i)
379 have a gross vehicle weight rating in excess of twenty-six thousand
380 pounds, or (ii) are operated actively and exclusively during the period
381 commencing upon its purchase and ending one year after the date of
382 purchase for the carriage of interstate freight pursuant to a certificate
383 or permit issued by the Interstate Commerce Commission or its
384 successor agency. As used in this subparagraph, "gross vehicle weight
385 rating" means the value specified by the manufacturer as the loaded
386 weight of the single or combination vehicle and, if the manufacturer
387 has not specified a value for a towed vehicle, means the value specified

388 for the towing vehicle plus the loaded weight of the towed unit. Each
389 purchaser of a commercial truck, truck tractor, tractor or semitrailer or
390 vehicle used in combination therewith subject to such rate shall, in
391 order to qualify for said rate, present to the retailer (I) a copy of the
392 certificate or permit that was issued by the Interstate Commerce
393 Commission or its successor agency to the purchaser, and (II) a
394 certificate, in such form as the commissioner may prescribe, certifying
395 that such commercial truck, truck tractor, tractor or semitrailer or
396 vehicle used in combination therewith will be operated actively and
397 exclusively for the carriage of interstate freight. The purchaser shall be
398 liable for the tax otherwise imposed if, during the period commencing
399 upon its purchase and ending one year after the date of purchase, such
400 commercial truck, truck tractor, tractor or semitrailer or vehicle used in
401 combination therewith is not operated actively and exclusively for the
402 carriage of interstate freight, (I) at the rate of three per cent for sales of
403 any commercial motor vehicle as defined in subparagraphs (A) and (B)
404 of subdivision (11) of section 14-1, that is operating pursuant to the
405 provisions of section 13b-88 or 13b-89, during the period commencing
406 upon its purchase and ending one year after the date of purchase
407 provided seventy-five per cent of its revenue from its days in service is
408 derived from out-of-state trips or trips crossing state lines. Each
409 purchaser of a commercial motor vehicle subject to such rate shall, in
410 order to qualify for said rate, present to the retailer a certificate, in such
411 form as the commissioner may prescribe, certifying that seventy-five
412 per cent of such vehicle's revenue from its days in service will be
413 derived from out-of-state trips or trips crossing state lines. The
414 purchaser of the motor vehicle shall be liable for the tax otherwise
415 imposed if, during the period commencing upon its purchase and
416 ending one year after the date of purchase, seventy-five per cent of the
417 vehicle's revenue from its days in service is not derived from out-of-
418 state trips or trips crossing state lines, and (J) at the rate of three per
419 cent for sales of (i) any printed material which has been manufactured
420 in Connecticut to the special order of a purchaser and which, within
421 thirty days following delivery to such purchaser, is to be delivered for

422 use outside Connecticut, provided such purchaser presents written
423 certification to the seller when such material is received by such
424 purchaser that such material shall be delivered for use outside
425 Connecticut within thirty days, (ii) machinery, equipment, tools,
426 materials and supplies used predominantly in the production of
427 printed material by a commercial printer or publisher. For purposes of
428 this subparagraph, "the production of printed material" is defined to
429 include all processes necessary to convert manuscript copy into
430 printed material, including, but not limited to, layout, color separation
431 and typesetting, and (iii) machinery, equipment, tools, materials and
432 supplies used predominantly in the production of typesetting, color
433 separation, finished copy with type proofs and artwork or similar
434 content mounted for photomechanical reproduction, or other similar
435 products to be sold for use in the production of printed materials. The
436 rate of tax imposed by this chapter shall be applicable to all retail sales
437 upon the effective date of such rate, except that a new rate which
438 represents an increase in the rate applicable to the sale shall not apply
439 to any sales transaction wherein a binding sales contract without an
440 escalator clause has been entered into prior to the effective date of the
441 new rate and delivery is made within ninety days after the effective
442 date of the new rate. For the purposes of payment of the tax imposed
443 under this section, any retailer of services taxable under subdivision
444 (2)(i) of section 12-407, as amended by this act, who computes taxable
445 income, for purposes of taxation under the Internal Revenue Code of
446 1986, or any subsequent corresponding internal revenue code of the
447 United States, as from time to time amended, on an accounting basis
448 which recognizes only cash or other valuable consideration actually
449 received as income and who is liable for such tax only due to the
450 rendering of such services may make payments related to such tax for
451 the period during which such income is received, without penalty or
452 interest, without regard to when such service is rendered.

453 Sec. 7. Subdivision (1) of section 12-411 of the general statutes, as
454 amended by sections (2) and (65) of public act 01-6 of the June special
455 session, is repealed and the following is substituted in lieu thereof

456 (Effective July 1, 2002):

457 (1) An excise tax is hereby imposed on the storage, acceptance,
458 consumption or any other use in this state of tangible personal
459 property purchased from any retailer for storage, acceptance,
460 consumption or any other use in this state, the acceptance or receipt of
461 any services constituting a sale in accordance with subdivision (2) of
462 section 12-407, as amended by this act, purchased from any retailer for
463 consumption or use in this state, or the storage, acceptance,
464 consumption or any other use in this state of tangible personal
465 property which has been manufactured, fabricated, assembled or
466 processed from materials by a person, either within or without this
467 state, for storage, acceptance, consumption or any other use by such
468 person in this state, to be measured by the sales price of materials, at
469 the rate of six per cent of the sales price of such property or services,
470 except, in lieu of said rate of six per cent, (A) at a rate of twelve per
471 cent of the rent paid for occupancy of any room or rooms in a hotel or
472 lodging house for the first period of not exceeding thirty consecutive
473 calendar days, (B) with respect to the storage, acceptance, consumption
474 or use in this state of a motor vehicle purchased from any retailer for
475 storage, acceptance, consumption or use in this state by any individual
476 who is a member of the armed forces of the United States and is on
477 full-time active duty in Connecticut and who is considered, under 50
478 App USC 574, a resident of another state, or to any such individual
479 and the spouse of such individual at a rate of four and one-half per
480 cent of the sales price of such vehicle, provided such retailer requires
481 and maintains a declaration by such individual, prescribed as to form
482 by the commissioner and bearing notice to the effect that false
483 statements made in such declaration are punishable, or other evidence,
484 satisfactory to the commissioner, concerning the purchaser's state of
485 residence under 50 App USC 574, (C) with respect to the acceptance or
486 receipt in this state of labor that is otherwise taxable under subdivision
487 (c) or (g) of subsection (2) of section 12-407, as amended by this act, on
488 existing vessels and repair or maintenance services on vessels
489 occurring on and after July 1, 1999, such services shall be exempt from

490 such tax, (D) (i) with respect to the acceptance or receipt in this state of
491 computer and data processing services purchased from any retailer for
492 consumption or use in this state occurring on or after July 1, 1997, and
493 prior to July 1, 1998, at the rate of five per cent of such services, on or
494 after July 1, 1998, and prior to July 1, 1999, at the rate of four per cent of
495 such services, on or after July 1, 1999, and prior to July 1, 2000, at the
496 rate of three per cent of such services, on or after July 1, 2000, and prior
497 to July 1, 2001, at the rate of two per cent of such services, on and after
498 July 1, 2001, and prior to July 1, 2002, at the rate of one per cent of such
499 services and on and after July 1, 2002, such services shall be exempt
500 from such tax, and (ii) with respect to the acceptance or receipt in this
501 state of Internet access services, on or after July 1, 2001, such services
502 shall be exempt from tax, (E) with respect to the acceptance or receipt
503 in this state of patient care services purchased from any retailer for
504 consumption or use in this state occurring on or after July 1, 1999, and
505 prior to July 1, 2001, and with respect to acceptance or receipt in this
506 state of such services occurring on or after July 1, 2003, at the rate of
507 five and three-fourths per cent, [and (F) with respect to acceptance of
508 the renovation and repair services of paving of any sort, painting or
509 staining, wallpapering, roofing, siding and exterior sheet metal work,
510 to other than industrial, commercial or income-producing real
511 property, occurring on or after July 1, 1999, and prior to July 1, 2000, at
512 the rate of four per cent, with respect to such sales occurring on or after
513 July 1, 2000, and prior to July 1, 2001, at the rate of two per cent, and on
514 and after July 1, 2001, sales of such renovation and repair services shall
515 be exempt from such tax] (F) at a rate of three per cent with respect to
516 storage, acceptance, consumption or any other use in this state of (i)
517 machinery used directly in a manufacturing production process. The
518 word "machinery" as used in this subparagraph means the basic
519 machine itself, and includes all of its component parts and
520 contrivances, such as belts, pulleys, shafts, moving parts, operating
521 structures and equipment or devices, which component parts and
522 contrivances are used or required to control, regulate or operate the
523 machinery or to enhance or alter its productivity or functionality,

524 whether such component parts and contrivances are purchased
525 separately or in conjunction with such machine and all replacement
526 and repair parts for the basic machine or for its component parts and
527 contrivances, whether such replacement or repair parts are purchased
528 separately or in conjunction with such machine. For the purposes of
529 this subparagraph, "machinery" includes machinery used exclusively
530 to control or monitor an activity occurring during the manufacturing
531 production process and machinery used exclusively during the
532 manufacturing production process to test or measure materials and
533 products being manufactured but shall not include office equipment or
534 data processing equipment other than numerically controlled
535 machinery used directly in the manufacturing process, (ii) any part of a
536 machine purchased exclusively for the purpose of assembling a
537 machine for use directly in a manufacturing production process,
538 provided the purchaser submits a certified statement at the time of
539 such purchase, on a form prepared by the Commissioner of Revenue
540 Services, certifying that such part is purchased exclusively for use in a
541 machine to be assembled by the purchaser, or someone acting on
542 behalf of the purchaser, and that such machine shall be used directly in
543 a manufacturing production process. The purchaser shall prepare a
544 record of the use of such part which shall be maintained by the
545 purchaser for a period of not less than three years following the date of
546 purchase, and (iii) materials, rope, fishing nets, tools and fuel or any
547 substitute therefor, which become an ingredient or component part of
548 tangible personal property to be sold or which are used directly in the
549 fishing industry or in an industrial plant in the actual fabrication of the
550 finished product to be sold. Sales of and the storage or use of materials,
551 tools and fuel or any substitute therefor, when such products are used
552 directly in the furnishing of power to an industrial manufacturing
553 plant or in the furnishing of gas, water, steam or electricity when
554 delivered to consumers through mains, lines or pipes, (G) at a rate of
555 three per cent for consumption, use or storage of commercial trucks,
556 truck tractors, tractors and semitrailers, and vehicles used in
557 combination therewith, which (i) have a gross vehicle weight rating in

558 excess of twenty-six thousand pounds, or (ii) are operated actively and
559 exclusively during the period commencing upon its purchase and
560 ending one year after the date of purchase for the carriage of interstate
561 freight pursuant to a certificate or permit issued by the Interstate
562 Commerce Commission or its successor agency. As used in this
563 subparagraph, "gross vehicle weight rating" means the value specified
564 by the manufacturer as the loaded weight of the single or combination
565 vehicle and, if the manufacturer has not specified a value for a towed
566 vehicle, means the value specified for the towing vehicle plus the
567 loaded weight of the towed unit. Each purchaser of a commercial
568 truck, truck tractor, tractor or semitrailer or vehicle used in
569 combination therewith subject to such rate shall, in order to qualify for
570 said rate, present to the retailer (I) a copy of the certificate or permit
571 that was issued by the Interstate Commerce Commission or its
572 successor agency to the purchaser, and (II) a certificate, in such form as
573 the commissioner may prescribe, certifying that such commercial
574 truck, truck tractor, tractor or semitrailer or vehicle used in
575 combination therewith will be operated actively and exclusively for
576 the carriage of interstate freight. The purchaser shall be liable for the
577 tax otherwise imposed if, during the period commencing upon its
578 purchase and ending one year after the date of purchase, such
579 commercial truck, truck tractor, tractor or semitrailer or vehicle used in
580 combination therewith is not operated actively and exclusively for the
581 carriage of interstate freight, (H) at the rate of three per cent for
582 consumption, use or storage of any commercial motor vehicle as
583 defined in subparagraphs (A) and (B) of subdivision (11) of section 14-
584 1, that is operating pursuant to the provisions of section 13b-88 or 13b-
585 89, during the period commencing upon its purchase and ending one
586 year after the date of purchase provided seventy-five per cent of its
587 revenue from its days in service is derived from out-of-state trips or
588 trips crossing state lines. Each purchaser of a commercial motor vehicle
589 subject to such rate shall, in order to qualify for said rate, present to the
590 retailer a certificate, in such form as the commissioner may prescribe,
591 certifying that seventy-five per cent of such vehicle's revenue from its

592 days in service will be derived from out-of-state trips or trips crossing
593 state lines. The purchaser of the motor vehicle shall be liable for the tax
594 otherwise imposed if, during the period commencing upon its
595 purchase and ending one year after the date of purchase, seventy-five
596 per cent of the vehicle's revenue from its days in service is not derived
597 from out-of-state trips or trips crossing state lines, and (I) at the rate of
598 three per cent for use, consumption or storage of (i) any printed
599 material which has been manufactured in Connecticut to the special
600 order of a purchaser and which, within thirty days following delivery
601 to such purchaser, is to be delivered for use outside Connecticut,
602 provided such purchaser presents written certification to the seller
603 when such material is received by such purchaser that such material
604 shall be delivered for use outside Connecticut within thirty days, (ii)
605 machinery, equipment, tools, materials and supplies used
606 predominantly in the production of printed material by a commercial
607 printer or publisher. For purposes of this subparagraph, "the
608 production of printed material" is defined to include all processes
609 necessary to convert manuscript copy into printed material, including,
610 but not limited to, layout, color separation and typesetting, and (iii)
611 machinery, equipment, tools, materials and supplies used
612 predominantly in the production of typesetting, color separation,
613 finished copy with type proofs and artwork or similar content
614 mounted for photomechanical reproduction, or other similar products
615 to be sold for use in the production of printed materials.

616 Sec. 8. Subsection (a) of section 12-219 of the general statutes is
617 repealed and the following is substituted in lieu thereof (*Effective July*
618 *1, 2002, and applicable to income years commencing on or after January 1,*
619 *2002*):

620 (a) (1) Each company subject to the provisions of this part shall pay
621 for the privilege of carrying on or doing business within the state, the
622 larger of the tax, if any, imposed by section 12-214 and the tax
623 calculated under this subsection. The tax calculated under this section
624 shall be a tax of three and one-tenth mills per dollar for each income

625 year of the amount derived (A) by adding (i) the average value of the
626 issued and outstanding capital stock, including treasury stock at par or
627 face value, fractional shares, scrip certificates convertible into shares of
628 stock and amounts received on subscriptions to capital stock,
629 computed on the balances at the beginning and end of the taxable year
630 or period, the average value of surplus and undivided profit computed
631 on the balances at the beginning and end of the taxable year or period,
632 and (ii) the average value of all surplus reserves computed on the
633 balances at the beginning and end of the taxable year or period, (B) by
634 subtracting from the sum so calculated (i) the average value of any
635 deficit carried on the balance sheet computed on the balances at the
636 beginning and end of the taxable year or period, and (ii) the average
637 value of any holdings of stock of private corporations including
638 treasury stock shown on the balance sheet computed on the balances at
639 the beginning and end of the taxable year or period, and (C) by
640 apportioning the remainder so derived between this and other states
641 under the provisions of section 12-219a, provided in no event shall the
642 tax so calculated exceed one million dollars or be less than [two
643 hundred fifty] four hundred fifty dollars. (2) For purposes of this
644 subsection, in the case of a new domestic company, the balances at the
645 beginning of its first fiscal year or period shall be the balances
646 immediately after its organization or immediately after it commences
647 business operations, whichever is earlier; and in the case of a foreign
648 company, the balances at the beginning of its first fiscal year or period
649 in which it becomes liable for the filing of a return in this state shall be
650 the balances as established at the beginning of the fiscal year or period
651 for tax purposes. In the case of a domestic company dissolving or
652 limiting its existence, the balances at the end of the fiscal year or period
653 shall be the balances immediately prior to the final distribution of all
654 its assets; and in the case of a foreign company filing a certificate of
655 withdrawal, the balances at the end of the fiscal year or period shall be
656 the balances immediately prior to the withdrawal of all of its assets.
657 When a taxpayer has carried on or had the right to carry on business
658 within the state for eleven months or less of the income year, the tax

659 calculated under this subsection shall be reduced in proportion to the
660 fractional part of the year during which business was carried on by
661 such taxpayer. The tax calculated under this subsection shall, in no
662 case, be less than [two hundred fifty] four hundred fifty dollars for
663 each income year. The taxpayer shall report the items set forth in this
664 subsection at the amounts at which such items appear upon its books;
665 provided, when, in the opinion of the Commissioner of Revenue
666 Services, the books of the taxpayer do not disclose a reasonable
667 valuation of such items, the commissioner may require any additional
668 information which may be necessary for a reasonable determination of
669 the tax calculated under this subsection and shall, on the basis of the
670 best information available, calculate such tax and notify the taxpayer
671 thereof.

672 Sec. 9. Section 12-223c of the general statutes is repealed and the
673 following is substituted in lieu thereof (*Effective July 1, 2002, and*
674 *applicable to income years commencing on or after January 1, 2002*):

675 Each corporation included in a combined return, other than the
676 corporation whose tax is computed and paid on the combined basis,
677 shall pay the minimum tax of [two hundred fifty] four hundred fifty
678 dollars prescribed under section 12-219, as amended by this act.

679 Sec. 10. Subsections (b) and (c) of section 12-217t of the general
680 statutes are repealed and the following is substituted in lieu thereof
681 (*Effective July 1, 2002, and applicable to income years commencing on or after*
682 *January 1, 2002*):

683 (b) The amount allowed as a credit in any income year shall be fifty
684 per cent of the full amount of the tax on such electronic data
685 processing equipment paid pursuant to section 12-71 or 12-80a, and as
686 defined under Section 168 of the Internal Revenue Code of 1986, or any
687 subsequent corresponding internal revenue code of the United States,
688 as from time to time amended, provided no credit shall be allowed for
689 the payment of any interest or penalty on the tax.

690 (c) The credit provided for by this section shall be allowed for fifty
691 per cent of any taxes owed on the grand list of October 1, [1994] 2001,
692 and each grand list annually thereafter or included in the list
693 prescribed under section 12-80a for such grand list. Such credits shall
694 first be used by the taxpayer against the corporation business tax
695 under this chapter, if any, and then may be used against any tax paid
696 by the taxpayer under the provisions of chapter 207, 208a, 209, 210, 211
697 or 212 or the tax imposed upon a health care center under section 12-
698 202a. The amount of credits allowable under this section in any tax
699 year against the taxes imposed by chapter 207, 208, 208a, 209, 210, 211
700 or 212 or against the tax imposed on health care centers, under the
701 provisions of section 12-202a, shall be allowable only after all other
702 credits allowable against such taxes for such tax year have been
703 applied.

704 Sec. 11. Subsection (b) of section 12-217w of the general statutes is
705 repealed and the following is substituted in lieu thereof (*Effective July*
706 *1, 2002, and applicable to income years commencing on or after January 1,*
707 *2002*):

708 (b) There shall be allowed a credit for any corporation against the
709 tax imposed under this chapter in an amount paid or incurred by such
710 corporation for any new fixed capital investment during the income
711 year in which such fixed capital is acquired as follows: For any income
712 year commencing on or after January 1, 1998, and prior to January 1,
713 1999, equal to three per cent of such amount paid or incurred by the
714 corporation during such income year; for any income year
715 commencing on or after January 1, 1999, and prior to January 1, 2000,
716 equal to four per cent of such amount paid or incurred by the
717 corporation during such income year; and for any income year
718 commencing on or after January 1, 2000, and prior to January 1, 2002,
719 equal to five per cent of such amount paid or incurred by the
720 corporation during such income year and for any income year
721 commencing on or after January 1, 2002, equal to three per cent of such
722 amount paid or incurred by the corporation during such income year.

723 Sec. 12. Subdivision (1) of section 12-213 of the general statutes is
724 repealed and the following is substituted in lieu thereof (*Effective July*
725 *1, 2002, and applicable to income years commencing on or after January 1,*
726 *2002*):

727 (1) "Taxpayer" and "company" mean any corporation, foreign
728 municipal electric utility, as defined in section 12-59, electric
729 distribution company, as defined in section 16-1, as amended, electric
730 supplier, as defined in section 16-1, as amended, generation entity or
731 affiliate, as defined in section 16-1, as amended, joint stock company or
732 association or any fiduciary thereof and any dissolved corporation
733 which continues to conduct business but does not include a [passive
734 investment company or] municipal utility, as defined in chapter 212
735 and chapter 212a.

736 Sec. 13. Subdivision (9) of section 12-213 of the general statutes is
737 repealed and the following is substituted in lieu thereof (*Effective July*
738 *1, 2002, and applicable to income years commencing on or after January 1,*
739 *2002*):

740 (9) (A) "Gross income" means gross income, as defined in the
741 Internal Revenue Code, and, in addition, means any interest or exempt
742 interest dividends, as defined in Section 852(b)(5) of the Internal
743 Revenue Code, received by the taxpayer or losses of other calendar or
744 fiscal years, retroactive to include all calendar or fiscal years beginning
745 after January 1, 1935, incurred by the taxpayer which are excluded
746 from gross income for purposes of assessing the federal corporation
747 net income tax, and in addition, notwithstanding any other provision
748 of law, means interest or exempt interest dividends, as defined in said
749 Section 852(b)(5) of the Internal Revenue Code, accrued on or after the
750 application date, as defined in section 12-242ff, with respect to any
751 obligation issued by or on behalf of the state, its agencies, authorities,
752 commissions and other instrumentalities, or by or on behalf of its
753 political subdivisions and their agencies, authorities, commissions and
754 other instrumentalities;

755 (B) "Gross income" shall not include the amount which for federal
756 income tax purposes is treated as a dividend received by a domestic
757 United States corporation from a foreign corporation on account of
758 foreign taxes deemed paid by such domestic corporation, when such
759 domestic corporation elects the foreign tax credit for federal income
760 tax purposes.

761 [(C) "Gross income" shall not include any amount which for federal
762 income tax purposes is treated as a dividend received directly or
763 indirectly by a taxpayer from a passive investment company;]

764 Sec. 14. Section 12-390b of the general statutes is repealed and the
765 following is substituted in lieu thereof (*Effective July 1, 2002, and*
766 *applicable to transfers occurring on or after July 1, 2002*):

767 (a) A tax is hereby imposed upon every generation-skipping
768 transfer, where the original transferor is a resident of this state at the
769 date of the original transfer. The amount of the tax shall be the amount
770 of the federal credit allowable for generation-skipping transfer tax paid
771 to any state under the provisions of the federal internal revenue code
772 in [force at the date of such generation-skipping transfer] effect as of
773 January 1, 2001, in respect to any property included in the generation-
774 skipping transfer. If any such property is real or tangible personal
775 property located outside this state and is subject to generation-
776 skipping transfer taxes by any state or states other than the state of
777 Connecticut for which such federal credit is allowable, the amount of
778 tax due under this section shall be reduced by the lesser of (1) the
779 amount of any such taxes paid to such other state or states and allowed
780 as a credit against the federal generation-skipping transfer tax in effect
781 as of January 1, 2001; or (2) an amount computed by multiplying such
782 federal credit by a fraction, (A) the numerator of which is the value of
783 all transferred real and tangible personal property which is subject to
784 generation-skipping transfer taxes and over which such other state or
785 states have jurisdiction for generation-skipping transfer tax purposes
786 to the same extent to which this state would exert jurisdiction for

787 generation-skipping transfer tax purposes under this chapter with
788 respect to the residents of such other state or states and (B) the
789 denominator of which is the value of all transferred property which is
790 subject to generation-skipping transfer taxes, wherever located.

791 (b) A tax is hereby imposed upon every generation-skipping
792 transfer, where the original transferor is not a resident of this state at
793 the date of the original transfer but where the generation-skipping
794 transfer includes real or tangible personal property located in this
795 state. The amount of the tax shall be computed by multiplying (1) the
796 federal credit allowable for generation-skipping transfer tax paid to
797 any state or states under the provisions of the federal internal revenue
798 code in [force at the date of such generation-skipping transfer] effect as
799 of January 1, 2001, in respect to any property included in the
800 generation-skipping transfer by (2) a fraction, (A) the numerator of
801 which is the value of all transferred real and tangible personal
802 property which is subject to generation-skipping transfer taxes, which
803 is located in this state and over which this state has jurisdiction for
804 generation-skipping transfer tax purposes, and (B) the denominator of
805 which is the value of all transferred property which is subject to
806 generation-skipping transfer taxes, wherever located.

807 (c) For purposes of subsections (a) and (b) of this section, property
808 shall have the same value that it has for federal generation-skipping
809 transfer tax purposes as provided in the Internal Revenue Code of
810 1986, or any subsequent corresponding internal revenue code of the
811 United States, in effect as of January 1, 2001.

812 Sec. 15. Section 12-391 of the general statutes is repealed and the
813 following is substituted in lieu thereof (*Effective July 1, 2002, and*
814 *applicable to estates of decedents who die on or after July 1, 2002*):

815 (a) A tax is imposed upon the transfer of the estate of each person
816 who at the time of death was a resident of this state. The amount of the
817 tax shall be the amount of the federal credit allowable for estate,
818 inheritance, legacy and succession taxes paid to any state or the

819 District of Columbia under the provisions of the federal internal
820 revenue code in [force at the date of such decedent's death] effect as of
821 January 1, 2001, in respect to any property owned by such decedent or
822 subject to such taxes as part of or in connection with the estate of such
823 decedent. If real or tangible personal property of such decedent is
824 located outside of this state and is subject to estate, inheritance, legacy,
825 or succession taxes by any state or states, other than the state of
826 Connecticut, or by the District of Columbia for which such federal
827 credit is allowable, the amount of tax due under this section shall be
828 reduced by the lesser of: (1) The amount of any such taxes paid to such
829 other state or states or said district and allowed as a credit against the
830 federal estate tax in effect as of January 1, 2001; or (2) an amount
831 computed by multiplying such federal credit by a fraction, (A) the
832 numerator of which is the value of that part of the decedent's gross
833 estate over which such other state or states or said district have
834 jurisdiction for estate tax purposes to the same extent to which this
835 state would assert jurisdiction for estate tax purposes under this
836 chapter with respect to the residents of such other state or states or
837 said district, and (B) the denominator of which is the value of the
838 decedent's gross estate. Property of a resident estate over which this
839 state has jurisdiction for estate tax purposes includes real property
840 situated in this state, tangible personal property having an actual situs
841 in this state, and intangible personal property owned by the decedent,
842 regardless of where it is located. The amount of any estate tax imposed
843 under this subsection shall also be reduced, but not below zero, by the
844 amount of any tax that is imposed under chapter 216 and that is
845 actually paid to this state.

846 (b) A tax is imposed upon the transfer of the estate of each person
847 who at the time of death was a nonresident of this state, the amount of
848 which shall be computed by multiplying (1) the federal credit
849 allowable for estate, inheritance, legacy, and succession taxes paid to
850 any state or states or the District of Columbia under the provisions of
851 the federal internal revenue code in [force at the date of such
852 decedent's death] effect as of January 1, 2001, in respect to any

853 property owned by such decedent or subject to such taxes as a part of
854 or in connection with the estate of such decedent by (2) a fraction, (A)
855 the numerator of which is the value of that part of the decedent's gross
856 estate over which this state has jurisdiction for estate tax purposes, and
857 (B) the denominator of which is the value of the decedent's gross
858 estate. Property of a nonresident estate over which this state has
859 jurisdiction for estate tax purposes includes real property situated in
860 this state and tangible personal property having an actual situs in this
861 state. The amount of any estate tax imposed under this subsection shall
862 also be reduced, but not below zero, by the amount of any tax that is
863 imposed under chapter 216 and that is actually paid to this state.

864 (c) For purposes of subsections (a) and (b) of this section, "gross
865 estate" means the gross estate, for federal estate tax purposes as
866 provided in the Internal Revenue Code of 1986, or any subsequent
867 corresponding internal revenue code of the United States, in effect as
868 of January 1, 2001.

869 (d) (1) For the purposes of this chapter, each decedent shall be
870 presumed to have died a resident of this state. The burden of proof in
871 an estate tax proceeding shall be upon any decedent's estate claiming
872 exemption by reason of the decedent's alleged nonresidency.

873 (2) Any person required to make and file a tax return under this
874 chapter, believing that the decedent died a nonresident of this state,
875 may file a request for determination of domicile in writing with the
876 Commissioner of Revenue Services, stating the specific grounds upon
877 which the request is founded provided (A) such person has filed such
878 return, (B) at least two hundred seventy days, but no more than three
879 years, has elapsed since the due date of such return or, if an
880 application for extension of time to file such return has been granted,
881 the extended due date of such return, (C) such person has not been
882 notified, in writing, by said commissioner that a written agreement of
883 compromise with the taxing authorities of another jurisdiction, under
884 section 12-395a, is being negotiated, and (D) the commissioner has not

885 previously determined whether the decedent died a resident of this
886 state. Not later than one hundred eighty days following receipt of such
887 request for determination, the commissioner shall determine whether
888 such decedent died a resident or a nonresident of this state. If the
889 commissioner commences negotiations over a written agreement of
890 compromise with the taxing authorities of another jurisdiction after a
891 request for determination of domicile is filed, the one-hundred-eighty-
892 day period shall be tolled for the duration of such negotiations. When,
893 before the expiration of such one-hundred-eighty-day period, both the
894 commissioner and the person required to make and file a tax return
895 under this chapter have consented in writing to the making of such
896 determination after such time, the determination may be made at any
897 time prior to the expiration of the period agreed upon. The period so
898 agreed upon may be extended by subsequent agreements in writing
899 made before the expiration of the period previously agreed upon. The
900 commissioner shall mail notice of his proposed determination to the
901 person required to make and file a tax return under this chapter. Such
902 notice shall set forth briefly the commissioner's findings of fact and the
903 basis of such proposed determination. Sixty days after the date on
904 which it is mailed, a notice of proposed determination shall constitute
905 a final determination unless the person required to make and file a tax
906 return under this chapter has filed, as provided in subdivision (3) of
907 this subsection, a written protest with the Commissioner of Revenue
908 Services.

909 (3) On or before the sixtieth day after mailing of the proposed
910 determination, the person required to make and file a tax return under
911 this chapter may file with the commissioner a written protest against
912 the proposed determination in which such person shall set forth the
913 grounds on which the protest is based. If such a protest is filed, the
914 commissioner shall reconsider the proposed determination and, if the
915 person required to make and file a tax return under this chapter has so
916 requested, may grant or deny such person or the authorized
917 representatives of such person an oral hearing.

918 (4) Notice of the commissioner's determination shall be mailed to
919 the person required to make and file a tax return under this chapter
920 and such notice shall set forth briefly the commissioner's findings of
921 fact and the basis of decision in each case decided adversely to such
922 person.

923 (5) The action of the commissioner on a written protest shall be final
924 upon the expiration of one month from the date on which he mails
925 notice of his action to the person required to make and file a tax return
926 under this chapter unless within such period such person seeks review
927 of the commissioner's determination pursuant to subsection (b) of
928 section 12-395.

929 (6) Nothing in this subsection shall be construed to relieve any
930 person filing a request for determination of domicile of the obligation
931 to pay the correct amount of tax on or before the due date of the tax.

932 Sec. 16. Subparagraph (B) of subdivision (8) of section 12-407 of the
933 general statutes is repealed and the following is substituted in lieu
934 thereof (*Effective July 1, 2002*):

935 (B) "Sales price" does not include any of the following: (i) Cash
936 discounts allowed and taken on sales; (ii) any portion of the amount
937 charged for property returned by purchasers, which upon rescission of
938 the contract of sale is refunded either in cash or credit, provided the
939 property is returned within ninety days from the date of purchase; (iii)
940 the amount of any tax, not including any manufacturers' or importers'
941 excise tax, imposed by the United States upon or with respect to retail
942 sales whether imposed upon the retailer or the purchaser; (iv) the
943 amount charged for labor rendered in installing or applying the
944 property sold, provided such charge is separately stated and exclusive
945 of such charge for any service rendered within the purview of
946 subparagraph (I) of subdivision (i) of subsection (2) of this section; (v)
947 unless the provisions of subsection (4) of section 12-430 [or of section
948 12-430a are] is applicable, any amount for which credit is given to the
949 purchaser by the retailer, provided such credit is given solely for

950 property of the same kind accepted in part payment by the retailer and
951 intended by the retailer to be resold; (vi) the full face value of any
952 coupon used by a purchaser to reduce the price paid to a retailer for an
953 item of tangible personal property, whether or not the retailer will be
954 reimbursed for such coupon, in whole or in part, by the manufacturer
955 of the item of tangible personal property or by a third party; (vii) the
956 amount charged for separately stated compensation, fringe benefits,
957 workers' compensation and payroll taxes or assessments paid to or on
958 behalf of employees of a retailer who has contracted to manage a
959 service recipient's property or business premises and renders
960 management services described in subdivision (i) of subsection (2) of
961 this section, provided, the employees perform such services solely for
962 the service recipient at its property or business premises and "sales
963 price" shall include the separately stated compensation, fringe benefits,
964 workers' compensation and payroll taxes or assessments paid to or on
965 behalf of any employee of the retailer who is an officer, director or
966 owner of more than five per cent of the outstanding capital stock of the
967 retailer. Determination whether an employee performs services solely
968 for a service recipient at its property or business premises for purposes
969 of this subdivision shall be made by reference to such employee's
970 activities during the time period beginning on the later of the
971 commencement of the management contract, the date of the
972 employee's first employment by the retailer or the date which is six
973 months immediately preceding the date of such determination; (viii)
974 the amount charged for separately stated compensation, fringe
975 benefits, workers' compensation and payroll taxes or assessments paid
976 to or on behalf of (I) a leased employee, or (II) a worksite employee by
977 a professional employer organization pursuant to a professional
978 employer agreement. For purposes of this subparagraph, an employee
979 shall be treated as a leased employee if the employee is provided to the
980 client at the commencement of an agreement with an employee leasing
981 organization under which at least seventy-five per cent of the
982 employees provided to the client at the commencement of such initial
983 agreement qualify as leased employees pursuant to Section 414(n) of

984 the Internal Revenue Code of 1986, or any subsequent corresponding
985 internal revenue code of the United States, as from time to time
986 amended, or the employee is added to the client's workforce by the
987 employee leasing organization subsequent to the commencement of
988 such initial agreement and qualifies as a leased employee pursuant to
989 Section 414(n) of said Internal Revenue Code of 1986 without regard to
990 subparagraph (B) of paragraph (2) thereof. A leased employee, or a
991 worksite employee subject to a professional employer agreement, shall
992 not include any employee who is hired by a temporary help service
993 and assigned to support or supplement the workforce of a temporary
994 help service's client; and (ix) any amount received by a retailer from a
995 purchaser as the battery deposit that is required to be paid under
996 subsection (a) of section 22a-245h; the refund value of a beverage
997 container that is required to be paid under subsection (a) of section
998 22a-244; or a deposit that is required by law to be paid by the
999 purchaser to the retailer and that is required by law to be refunded to
1000 the purchaser by the retailer when the same or similar tangible
1001 personal property is delivered as required by law to the retailer by the
1002 purchaser, if such amount is separately stated on the bill or invoice
1003 rendered by the retailer to the purchaser.

1004 Sec. 17. Section 22a-9 of the general statutes is repealed and the
1005 following is substituted in lieu thereof (*Effective July 1, 2002*):

1006 The commissioner shall act as the official agent of the state in all
1007 matters affecting the purposes of this title and sections 2-20a, 5-238a,
1008 subsection (c) of section 7-131a, sections 7-131e, 7-131f, subsection (a)
1009 of section 7-131g, sections 7-131i, 7-131l, subsection (a) of section 10-
1010 320b, subdivisions (51) and (52) of section 12-81, [subsections (21) and
1011 (22) of section 12-412,] subsections (a) and (b) of section 13a-94,
1012 sections 13a-142a, 13b-56, 13b-57, 14-100b, 14-164c, chapter 268,
1013 sections 16a-103, 22-91c, 22-91e, subsections (b) and (c) of section 22a-
1014 148, section 22a-150, subdivisions (2) and (3) of section 22a-151,
1015 sections 22a-153, 22a-154, 22a-155, 22a-156, 22a-158, chapter 446c,
1016 sections 22a-295, 22a-300, 22a-308, 22a-416, chapters 446h to 446k,

1017 inclusive, chapters 447 and 448, sections 23-35, 23-37a, 23-41, chapter
 1018 462, section 25-34, chapter 477, subsection (b) of section 25-128,
 1019 subsection (a) of section 25-131, chapters 490 and 491 and sections 26-
 1020 257, 26-297, 26-303 and 47-46a, under any federal laws now or
 1021 hereafter to be enacted and as the official agent of any municipality,
 1022 district, region or authority or other recognized legal entity in
 1023 connection with the grant or advance of any federal or other funds or
 1024 credits to the state or through the state, to its political subdivisions.

1025 Sec. 18. (*Effective from passage*) Section 12-399, subdivisions (18), (21),
 1026 (22), (31), (34), (27), (41), (52), (65), (66), (70) to (73), inclusive, (81), (82),
 1027 (93), (96) and (97) of section 12-412 of the general statutes, and section
 1028 12-430a of the general statutes are repealed.

This act shall take effect as follows:	
Section 1	<i>July 1, 2002</i>
Sec. 2	<i>July 1, 2002</i>
Sec. 3	<i>July 1, 2002</i>
Sec. 4	<i>July 1, 2002</i>
Sec. 5	<i>July 1, 2002</i>
Sec. 6	<i>July 1, 2002</i>
Sec. 7	<i>July 1, 2002</i>
Sec. 8	<i>July 1, 2002, and applicable to income years commencing on or after January 1, 2002</i>
Sec. 9	<i>July 1, 2002, and applicable to income years commencing on or after January 1, 2002</i>
Sec. 10	<i>July 1, 2002, and applicable to income years commencing on or after January 1, 2002</i>
Sec. 11	<i>July 1, 2002, and applicable to income years commencing on or after January 1, 2002</i>
Sec. 12	<i>July 1, 2002, and applicable to income years commencing on or after January 1, 2002</i>
Sec. 13	<i>July 1, 2002, and applicable to income years commencing on or after January 1, 2002</i>
Sec. 14	<i>July 1, 2002, and applicable to transfers occurring on or after July 1, 2002</i>
Sec. 15	<i>July 1, 2002, and applicable to estates of decedents who die on or after July 1, 2002</i>

Sec. 16	<i>July 1, 2002</i>
Sec. 17	<i>July 1, 2002</i>
Sec. 18	<i>from passage</i>

Statement of Purpose:

To reduce tax expenditures.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]