



# House of Representatives

General Assembly

**File No. 556**

*January Session, 2003*

House Bill No. 6666

*House of Representatives, April 28, 2003*

The Committee on Finance, Revenue and Bonding reported through REP. STILLMAN of the 38th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## **AN ACT CONCERNING REPEAL OF THE SALES TAX ON PATIENT CARE SERVICES.**

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

1 Section 1. Subdivision (1) of section 12-408 of the general statutes, as  
2 amended by section 25 of public act 03-2, is repealed and the following  
3 is substituted in lieu thereof (*Effective from passage and applicable to sales*  
4 *occurring on or after July 1, 2003*):

5 (1) For the privilege of making any sales, as defined in subdivision  
6 (2) of subsection (a) of section 12-407, at retail, in this state for a  
7 consideration, a tax is hereby imposed on all retailers at the rate of six  
8 per cent of the gross receipts of any retailer from the sale of all tangible  
9 personal property sold at retail or from the rendering of any services  
10 constituting a sale in accordance with subdivision (2) of subsection (a)  
11 of section 12-407, except, in lieu of said rate of six per cent, (A) at a rate  
12 of twelve per cent with respect to each transfer of occupancy, from the  
13 total amount of rent received for such occupancy of any room or

14 rooms in a hotel or lodging house for the first period not exceeding  
15 thirty consecutive calendar days, (B) with respect to the sale of a motor  
16 vehicle to any individual who is a member of the armed forces of the  
17 United States and is on full-time active duty in Connecticut and who is  
18 considered, under 50 App USC 574, a resident of another state, or to  
19 any such individual and the spouse thereof, at a rate of four and one-  
20 half per cent of the gross receipts of any retailer from such sales,  
21 provided such retailer requires and maintains a declaration by such  
22 individual, prescribed as to form by the commissioner and bearing  
23 notice to the effect that false statements made in such declaration are  
24 punishable, or other evidence, satisfactory to the commissioner,  
25 concerning the purchaser's state of residence under 50 App USC 574,  
26 (C) (i) with respect to the sales of computer and data processing  
27 services occurring on or after July 1, 1997, and prior to July 1, 1998, at  
28 the rate of five per cent, on or after July 1, 1998, and prior to July 1,  
29 1999, at the rate of four per cent, on or after July 1, 1999, and prior to  
30 July 1, 2000, at the rate of three per cent, on or after July 1, 2000, and  
31 prior to July 1, 2001, at the rate of two per cent, on or after July 1, 2001,  
32 and prior to July 1, 2004, at the rate of one per cent and on and after  
33 July 1, 2004, such services shall be exempt from such tax, and (ii) with  
34 respect to sales of Internet access services, on and after July 1, 2001,  
35 such services shall be exempt from such tax, (D) with respect to the  
36 sales of labor that is otherwise taxable under subparagraph (C) or (G)  
37 of subdivision (2) of subsection (a) of section 12-407 on existing vessels  
38 and repair or maintenance services on vessels occurring on and after  
39 July 1, 1999, such services shall be exempt from such tax, (E) with  
40 respect to patient care services for which payment is received by the  
41 hospital on or after July 1, 1999, and prior to July 1, 2001, [and with  
42 respect to such services for which payment is received by the hospital  
43 on or after July 1, 2003,] at the rate of five and three-fourths per cent,  
44 and (F) with respect to sales of advertising or public relations services,  
45 including layout, art direction, graphic design, mechanical preparation  
46 or production supervision, related to the development of media  
47 advertising or cooperative direct mail advertising, occurring on or  
48 after April 1, 2003, at the rate of three per cent. The rate of tax imposed

49 by this chapter shall be applicable to all retail sales upon the effective  
50 date of such rate, except that a new rate which represents an increase  
51 in the rate applicable to the sale shall not apply to any sales transaction  
52 wherein a binding sales contract without an escalator clause has been  
53 entered into prior to the effective date of the new rate and delivery is  
54 made within ninety days after the effective date of the new rate. For  
55 the purposes of payment of the tax imposed under this section, any  
56 retailer of services taxable under subparagraph (I) of subdivision (2) of  
57 subsection (a) of section 12-407, who computes taxable income, for  
58 purposes of taxation under the Internal Revenue Code of 1986, or any  
59 subsequent corresponding internal revenue code of the United States,  
60 as from time to time amended, on an accounting basis which  
61 recognizes only cash or other valuable consideration actually received  
62 as income and who is liable for such tax only due to the rendering of  
63 such services may make payments related to such tax for the period  
64 during which such income is received, without penalty or interest,  
65 without regard to when such service is rendered.

66 Sec. 2. Subdivision (1) of section 12-411 of the general statutes, as  
67 amended by section 26 of public act 03-2, is repealed and the following  
68 is substituted in lieu thereof (*Effective from passage and applicable to sales*  
69 *occurring on or after July 1, 2003*):

70 (1) An excise tax is hereby imposed on the storage, acceptance,  
71 consumption or any other use in this state of tangible personal  
72 property purchased from any retailer for storage, acceptance,  
73 consumption or any other use in this state, the acceptance or receipt of  
74 any services constituting a sale in accordance with subdivision (2) of  
75 subsection (a) of section 12-407, purchased from any retailer for  
76 consumption or use in this state, or the storage, acceptance,  
77 consumption or any other use in this state of tangible personal  
78 property which has been manufactured, fabricated, assembled or  
79 processed from materials by a person, either within or without this  
80 state, for storage, acceptance, consumption or any other use by such  
81 person in this state, to be measured by the sales price of materials, at  
82 the rate of six per cent of the sales price of such property or services,

83 except, in lieu of said rate of six per cent, (A) at a rate of twelve per  
84 cent of the rent paid for occupancy of any room or rooms in a hotel or  
85 lodging house for the first period of not exceeding thirty consecutive  
86 calendar days, (B) with respect to the storage, acceptance, consumption  
87 or use in this state of a motor vehicle purchased from any retailer for  
88 storage, acceptance, consumption or use in this state by any individual  
89 who is a member of the armed forces of the United States and is on  
90 full-time active duty in Connecticut and who is considered, under 50  
91 App USC 574, a resident of another state, or to any such individual  
92 and the spouse of such individual at a rate of four and one-half per  
93 cent of the sales price of such vehicle, provided such retailer requires  
94 and maintains a declaration by such individual, prescribed as to form  
95 by the commissioner and bearing notice to the effect that false  
96 statements made in such declaration are punishable, or other evidence,  
97 satisfactory to the commissioner, concerning the purchaser's state of  
98 residence under 50 App USC 574, (C) with respect to the acceptance or  
99 receipt in this state of labor that is otherwise taxable under  
100 subparagraph (C) or (G) of subdivision (2) of subsection (a) of section  
101 12-407 on existing vessels and repair or maintenance services on  
102 vessels occurring on and after July 1, 1999, such services shall be  
103 exempt from such tax, (D) (i) with respect to the acceptance or receipt  
104 in this state of computer and data processing services purchased from  
105 any retailer for consumption or use in this state occurring on or after  
106 July 1, 1997, and prior to July 1, 1998, at the rate of five per cent of such  
107 services, on or after July 1, 1998, and prior to July 1, 1999, at the rate of  
108 four per cent of such services, on or after July 1, 1999, and prior to July  
109 1, 2000, at the rate of three per cent of such services, on or after July 1,  
110 2000, and prior to July 1, 2001, at the rate of two per cent of such  
111 services, on and after July 1, 2001, and prior to July 1, 2004, at the rate  
112 of one per cent of such services and on and after July 1, 2004, such  
113 services shall be exempt from such tax, and (ii) with respect to the  
114 acceptance or receipt in this state of Internet access services, on or after  
115 July 1, 2001, such services shall be exempt from tax, (E) with respect to  
116 the acceptance or receipt in this state of patient care services purchased  
117 from any retailer for consumption or use in this state for which

118 payment is received by the hospital on or after July 1, 1999, and prior  
119 to July 1, 2001, [and with respect to acceptance or receipt in this state of  
120 such services for which payment is received by the hospital on or after  
121 July 1, 2003,] at the rate of five and three-fourths per cent, and (F) with  
122 respect to sales of advertising or public relations services, including  
123 layout, art direction, graphic design, mechanical preparation or  
124 production supervision, related to the development of media  
125 advertising or cooperative direct mail advertising, occurring on or  
126 after April 1, 2003, at the rate of three per cent.

This act shall take effect as follows:	
Section 1	<i>from passage and applicable to sales occurring on or after July 1, 2003</i>
Sec. 2	<i>from passage and applicable to sales occurring on or after July 1, 2003</i>

**FIN**      *Joint Favorable*

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:

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**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Type</b>	<b>FY 04 \$</b>	<b>FY 05 \$</b>
Revenue Serv., Dept.	GF - Revenue Loss	115.0 million	115.0 million

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill permanently eliminates the 5.75% tax on hospital patient care services beginning July 1, 2003, which results in a General Fund revenue loss of approximately \$115 million per year.

Public Act 01-6 (June Special Session) suspended the tax from July 1, 2001 through June 30, 2003. Hospital services provided at 29 of the state's 31 hospitals are subject to the tax. Services provided at John Dempsey Hospital (UConn Health Center) and the Children's Hospital in Hartford are exempt from the tax.

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**OLR Bill Analysis**

HB 6666

***AN ACT CONCERNING REPEAL OF THE SALES TAX ON PATIENT CARE SERVICES***

**SUMMARY:**

This bill permanently eliminates the 5.75% sales and use taxes on hospital patient care services. The tax has been suspended for two years, from July 1, 2001 through June 30, 2003. Under current law, the tax applies to payments for such services that hospitals receive on or after July 1, 2003.

EFFECTIVE DATE: Upon passage and applicable to sales on or after July 1, 2003.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 44      Nay 0