



# Senate

General Assembly

**File No. 703**

January Session, 2003

Substitute Senate Bill No. 1160

*Senate, May 15, 2003*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT CONCERNING REVENUE ADJUSTMENTS.**

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

1 Section 1. Subdivisions (6) and (7) of subsection (a) of section 12-700  
2 of the general statutes, as amended by section 22 of public act 03-2, are  
3 repealed and the following is substituted in lieu thereof (*Effective from*  
4 *passage and applicable to taxable years commencing on or after January 1,*  
5 *2003*):

6 (6) For taxable years commencing on or after January 1, 2003, but  
7 prior to January 1, 2007, in accordance with the following schedule:

8 (A) For any person who files a return under the federal income tax  
9 for such taxable year as an unmarried individual [or as a married  
10 individual filing separately] and for trusts or estates:

T1	Connecticut Taxable Income	Rate of Tax
T2	Not over \$10,000	3.0%
T3	Over \$10,000 <u>but not over</u>	\$300.00, plus 5.0% of the
T4	<u>\$265,000</u>	excess over \$10,000
T5	<u>Over \$265,000 but not over</u>	<u>\$13,075, plus 5.5% of the</u>
T6	<u>\$531,500</u>	<u>excess over \$265,500</u>
T7	<u>Over \$531,500 but not over</u>	<u>\$27,705, plus 5.75% of the</u>
T8	<u>\$1,062,500</u>	<u>excess over \$531,500</u>
T9	<u>Over \$1,062,500</u>	<u>\$58,237.50, plus 5.9% of the</u>
T10		<u>excess over \$1,062,500</u>

11 (B) For any person who files a return under the federal income tax  
 12 for such taxable year as a head of household, as defined in Section 2(b)  
 13 of the Internal Revenue Code:

T11	Connecticut Taxable Income	Rate of Tax
T12	Not over \$16,000	3.0%
T13	Over \$16,000 <u>but not over</u>	\$480.00, plus 5.0% of the
T14	<u>\$396,000</u>	excess over \$16,000
T15	<u>Over \$396,000 but not over</u>	<u>\$19,480, plus 5.5% of the</u>
T16	<u>\$792,000</u>	<u>excess over \$396,000</u>
T17	<u>Over \$792,000 but not over</u>	<u>\$41,260, plus 5.75% of the</u>
T18	<u>\$1,580,000</u>	<u>excess over \$792,000</u>
T19	<u>Over \$1,580,000</u>	<u>\$86,570, plus 5.9% of the</u>
T20		<u>excess over \$1,580,000</u>

14 (C) For any husband and wife who file a return under the federal  
 15 income tax for such taxable year as married individuals filing jointly or  
 16 any person who files a return under the federal income tax for such  
 17 taxable year as a surviving spouse, as defined in Section 2(a) of the  
 18 Internal Revenue Code:

T21	Connecticut Taxable Income	Rate of Tax
T22	Not over \$20,000	3.0%
T23	Over \$20,000 <u>but not over</u>	\$600.00, plus 5.0% of the
T24	<u>\$500,000</u>	excess over \$20,000
T25	<u>Over \$500,000 but not over</u>	<u>\$24,600, plus 5.5% of the</u>
T26	<u>\$1,000,000</u>	<u>excess over \$500,000</u>
T27	<u>Over \$1,000,000 but not over</u>	<u>\$52,100, plus 5.75% of the</u>
T28	<u>\$2,000,000</u>	<u>excess over \$1,000,000</u>
T29	<u>Over \$2,000,000</u>	<u>\$109,600, plus 5.9% of the</u>
T30		<u>excess over \$2,000,000</u>

19 (D) [For trusts or estates, the rate of tax shall be 5.0% of the  
 20 Connecticut taxable income.] For any person who files a return under  
 21 the federal income tax for such taxable year as a married individual  
 22 filing separately:

T31	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T32	<u>Not over \$10,000</u>	<u>3.0%</u>
T33	<u>Over \$10,000 but not over</u>	<u>\$300.00, plus 5.0% of the</u>
T34	<u>\$250,000</u>	<u>excess over \$10,000</u>
T35	<u>Over \$250,000 but not over</u>	<u>\$12,300, plus 5.5% of the</u>
T36	<u>\$500,000</u>	<u>excess over \$250,000</u>
T37	<u>Over \$500,000 but not over</u>	<u>\$26,050, plus 5.75% of the</u>
T38	<u>\$1,000,000</u>	<u>excess over \$500,000</u>
T39	<u>Over \$1,000,000</u>	<u>\$54,800, plus 5.9% of the</u>
T40		<u>excess over \$1,000,000</u>

23 (7) For taxable years commencing on or after January 1, 2007, in  
 24 accordance with the following schedule:

25 (A) For any person who files a return under the federal income tax  
 26 for such taxable year as an unmarried individual or as a married  
 27 individual filing separately:

T41	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T42	<u>Not over \$10,000</u>	<u>3.0%</u>
T43	<u>Over \$10,000</u>	<u>\$300.00, plus 5.0% of the</u>
T44		<u>excess over \$10,000</u>

28 (B) For any person who files a return under the federal income tax  
 29 for such taxable year as a head of household, as defined in Section 2(b)  
 30 of the Internal Revenue Code:

T45	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T46	<u>Not over \$16,000</u>	<u>3.0%</u>
T47	<u>Over \$16,000</u>	<u>\$480.00, plus 5.0% of the</u>
T48		<u>excess over \$16,000</u>

31 (C) For any husband and wife who file a return under the federal  
 32 income tax for such taxable year as married individuals filing jointly or  
 33 any person who files a return under the federal income tax for such  
 34 taxable year as a surviving spouse, as defined in Section 2(a) of the  
 35 Internal Revenue Code:

T49	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T50	<u>Not over \$20,000</u>	<u>3.0%</u>
T51	<u>Over \$20,000</u>	<u>\$600.00, plus 5.0% of the</u>

T52

excess over \$20,000

36 (D) For trusts or estates, the rate of tax shall be 5.0% of the  
37 Connecticut taxable income.

38 ~~[(7)]~~ (8) The provisions of this subsection shall apply to resident  
39 trusts and estates and, wherever reference is made in this subsection to  
40 residents of this state, such reference shall be construed to include  
41 resident trusts and estates, provided any reference to a resident's  
42 Connecticut adjusted gross income derived from sources without this  
43 state or to a resident's Connecticut adjusted gross income shall be  
44 construed, in the case of a resident trust or estate, to mean the resident  
45 trust or estate's Connecticut taxable income derived from sources  
46 without this state and the resident trust or estate's Connecticut taxable  
47 income, respectively.

48 Sec. 2. Section 12-704c of the general statutes is repealed and the  
49 following is substituted in lieu thereof (*Effective from passage and*  
50 *applicable to taxable years commencing on or after January 1, 2003*):

51 (a) Any resident of this state, as defined in subdivision (1) of  
52 subsection (a) of section 12-701, subject to the tax under this chapter for  
53 any taxable year shall be entitled to a credit in determining the amount  
54 of tax liability under this chapter, for all or a portion, as permitted by  
55 this section, of the amount of property tax, as defined in this section,  
56 first becoming due and actually paid during such taxable year by such  
57 person on such person's primary residence or motor vehicle in  
58 accordance with this section, provided in the case of a person who files  
59 a return under the federal income tax for such taxable year as an  
60 unmarried individual, a married individual filing separately or a head  
61 of household, one motor vehicle shall be eligible for such credit and in  
62 the case of a husband and wife who file a return under federal income  
63 tax for such taxable year as married individuals filing jointly, no more  
64 than two motor vehicles shall be eligible for a credit under the  
65 provisions of this section.

66 (b) The credit allowed under this section shall not exceed two  
67 hundred fifteen dollars for the taxable year commencing on or after  
68 January 1, 1997, and prior to January 1, 1998; for taxable years  
69 commencing on or after January 1, 1998, but prior to January 1, 1999,  
70 three hundred fifty dollars; for taxable years commencing on or after  
71 January 1, 1999, but prior to January 1, 2000, four hundred twenty-five  
72 dollars; [and] for taxable years commencing on or after January 1, 2000,  
73 but prior to January 1, 2003, five hundred dollars; and for taxable years  
74 commencing on or after January 1, 2003, three hundred seventy-five  
75 dollars. In the case of any husband and wife who file a return under  
76 the federal income tax for such taxable year as married individuals  
77 filing a joint return, the credit allowed, in the aggregate, shall not  
78 exceed such amounts for each such taxable year.

79 (c) (1) (A) For taxable years commencing prior to January 1, 2000, in  
80 the case of any such taxpayer who files under the federal income tax  
81 for such taxable year as an unmarried individual whose Connecticut  
82 adjusted gross income exceeds fifty-two thousand five hundred  
83 dollars, the amount of the credit that exceeds one hundred dollars shall  
84 be reduced by ten per cent for each ten thousand dollars, or fraction  
85 thereof, by which the taxpayer's Connecticut adjusted gross income  
86 exceeds said amount.

87 (B) For taxable years commencing on or after January 1, 2000, but  
88 prior to January 1, 2001, in the case of any such taxpayer who files  
89 under the federal income tax for such taxable year as an unmarried  
90 individual whose Connecticut adjusted gross income exceeds  
91 fifty-three thousand five hundred dollars, the amount of the credit that  
92 exceeds one hundred dollars shall be reduced by ten per cent for each  
93 ten thousand dollars, or fraction thereof, by which the taxpayer's  
94 Connecticut adjusted gross income exceeds said amount.

95 (C) For taxable years commencing on or after January 1, 2001, but  
96 prior to January 1, [2004] 2003, in the case of any such taxpayer who  
97 files under the federal income tax for such taxable year as an  
98 unmarried individual whose Connecticut adjusted gross income

99 exceeds fifty-four thousand five hundred dollars, the amount of the  
100 credit that exceeds one hundred dollars shall be reduced by ten per  
101 cent for each ten thousand dollars, or fraction thereof, by which the  
102 taxpayer's Connecticut adjusted gross income exceeds said amount.

103 (D) For taxable years commencing on or after January 1, 2003, but  
104 prior to January 1, 2004, in the case of any such taxpayer who files  
105 under the federal income tax for such taxable year as an unmarried  
106 individual whose Connecticut adjusted gross income exceeds fifty-four  
107 thousand five hundred dollars, the amount of the credit that exceeds  
108 seventy-five dollars shall be reduced by ten per cent for each ten  
109 thousand dollars, or fraction thereof, by which the taxpayer's  
110 Connecticut adjusted gross income exceeds said amount.

111 [(D)] (E) For taxable years commencing on or after January 1, 2004,  
112 but prior to January 1, 2005, in the case of any such taxpayer who files  
113 under the federal income tax for such taxable year as an unmarried  
114 individual whose Connecticut adjusted gross income exceeds fifty-five  
115 thousand five hundred dollars, the amount of the credit that exceeds  
116 [one hundred] seventy-five dollars shall be reduced by ten per cent for  
117 each ten thousand dollars, or fraction thereof, by which the taxpayer's  
118 Connecticut adjusted gross income exceeds said amount.

119 [(E)] (F) For taxable years commencing on or after January 1, 2005,  
120 but prior to January 1, 2006, in the case of any such taxpayer who files  
121 under the federal income tax for such taxable year as an unmarried  
122 individual whose Connecticut adjusted gross income exceeds fifty-six  
123 thousand five hundred dollars, the amount of the credit that exceeds  
124 [one hundred] seventy-five dollars shall be reduced by ten per cent for  
125 each ten thousand dollars, or fraction thereof, by which the taxpayer's  
126 Connecticut adjusted gross income exceeds said amount.

127 [(F)] (G) For taxable years commencing on or after January 1, 2006,  
128 but prior to January 1, 2007, in the case of any such taxpayer who files  
129 under the federal income tax for such taxable year as an unmarried  
130 individual whose Connecticut adjusted gross income exceeds fifty-  
131 eight thousand five hundred dollars, the amount of the credit that

132 exceeds [one hundred] seventy-five dollars shall be reduced by ten per  
133 cent for each ten thousand dollars, or fraction thereof, by which the  
134 taxpayer's Connecticut adjusted gross income exceeds said amount.

135 [(G)] (H) For taxable years commencing on or after January 1, 2007,  
136 but prior to January 1, 2008, in the case of any such taxpayer who files  
137 under the federal income tax for such taxable year as an unmarried  
138 individual whose Connecticut adjusted gross income exceeds sixty  
139 thousand five hundred dollars, the amount of the credit that exceeds  
140 [one hundred] seventy-five dollars shall be reduced by ten per cent for  
141 each ten thousand dollars, or fraction thereof, by which the taxpayer's  
142 Connecticut adjusted gross income exceeds said amount.

143 [(H)] (I) For taxable years commencing on or after January 1, 2008,  
144 but prior to January 1, 2009, in the case of any such taxpayer who files  
145 under the federal income tax for such taxable year as an unmarried  
146 individual whose Connecticut adjusted gross income exceeds  
147 sixty-two thousand five hundred dollars, the amount of the credit that  
148 exceeds [one hundred] seventy-five dollars shall be reduced by ten per  
149 cent for each ten thousand dollars, or fraction thereof, by which the  
150 taxpayer's Connecticut adjusted gross income exceeds said amount.

151 [(I)] (J) For taxable years commencing on or after January 1, 2009, in  
152 the case of any such taxpayer who files under the federal income tax  
153 for such taxable year as an unmarried individual whose Connecticut  
154 adjusted gross income exceeds sixty-four thousand five hundred  
155 dollars, the amount of the credit that exceeds [one hundred] seventy-  
156 five dollars shall be reduced by ten per cent for each ten thousand  
157 dollars, or fraction thereof, by which the taxpayer's Connecticut  
158 adjusted gross income exceeds said amount.

159 (2) In the case of any such taxpayer who files under the federal  
160 income tax for such taxable year as a married individual filing  
161 separately whose Connecticut adjusted gross income exceeds fifty  
162 thousand two hundred fifty dollars, the amount of the credit that  
163 exceeds [one hundred] seventy-five dollars shall be reduced by ten per  
164 cent for each five thousand dollars, or fraction thereof, by which the

165 taxpayer's Connecticut adjusted gross income exceeds said amount.

166 (3) In the case of a taxpayer who files under the federal income tax  
167 for such taxable year as a head of household whose Connecticut  
168 adjusted gross income exceeds seventy-eight thousand five hundred  
169 dollars, the amount of the credit that exceeds [one hundred] seventy-  
170 five dollars shall be reduced by ten per cent for each ten thousand  
171 dollars or fraction thereof, by which the taxpayer's Connecticut  
172 adjusted gross income exceeds said amount.

173 (4) In the case of a taxpayer who files under federal income tax for  
174 such taxable year as married individuals filing jointly whose  
175 Connecticut adjusted gross income exceeds one hundred thousand five  
176 hundred dollars, the amount of the credit that exceeds [one hundred]  
177 seventy-five dollars shall be reduced by ten per cent for each ten  
178 thousand dollars, or fraction thereof, by which the taxpayer's  
179 Connecticut adjusted gross income exceeds said amount.

180 (d) The credit allowed under the provisions of this section shall be  
181 available for any person leasing a motor vehicle pursuant to a written  
182 agreement for a term of more than one year. Such lessee shall be  
183 entitled to the credit in accordance with the provisions of this section  
184 for the taxes actually paid by the lessor or lessee on such leased  
185 vehicle, provided the lessee was lawfully in possession of the motor  
186 vehicle at such time when the taxes first became due. The lessor shall  
187 provide the lessee with documentation establishing, to the satisfaction  
188 of the Commissioner of Revenue Services, the amount of property tax  
189 paid during the time period in which the lessee was lawfully in  
190 possession of the motor vehicle. The lessor of the motor vehicle shall  
191 not be entitled to a credit under the provisions of this section.

192 (e) The credit may only be used to reduce such qualifying taxpayer's  
193 tax liability for the year for which such credit is applicable and shall  
194 not be used to reduce such tax liability to less than zero.

195 (f) The amount of tax due pursuant to sections 12-705 and 12-722  
196 shall be calculated without regard to this credit.

197 (g) For the purposes of this section: (1) "Property tax" means the  
198 amount of property tax exclusive of any interest, fees or charges  
199 thereon for which a taxpayer is liable, or in the case of any husband  
200 and wife who file a return under the federal income tax for such  
201 taxable year as married individuals filing a joint return, for which the  
202 husband or wife or both are liable, to a Connecticut political  
203 subdivision on the taxpayer's primary residence or motor vehicles; (2)  
204 "motor vehicle" means a motor vehicle, as defined in section 14-1,  
205 which is privately owned or leased; and (3) property tax first becomes  
206 due, if due and payable in a single installment, on the date designated  
207 by the legislative body of the municipality as the date on which such  
208 installment shall be due and payable and, if due and payable in two or  
209 more installments, on the date designated by the legislative body of  
210 the municipality as the date on which such installment shall be due  
211 and payable or, at the election of the taxpayer, on the date designated  
212 by the legislative body of the municipality as the date on which any  
213 earlier installment of such tax shall be due and payable.

214 Sec. 3. Subdivision (1) of section 12-408 of the general statutes is  
215 repealed and the following is substituted in lieu thereof (*Effective July*  
216 *1, 2003, and applicable to sales occurring on or after July 1, 2003*):

217 (1) For the privilege of making any sales, as defined in subdivision  
218 (2) of subsection (a) of section 12-407, at retail, in this state for a  
219 consideration, on or after July 1, 2003, but prior to July 1, 2007, a tax is  
220 hereby imposed on all retailers at the rate of six and one-half per cent  
221 of the gross receipts of any retailer from the sale of all tangible  
222 personal property sold at retail or from the rendering of any services  
223 constituting a sale in accordance with subdivision (2) of subsection (a)  
224 of section 12-407, and for the privilege of making any such sales on or  
225 after July 1, 2007, said tax shall be at a rate of six per cent, except, in  
226 lieu of said rate of six per cent or six and one-half per cent, as the case  
227 may be, (A) at a rate of twelve per cent with respect to each transfer of  
228 occupancy, from the total amount of rent received for such occupancy  
229 of any room or rooms in a hotel or lodging house for the first period  
230 not exceeding thirty consecutive calendar days, (B) with respect to the

231 sale of a motor vehicle to any individual who is a member of the  
232 armed forces of the United States and is on full-time active duty in  
233 Connecticut and who is considered, under 50 App USC 574, a resident  
234 of another state, or to any such individual and the spouse thereof, at a  
235 rate of four and one-half per cent of the gross receipts of any retailer  
236 from such sales, provided such retailer requires and maintains a  
237 declaration by such individual, prescribed as to form by the  
238 commissioner and bearing notice to the effect that false statements  
239 made in such declaration are punishable, or other evidence,  
240 satisfactory to the commissioner, concerning the purchaser's state of  
241 residence under 50 App USC 574, (C) (i) with respect to the sales of  
242 computer and data processing services occurring on or after July 1,  
243 1997, and prior to July 1, 1998, at the rate of five per cent, on or after  
244 July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or  
245 after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent,  
246 on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per  
247 cent, on or after July 1, 2001, [and prior to July 1, 2004,] at the rate of  
248 one per cent, [and on and after July 1, 2004, such services shall be  
249 exempt from such tax,] (ii) with respect to sales of Internet access  
250 services, on and after July 1, 2001, such services shall be exempt from  
251 such tax, (D) with respect to the sales of labor that is otherwise taxable  
252 under subparagraph (C) or (G) of subdivision (2) of subsection (a) of  
253 section 12-407 on existing vessels and repair or maintenance services  
254 on vessels occurring on and after July 1, 1999, such services shall be  
255 exempt from such tax, and (E) with respect to patient care services for  
256 which payment is received by the hospital on or after July 1, 1999, and  
257 prior to July 1, 2001, and with respect to such services for which  
258 payment is received by the hospital on or after July 1, 2003, at the rate  
259 of five and three-fourths per cent. The rate of tax imposed by this  
260 chapter shall be applicable to all retail sales upon the effective date of  
261 such rate, except that a new rate which represents an increase in the  
262 rate applicable to the sale shall not apply to any sales transaction  
263 wherein a binding sales contract without an escalator clause has been  
264 entered into prior to the effective date of the new rate and delivery is  
265 made within ninety days after the effective date of the new rate. For

266 the purposes of payment of the tax imposed under this section, any  
 267 retailer of services taxable under subparagraph (I) of subdivision (2) of  
 268 subsection (a) of section 12-407, who computes taxable income, for  
 269 purposes of taxation under the Internal Revenue Code of 1986, or any  
 270 subsequent corresponding internal revenue code of the United States,  
 271 as from time to time amended, on an accounting basis which  
 272 recognizes only cash or other valuable consideration actually received  
 273 as income and who is liable for such tax only due to the rendering of  
 274 such services may make payments related to such tax for the period  
 275 during which such income is received, without penalty or interest,  
 276 without regard to when such service is rendered.

277 Sec. 4. Subdivision (3) of section 12-408 of the general statutes is  
 278 repealed and the following is substituted in lieu thereof (*Effective July*  
 279 *1, 2003, and applicable to sales occurring on or after July 1, 2003*):

280 (3) For the purpose of adding and collecting the tax imposed by this  
 281 chapter, or an amount equal as nearly as possible or practicable to the  
 282 average equivalent thereof, by the retailer from the consumer the  
 283 following bracket system shall be in force and effect as follows:

T53	Amount of Sale	Amount of Tax
T54	\$0.00 to \$0.08 inclusive	No Tax
T55	.09 to .24 inclusive	1 cent
T56	.25 to .41 inclusive	2 cents
T57	.42 to .58 inclusive	3 cents
T58	.59 to .74 inclusive	4 cents
T59	.75 to .91 inclusive	5 cents
T60	.92 to 1.08 inclusive	6 cents

284 On all sales above \$1.08, on or after July 1, 2003, but prior to July 1,  
 285 2007, the tax shall be computed at the rate of six and one-half per cent.  
 286 On all such sales on or after July 1, 2007, the tax shall be computed at  
 287 the rate of six per cent.

288 Sec. 5. Subdivision (1) of section 12-411 of the general statutes is  
289 repealed and the following is substituted in lieu thereof (*Effective July*  
290 *1, 2003, and applicable to sales occurring on or after July 1, 2003*):

291 (1) An excise tax is hereby imposed on the storage, acceptance,  
292 consumption or any other use in this state of tangible personal  
293 property purchased from any retailer for storage, acceptance,  
294 consumption or any other use in this state, the acceptance or receipt of  
295 any services constituting a sale in accordance with subdivision (2) of  
296 subsection (a) of section 12-407, purchased from any retailer for  
297 consumption or use in this state, or the storage, acceptance,  
298 consumption or any other use in this state of tangible personal  
299 property which has been manufactured, fabricated, assembled or  
300 processed from materials by a person, either within or without this  
301 state, for storage, acceptance, consumption or any other use by such  
302 person in this state, to be measured by the sales price of materials, at  
303 the rate of six and one-half per cent of the sales price of such property  
304 or services on and after July 1, 2003, but prior to July 1, 2007, and on  
305 and after July 1, 2007, said tax shall be at the rate of six per cent, except,  
306 in lieu of said rate of six per cent or six and one-half per cent, as the  
307 case may be, (A) at a rate of twelve per cent of the rent paid for  
308 occupancy of any room or rooms in a hotel or lodging house for the  
309 first period of not exceeding thirty consecutive calendar days, (B) with  
310 respect to the storage, acceptance, consumption or use in this state of a  
311 motor vehicle purchased from any retailer for storage, acceptance,  
312 consumption or use in this state by any individual who is a member of  
313 the armed forces of the United States and is on full-time active duty in  
314 Connecticut and who is considered, under 50 App USC 574, a resident  
315 of another state, or to any such individual and the spouse of such  
316 individual at a rate of four and one-half per cent of the sales price of  
317 such vehicle, provided such retailer requires and maintains a  
318 declaration by such individual, prescribed as to form by the  
319 commissioner and bearing notice to the effect that false statements  
320 made in such declaration are punishable, or other evidence,  
321 satisfactory to the commissioner, concerning the purchaser's state of  
322 residence under 50 App USC 574, (C) with respect to the acceptance or

323 receipt in this state of labor that is otherwise taxable under  
324 subparagraph (C) or (G) of subdivision (2) of subsection (a) of section  
325 12-407 on existing vessels and repair or maintenance services on  
326 vessels occurring on and after July 1, 1999, such services shall be  
327 exempt from such tax, (D) (i) with respect to the acceptance or receipt  
328 in this state of computer and data processing services purchased from  
329 any retailer for consumption or use in this state occurring on or after  
330 July 1, 1997, and prior to July 1, 1998, at the rate of five per cent of such  
331 services, on or after July 1, 1998, and prior to July 1, 1999, at the rate of  
332 four per cent of such services, on or after July 1, 1999, and prior to July  
333 1, 2000, at the rate of three per cent of such services, on or after July 1,  
334 2000, and prior to July 1, 2001, at the rate of two per cent of such  
335 services, on and after July 1, 2001, [and prior to July 1, 2004,] at the rate  
336 of one per cent of such services, [and on and after July 1, 2004, such  
337 services shall be exempt from such tax,] and (ii) with respect to the  
338 acceptance or receipt in this state of Internet access services, on or after  
339 July 1, 2001, such services shall be exempt from tax, and (E) with  
340 respect to the acceptance or receipt in this state of patient care services  
341 purchased from any retailer for consumption or use in this state for  
342 which payment is received by the hospital on or after July 1, 1999, and  
343 prior to July 1, 2001, and with respect to acceptance or receipt in this  
344 state of such services for which payment is received by the hospital on  
345 or after July 1, 2003, at the rate of five and three-fourths per cent.

346 Sec. 6. Subsection (b) of section 12-214 of the general statutes, as  
347 amended by section 32 of public act 03-2, is repealed and the following  
348 is substituted in lieu thereof (*Effective from passage and applicable to*  
349 *income years commencing on or after January 1, 2004*):

350 (b) (1) With respect to income years commencing on or after January  
351 1, 1989, and prior to January 1, 1992, any company subject to the tax  
352 imposed in accordance with subsection (a) of this section shall pay, for  
353 each such income year, an additional tax in an amount equal to twenty  
354 per cent of the tax calculated under said subsection (a) for such income  
355 year, without reduction of the tax so calculated by the amount of any  
356 credit against such tax. The additional amount of tax determined

357 under this subsection for any income year shall constitute a part of the  
358 tax imposed by the provisions of said subsection (a) and shall become  
359 due and be paid, collected and enforced as provided in this chapter.

360 (2) With respect to income years commencing on or after January 1,  
361 1992, and prior to January 1, 1993, any company subject to the tax  
362 imposed in accordance with subsection (a) of this section shall pay, for  
363 each such income year, an additional tax in an amount equal to ten per  
364 cent of the tax calculated under said subsection (a) for such income  
365 year, without reduction of the tax so calculated by the amount of any  
366 credit against such tax. The additional amount of tax determined  
367 under this subsection for any income year shall constitute a part of the  
368 tax imposed by the provisions of said subsection (a) and shall become  
369 due and be paid, collected and enforced as provided in this chapter.

370 (3) With respect to income years commencing on or after January 1,  
371 2003, and prior to January 1, 2004, any company subject to the tax  
372 imposed in accordance with subsection (a) of this section shall pay, for  
373 each such income year, an additional tax in an amount equal to twenty  
374 per cent of the tax calculated under said subsection (a) for such income  
375 year, without reduction of the tax so calculated by the amount of any  
376 credit against such tax. The additional amount of tax determined  
377 under this subsection for any income year shall constitute a part of the  
378 tax imposed by the provisions of said subsection (a) and shall become  
379 due and be paid, collected and enforced as provided in this chapter.

380 (4) With respect to income years commencing on or after January 1,  
381 2004, and prior to January 1, 2006, any company subject to the tax  
382 imposed in accordance with subsection (a) of this section shall pay, for  
383 each such income year, an additional tax in an amount equal to ten per  
384 cent of the tax calculated under said subsection (a) for such income  
385 year, without reduction of the tax so calculated by the amount of any  
386 credit against such tax. The additional amount of tax determined  
387 under this subsection for any income year shall constitute a part of the  
388 tax imposed by the provisions of said subsection (a) and shall become  
389 due and be paid, collected and enforced as provided in this chapter.

390 Sec. 7. Subsection (b) of section 12-284b of the general statutes, as  
391 amended by section 33 of public act 03-2, is repealed and the following  
392 is substituted in lieu thereof (*Effective from passage and applicable to*  
393 *taxable years commencing on or after January 1, 2004*):

394 (b) Each limited liability company, limited liability partnership,  
395 limited partnership and S corporation shall annually, on or before the  
396 fifteenth day of the fourth month following the close of its taxable year,  
397 pay to the Commissioner of Revenue Services a tax in the amount of  
398 two hundred fifty dollars. With respect to taxable years commencing  
399 on or after January 1, 2003, and prior to January 1, 2004, any company  
400 subject to the tax imposed in accordance with this subsection shall pay,  
401 for each such taxable year, an additional tax in an amount equal to  
402 twenty per cent of the tax imposed under this subsection for such  
403 taxable year. With respect to taxable years commencing on or after  
404 January 1, 2004, and prior to January 1, 2006, any company subject to  
405 the tax imposed in accordance with this subsection shall pay, for each  
406 such taxable year, an additional tax in an amount equal to ten per cent  
407 of the tax imposed under this subsection for such taxable year. The  
408 additional amount of tax for the taxable year commencing on or after  
409 January 1, 2003, shall constitute a part of the tax imposed by the  
410 provisions of this subsection and shall become due and be paid,  
411 collected and enforced as provided by in this section.

412 Sec. 8. Subsection (b) of section 12-219 of the general statutes, as  
413 amended by section 34 of public act 03-2, is repealed and the following  
414 is substituted in lieu thereof (*Effective from passage and applicable to*  
415 *income years commencing on or after January 1, 2004*):

416 (b) (1) With respect to income years commencing on or after January  
417 1, 1989, and prior to January 1, 1992, the additional tax imposed on any  
418 company and calculated in accordance with subsection (a) of this  
419 section shall, for each such income year, except when the tax so  
420 calculated is equal to two hundred fifty dollars, be increased by adding  
421 thereto an amount equal to twenty per cent of the additional tax so  
422 calculated for such income year, without reduction of the additional

423 tax so calculated by the amount of any credit against such tax. The  
424 increased amount of tax payable by any company under this section,  
425 as determined in accordance with this subsection, shall become due  
426 and be paid, collected and enforced as provided in this chapter.

427 (2) With respect to income years commencing on or after January 1,  
428 1992, and prior to January 1, 1993, the additional tax imposed on any  
429 company and calculated in accordance with subsection (a) of this  
430 section shall, for each such income year, except when the tax so  
431 calculated is equal to two hundred fifty dollars, be increased by adding  
432 thereto an amount equal to ten per cent of the additional tax so  
433 calculated for such income year, without reduction of the tax so  
434 calculated by the amount of any credit against such tax. The increased  
435 amount of tax payable by any company under this section, as  
436 determined in accordance with this subsection, shall become due and  
437 be paid, collected and enforced as provided in this chapter.

438 (3) With respect to income years commencing on or after January 1,  
439 2003, and prior to January 1, 2004, the additional tax imposed on any  
440 company and calculated in accordance with subsection (a) of this  
441 section shall, for each such income year, be increased by adding  
442 thereto an amount equal to twenty per cent of the additional tax so  
443 calculated for such income year, without reduction of the tax so  
444 calculated by the amount of any credit against such tax. The increased  
445 amount of tax payable by any company under this section, as  
446 determined in accordance with this subsection, shall become due and  
447 be paid, collected and enforced as provided in this chapter.

448 (4) With respect to income years commencing on or after January 1,  
449 2004, and prior to January 1, 2006, the additional tax imposed on any  
450 company and calculated in accordance with subsection (a) of this  
451 section shall, for each such income year, be increased by adding  
452 thereto an amount equal to ten per cent of the additional tax so  
453 calculated for such income year, without reduction of the tax so  
454 calculated by the amount of any credit against such tax. The increased  
455 amount of tax payable by any company under this section, as

456 determined in accordance with this subsection, shall become due and  
457 be paid, collected and enforced as provided in this chapter.

458       Sec. 9. (NEW) (*Effective from passage and applicable to income years*  
459 *commencing on or after January 1, 2003*) Notwithstanding any provision  
460 of the general statutes, the amount of tax credit or credits otherwise  
461 allowable against the tax imposed under chapter 207 of the general  
462 statutes for any income year shall not exceed seventy per cent of the  
463 amount of tax due from such taxpayer under said chapter 207 with  
464 respect to such income year of the taxpayer prior to the application of  
465 such credit or credits.

466       Sec. 10. Subsections (d) and (e) of section 12-344 of the general  
467 statutes are repealed and the following is substituted in lieu thereof  
468 (*Effective from passage and applicable to transfers from estates of decedents*  
469 *who die on or after January 1, 2003*):

470       (d) The tax under this section applicable to the net taxable estate of  
471 any transferor, whose death occurs on or after January 1, 1999, passing  
472 to a class B beneficiary shall be imposed as follows: (1) If the death of  
473 the transferor occurs on or after January 1, 1999, but prior to January 1,  
474 2000, at the rate of (A) six per cent on the amount in excess of two  
475 hundred thousand dollars in value to and including two hundred fifty  
476 thousand dollars, (B) seven per cent on the amount in excess of two  
477 hundred fifty thousand dollars in value to and including four hundred  
478 thousand dollars, (C) eight per cent on the amount in excess of four  
479 hundred thousand dollars in value to and including six hundred  
480 thousand dollars, (D) nine per cent on the amount in excess of six  
481 hundred thousand dollars in value to and including one million  
482 dollars, and (E) ten per cent on the amount in excess of one million  
483 dollars in value, (2) if the death of the transferor occurs on or after  
484 January 1, 2000, but prior to January 1, 2001, at the rate of (A) eight per  
485 cent on the amount in excess of four hundred thousand dollars in  
486 value to and including six hundred thousand dollars, (B) nine per cent  
487 on the amount in excess of six hundred thousand dollars in value to  
488 and including one million dollars, and (C) ten per cent on the amount

489 in excess of one million dollars in value, (3) if the death of the  
490 transferor occurs on or after January 1, 2001, but prior to January 1,  
491 [2003] 2005, at the rate of (A) nine per cent on the amount in excess of  
492 six hundred thousand dollars in value to and including one million  
493 dollars, and (B) ten per cent on the amount in excess of one million  
494 dollars in value, (4) if the death of the transferor occurs on or after  
495 January 1, [2003] 2005, but prior to January 1, [2004] 2006, at the rate of  
496 eight per cent on the amount in excess of one million five hundred  
497 thousand dollars in value, and (5) if the death of the transferor occurs  
498 on or after January 1, [2004] 2006, the net taxable estate passing to a  
499 class B beneficiary shall not be subject to tax under this chapter.

500 (e) The tax under this section applicable to the net taxable estate of  
501 any transferor, whose death occurs on or after January 1, 2001, passing  
502 to a class C beneficiary shall be imposed as follows: (1) If the death of  
503 the transferor occurs on or after January 1, 2001, but prior to January 1,  
504 [2003] 2005, at the rate of (A) ten per cent on the amount in excess of  
505 two hundred thousand dollars in value to and including two hundred  
506 fifty thousand dollars, (B) eleven per cent on the amount in excess of  
507 two hundred fifty thousand dollars in value to and including four  
508 hundred thousand dollars, (C) twelve per cent on the amount in excess  
509 of four hundred thousand dollars in value to and including six  
510 hundred thousand dollars, (D) thirteen per cent on the amount in  
511 excess of six hundred thousand dollars in value to and including one  
512 million dollars, and (E) fourteen per cent on the amount in excess of  
513 one million dollars in value, (2) if the death of the transferor occurs on  
514 or after January 1, [2003] 2005, but prior to January 1, [2004] 2006, at  
515 the rate of (A) twelve per cent on the amount in excess of four hundred  
516 thousand dollars in value to and including six hundred thousand  
517 dollars, (B) thirteen per cent on the amount in excess of six hundred  
518 thousand dollars in value to and including one million dollars, and (C)  
519 fourteen per cent on the amount in excess of one million dollars in  
520 value, (3) if the death of the transferor occurs on or after January 1,  
521 [2004] 2006, but prior to January 1, [2005] 2007, at the rate of (A)  
522 thirteen per cent on the amount in excess of six hundred thousand  
523 dollars in value to and including one million dollars, and (B) fourteen

524 per cent on the amount in excess of one million dollars in value, (4) if  
525 the death of the transferor occurs on or after January 1, [2005] 2007, but  
526 prior to January 1, [2006] 2008, at the rate of fourteen per cent on the  
527 amount in excess of one million five hundred thousand dollars in  
528 value, and (5) if the death of the transferor occurs on or after January 1,  
529 [2006] 2008, the net taxable estate passing to a class C beneficiary shall  
530 not be subject to tax under this chapter.

531 Sec. 11. Section 12-390a of the general statutes is repealed and the  
532 following is substituted in lieu thereof (*Effective from passage and*  
533 *applicable to transfers occurring on or after January 1, 2003*):

534 The terms "generation-skipping transfer", "taxable distribution", and  
535 "taxable termination" have the same meaning as defined in Chapter 13  
536 of Subtitle B of the Internal Revenue Code of 1986, or any subsequent  
537 corresponding internal revenue code of the United States, [as from  
538 time to time amended] in effect as of January 1, 2001.

539 Sec. 12. Section 12-390b of the general statutes is repealed and the  
540 following is substituted in lieu thereof (*Effective from passage and*  
541 *applicable to transfers occurring on or after January 1, 2003*):

542 (a) A tax is hereby imposed upon every generation-skipping  
543 transfer, where the original transferor is a resident of this state at the  
544 date of the original transfer. The amount of the tax shall be the amount  
545 of the federal credit allowable for generation-skipping transfer tax paid  
546 to any state under the provisions of the federal internal revenue code  
547 in [force at the date of such generation-skipping transfer] effect as of  
548 January 1, 2001, in respect to any property included in the generation-  
549 skipping transfer. If any such property is real or tangible personal  
550 property located outside this state and is subject to generation-  
551 skipping transfer taxes by any state or states other than the state of  
552 Connecticut for which such federal credit is allowable, the amount of  
553 tax due under this section shall be reduced by the lesser of (1) the  
554 amount of any such taxes paid to such other state or states and allowed  
555 as a credit against the federal generation-skipping transfer tax in effect  
556 as of January 1, 2001; or (2) an amount computed by multiplying such

557 federal credit by a fraction, (A) the numerator of which is the value of  
558 all transferred real and tangible personal property which is subject to  
559 generation-skipping transfer taxes and over which such other state or  
560 states have jurisdiction for generation-skipping transfer tax purposes  
561 to the same extent to which this state would exert jurisdiction for  
562 generation-skipping transfer tax purposes under this chapter with  
563 respect to the residents of such other state or states, and (B) the  
564 denominator of which is the value of all transferred property which is  
565 subject to generation-skipping transfer taxes, wherever located.

566 (b) A tax is hereby imposed upon every generation-skipping  
567 transfer, where the original transferor is not a resident of this state at  
568 the date of the original transfer but where the generation-skipping  
569 transfer includes real or tangible personal property located in this  
570 state. The amount of the tax shall be computed by multiplying (1) the  
571 federal credit allowable for generation-skipping transfer tax paid to  
572 any state or states under the provisions of the federal internal revenue  
573 code in [force at the date of such generation-skipping transfer] effect as  
574 of January 1, 2001, in respect to any property included in the  
575 generation-skipping transfer by (2) a fraction, (A) the numerator of  
576 which is the value of all transferred real and tangible personal  
577 property which is subject to generation-skipping transfer taxes, which  
578 is located in this state and over which this state has jurisdiction for  
579 generation-skipping transfer tax purposes, and (B) the denominator of  
580 which is the value of all transferred property which is subject to  
581 generation-skipping transfer taxes, wherever located.

582 (c) For purposes of subsections (a) and (b) of this section, property  
583 shall have the same value that it has for federal generation-skipping  
584 transfer tax purposes as provided in the Internal Revenue Code of  
585 1986, or any subsequent corresponding internal revenue code of the  
586 United States, in effect as of January 1, 2001.

587 Sec. 13. Subsections (a) to (c), inclusive, of section 12-391 of the  
588 general statutes are repealed and the following is substituted in lieu  
589 thereof (*Effective from passage and applicable to estates of decedents who die*

590 on or after January 1, 2003):

591 (a) A tax is imposed upon the transfer of the estate of each person  
592 who at the time of death was a resident of this state. The amount of the  
593 tax shall be the amount of the federal credit allowable for estate,  
594 inheritance, legacy and succession taxes paid to any state or the  
595 District of Columbia under the provisions of the federal internal  
596 revenue code in [force at the date of such decedent's death] effect as of  
597 January 1, 2001, in respect to any property owned by such decedent or  
598 subject to such taxes as part of or in connection with the estate of such  
599 decedent. If real or tangible personal property of such decedent is  
600 located outside of this state and is subject to estate, inheritance, legacy,  
601 or succession taxes by any state or states, other than the state of  
602 Connecticut, or by the District of Columbia for which such federal  
603 credit is allowable, the amount of tax due under this section shall be  
604 reduced by the lesser of: (1) The amount of any such taxes paid to such  
605 other state or states or said district and allowed as a credit against the  
606 federal estate tax in effect as of January 1, 2001; or (2) an amount  
607 computed by multiplying such federal credit by a fraction, (A) the  
608 numerator of which is the value of that part of the decedent's gross  
609 estate over which such other state or states or said district have  
610 jurisdiction for estate tax purposes to the same extent to which this  
611 state would assert jurisdiction for estate tax purposes under this  
612 chapter with respect to the residents of such other state or states or  
613 said district, and (B) the denominator of which is the value of the  
614 decedent's gross estate. Property of a resident estate over which this  
615 state has jurisdiction for estate tax purposes includes real property  
616 situated in this state, tangible personal property having an actual situs  
617 in this state, and intangible personal property owned by the decedent,  
618 regardless of where it is located. The amount of any estate tax imposed  
619 under this subsection shall also be reduced, but not below zero, by the  
620 amount of any tax that is imposed under chapter 216 and that is  
621 actually paid to this state.

622 (b) A tax is imposed upon the transfer of the estate of each person  
623 who at the time of death was a nonresident of this state, the amount of

624 which shall be computed by multiplying (1) the federal credit  
625 allowable for estate, inheritance, legacy, and succession taxes paid to  
626 any state or states or the District of Columbia under the provisions of  
627 the federal internal revenue code in [force at the date of such  
628 decedent's death] effect as of January 1, 2001, in respect to any  
629 property owned by such decedent or subject to such taxes as a part of  
630 or in connection with the estate of such decedent by (2) a fraction, (A)  
631 the numerator of which is the value of that part of the decedent's gross  
632 estate over which this state has jurisdiction for estate tax purposes, and  
633 (B) the denominator of which is the value of the decedent's gross  
634 estate. Property of a nonresident estate over which this state has  
635 jurisdiction for estate tax purposes includes real property situated in  
636 this state and tangible personal property having an actual situs in this  
637 state. The amount of any estate tax imposed under this subsection shall  
638 also be reduced, but not below zero, by the amount of any tax that is  
639 imposed under chapter 216 and that is actually paid to this state.

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

645 Sec. 14. Section 12-256 of the general statutes is repealed and the  
646 following is substituted in lieu thereof (*Effective July 1, 2003, and*  
647 *applicable to gross earnings on sales occurring on or after July 1, 2003*):

648 Each person carrying on an express business on railroads, each  
649 person conducting a telegraph or cable business, [and] each person  
650 operating a community antenna television system under chapter 289  
651 and each person operating a business that provides one-way  
652 transmission to subscribers of video programming by satellite, shall  
653 pay an annual tax upon the gross earnings from (1) the routes in this  
654 state in the case of any person carrying on such an express business, (2)  
655 the lines in this state in the case of any person conducting a telegraph  
656 or cable business, provided in the case of a person conducting a

657 telegraph business the tax imposed under this section shall only be  
658 applicable with respect to a person conducting such business, and the  
659 services offered by such person, subject to tax under this section on  
660 January 1, 1986, [and] (3) the lines, facilities, apparatus and auxiliary  
661 equipment in this state in the case of any person operating a  
662 community antenna television system, and (4) the transmission to  
663 subscribers in this state in the case of a person operating a business  
664 that provides one-way transmission to subscribers of video  
665 programming by satellite. No deduction shall be allowed from such  
666 gross earnings from operations for commissions, rebates or other  
667 payments, except such refunds as arise from errors or overcharges.  
668 Each such person shall, on or before April first, annually, render to the  
669 Commissioner of Revenue Services a return signed by the treasurer, or  
670 the person performing the duties of treasurer, or an authorized agent  
671 or officer of the business or system operated by such person, on forms  
672 prescribed or furnished by the commissioner specifying: The name and  
673 location within this state of such business or system or, if it has no  
674 location within this state, where such business or system is located; the  
675 total amount of gross earnings subject to the tax imposed under this  
676 section for the year ending the thirty-first day of December next  
677 preceding or for each lesser period of consecutive time during such  
678 year, each such year or period being in this chapter and chapter 212a  
679 called a "tax year", in which business or operations were carried on in  
680 this state; the total miles of railway routes which each of the persons  
681 doing an express business was entitled to operate under contracts with  
682 railroad companies and the number of miles of such railway routes  
683 within this state on the first day and on the last day of the tax year; the  
684 total miles of wires operated by each of the persons conducting a  
685 telegraph or cable business or operating a community antenna  
686 television system and the total miles of such wires operated within this  
687 state on the first day and on the last day of the tax year; the total  
688 number of subscribers, and the number of subscribers in this state,  
689 served by each person operating a business that provides one-way  
690 transmission to subscribers of video programming by satellite.

691 Sec. 15. Section 12-258 of the general statutes is repealed and the

692 following is substituted in lieu thereof (*Effective July 1, 2003, and*  
693 *applicable to gross earnings on sales occurring on or after July 1, 2003*):

694 Each person included in section 12-256, as amended by this act, shall  
695 be taxed upon the amount of the gross earnings in each tax year from  
696 the lines, routes, or lines, facilities, apparatus and auxiliary equipment  
697 operated by it in this state, or from the transmission of video  
698 programming to this state, as the case may be, at the rates provided in  
699 this section. Gross earnings for any tax year, for the purposes of  
700 assessment and taxation, shall be as follows: In the case of a person  
701 carrying on the business wholly within the limits of this state, the  
702 entire amount of the gross earnings subject to the tax imposed under  
703 section 12-256, as amended by this act; in the case of a person also  
704 carrying on the business outside of this state, a portion of the entire  
705 amount of the gross earnings subject to the tax imposed under section  
706 12-256, as amended by this act, apportioned to this state as follows: In  
707 the case of a person carrying on an express business on railroads, such  
708 portion of the gross earnings of such person from the railway routes  
709 operated by it as is represented by the ratio of the total number of  
710 miles of railway routes in this state which such person was entitled to  
711 operate under contracts with railroad companies on the first day and  
712 on the last day of such tax year to the total number of miles of such  
713 railway routes within and without this state on said dates; in the case  
714 of a person conducting telegraph or cable business, such portion of the  
715 total gross earnings from the lines operated by it as is represented by  
716 the ratio of the total number of miles of wires operated by such person  
717 within this state on the first day and on the last day of such tax year to  
718 the total number of miles of wires operated by such person both within  
719 and without this state on said dates; in the case of a person operating a  
720 community antenna television system, such portion of the total gross  
721 earnings from the lines, facilities, apparatus and auxiliary equipment  
722 operated by it as is represented by the total number of miles of lines  
723 operated by such person within this state on the first day and on the  
724 last day of such tax year to the total number of miles of lines operated  
725 by such person both within and without the state on said dates; in the  
726 case of a person operating a business that provides one-way

727 transmission to subscribers of video programming by satellite, such  
 728 portion of the total gross earnings from the transmission to subscribers  
 729 in this state as is represented by the total number of subscribers served  
 730 by such person within this state on the first day and on the last day of  
 731 such tax year to the total number of subscribers served by such person  
 732 both within and without the state on said dates. The rates of tax on the  
 733 gross earnings as determined in this section shall be as follows: (1)  
 734 Persons carrying on an express business, two per cent of such gross  
 735 earnings; (2) persons conducting a telegraph or cable business, four  
 736 and one-half per cent of such gross earnings; (3) persons operating a  
 737 community antenna television system and persons operating a  
 738 business that provides one-way transmission to subscribers of video  
 739 programming by satellite, five per cent of such gross earnings, reduced  
 740 by any assessments made pursuant to section 16-49 which are  
 741 attributable to the year in which such tax is assessed.

742 Sec. 16. Subsection (a) of section 12-642 of the general statutes is  
 743 repealed and the following is substituted in lieu thereof (*Effective from*  
 744 *passage and applicable to taxable years commencing on or after January 1,*  
 745 *2003*):

746 (a) (1) With respect to calendar years commencing prior to January  
 747 1, 2001, the tax imposed by section 12-640 for the calendar year shall be  
 748 at a rate of the taxable gifts made by the donor during the calendar  
 749 year set forth in the following schedule:

T61	Amount of Taxable Gifts	Rate of Tax
T62	Not over \$25,000	1%
T63	Over \$25,000	\$250, plus 2% of the excess
T64	but not over \$50,000	over \$25,000
T65	Over \$50,000	\$750, plus 3% of the excess
T66	but not over \$75,000	over \$50,000
T67	Over \$75,000	\$1,500, plus 4% of the excess
T68	but not over \$100,000	over \$75,000

T69	Over \$100,000	\$2,500, plus 5% of the excess
T70	but not over \$200,000	over \$100,000
T71	Over \$200,000	\$7,500, plus 6% of the excess
T72		over \$200,000

750 (2) With respect to the calendar years commencing January 1, 2001,  
 751 January 1, 2002, [and] January 1, 2003, January 1, 2004, and January 1,  
 752 2005, the tax imposed by section 12-640 for each such calendar year  
 753 shall be at a rate of the taxable gifts made by the donor during the  
 754 calendar year set forth in the following schedule:

T73	Amount of Taxable Gifts	Rate of Tax
T74	Over \$25,000	\$250, plus 2% of the excess
T75	but not over \$50,000	over \$25,000
T76	Over \$50,000	\$750, plus 3% of the excess
T77	but not over \$75,000	over \$50,000
T78	Over \$75,000	\$1,500, plus 4% of the excess
T79	but not over \$100,000	over \$75,000
T80	Over \$100,000	\$2,500, plus 5% of the excess
T81	but not over \$675,000	over \$100,000
T82	Over \$675,000	\$31,250, plus 6% of the excess
T83		over \$675,000

755 (3) With respect to the calendar year commencing January 1, [2004]  
 756 2006, the tax imposed by section 12-640 for the calendar year shall be at  
 757 a rate of the taxable gifts made by the donor during the calendar year  
 758 set forth in the following schedule:

T84	Amount of Taxable Gifts	Rate of Tax
T85	Over \$50,000	\$750, plus 3% of the excess

T86	but not over \$75,000	over \$50,000
T87	Over \$75,000	\$1,500, plus 4% of the excess
T88	but not over \$100,000	over \$75,000
T89	Over \$100,000	\$2,500, plus 5% of the excess
T90	but not over \$700,000	over \$100,000
T91	Over \$700,000	\$32,500, plus 6% of the excess
T92		over \$700,000

759 (4) With respect to the calendar year commencing January 1, [2005]  
 760 2007, the tax imposed by section 12-640 for the calendar year shall be at  
 761 a rate of the taxable gifts made by the donor during the calendar year  
 762 set forth in the following schedule:

T93	Amount of Taxable Gifts	Rate of Tax
T94	Over \$75,000	\$1,500, plus 4% of the excess
T95	but not over \$100,000	over \$75,000
T96	Over \$100,000	\$2,500, plus 5% of the excess
T97	but not over \$700,000	over \$100,000
T98	Over \$700,000	\$32,500, plus 6% of the excess
T99		over \$700,000

763 (5) With respect to the calendar year commencing January 1, [2006]  
 764 2008, the tax imposed by section 12-640 for the calendar year shall be at  
 765 a rate of the taxable gifts made by the donor during the calendar year  
 766 set forth in the following schedule:

T100	Amount of Taxable Gifts	Rate of Tax
T101	Over \$100,000	\$2,500, plus 5% of the excess
T102	but not over \$850,000	over \$100,000
T103	Over \$850,000	\$40,000, plus 6% of the excess

T104 over \$850,000

767 (6) With respect to the calendar year commencing January 1, [2007]  
 768 2009, the tax imposed by section 12-640 for the calendar year shall be at  
 769 a rate of the taxable gifts made by the donor during the calendar year  
 770 set forth in the following schedule:

T105	Amount of Taxable Gifts	Rate of Tax
T106	Over \$950,000	\$45,000, plus 6% of the excess
T107		over \$950,000

771 (7) With respect to the calendar year commencing January 1, [2008]  
 772 2010, and each calendar year thereafter, the tax imposed by section 12-  
 773 640 for the calendar year shall be at a rate of the taxable gifts made by  
 774 the donor during the calendar year set forth in the following schedule:

T108	Amount of Taxable Gifts	Rate of Tax
T109	Over \$1,000,000	\$47,500, plus 6% of the excess
T110		over \$1,000,000

775 Sec. 17. Section 4-28e of the general statutes is repealed and the  
 776 following is substituted in lieu thereof (*Effective July 1, 2003*):

777 (a) There is created a Tobacco Settlement Fund which shall be a  
 778 separate nonlapsing fund. Any funds received by the state from the  
 779 Master Settlement Agreement executed November 23, 1998, shall be  
 780 deposited into the fund.

781 (b) (1) The Treasurer is authorized to invest all or any part of the  
 782 Tobacco Settlement Fund, all or any part of the Tobacco and Health  
 783 Trust Fund created in section 4-28f and all or any part of the

784 Biomedical Research Trust Fund created in section 19a-32c. The  
785 interest derived from any such investment shall be credited to the  
786 resources of the fund from which the investment was made.

787 (2) Notwithstanding sections 3-13 to 3-13h, inclusive, the Treasurer  
788 shall invest the amounts on deposit in the Tobacco Settlement Fund,  
789 the Tobacco and Health Trust Fund and the Biomedical Research Trust  
790 Fund in a manner reasonable and appropriate to achieve the objectives  
791 of such funds, exercising the discretion and care of a prudent person in  
792 similar circumstances with similar objectives. The Treasurer shall give  
793 due consideration to rate of return, risk, term or maturity,  
794 diversification of the total portfolio within such funds, liquidity, the  
795 projected disbursements and expenditures, and the expected  
796 payments, deposits, contributions and gifts to be received. The  
797 Treasurer shall not be required to invest such funds directly in  
798 obligations of the state or any political subdivision of the state or in  
799 any investment or other fund administered by the Treasurer. The  
800 assets of such funds shall be continuously invested and reinvested in a  
801 manner consistent with the objectives of such funds until disbursed in  
802 accordance with this section, section 4-28f or section 19a-32c.

803 [(c) (1) For the fiscal year ending June 30, 2001, disbursements from  
804 the Tobacco Settlement Fund shall be made as follows: (A) To the  
805 General Fund in the amount identified as "Transfer from Tobacco  
806 Settlement Fund" in the General Fund revenue schedule adopted by  
807 the General Assembly; (B) to the Department of Mental Health and  
808 Addiction Services for a grant to the regional action councils in the  
809 amount of five hundred thousand dollars; and (C) to the Tobacco and  
810 Health Trust Fund in an amount equal to nineteen million five  
811 hundred thousand dollars.

812 (2) For the fiscal year ending June 30, 2002, and each fiscal year  
813 thereafter, disbursements from the Tobacco Settlement Fund shall be  
814 made as follows: (A) To the Tobacco and Health Trust Fund in an  
815 amount equal to twelve million dollars; (B) to the Biomedical Research  
816 Trust Fund in an amount equal to four million dollars; (C) to the

817 General Fund in the amount identified as "Transfer from Tobacco  
818 Settlement Fund" in the General Fund revenue schedule adopted by  
819 the General Assembly; and (D) any remainder to the Tobacco and  
820 Health Trust Fund.

821 (d) For the fiscal year ending June 30, 2000, five million dollars shall  
822 be disbursed from the Tobacco Settlement Fund to a tobacco grant  
823 account to be established in the Office of Policy and Management.  
824 Such funds shall not lapse on June 30, 2000, and shall continue to be  
825 available for expenditure during the fiscal year ending June 30, 2001.

826 (e) Tobacco grants shall be made from the account established  
827 pursuant to subsection (d) of this section by the Secretary of the Office  
828 of Policy and Management in consultation with the speaker of the  
829 House of Representatives, the president pro tempore of the Senate, the  
830 majority leader of the House of Representatives, the majority leader of  
831 the Senate, the minority leader of the House of Representatives, the  
832 minority leader of the Senate, and the cochairpersons and ranking  
833 members of the joint standing committees of the General Assembly  
834 having cognizance of matters relating to public health and  
835 appropriations and the budgets of state agencies, or their designees.  
836 Such grants shall be used to reduce tobacco abuse through prevention,  
837 education, cessation, treatment, enforcement and health needs  
838 programs.]

839 (c) For the fiscal year ending June 30, 2004, and each fiscal year  
840 thereafter, disbursements from the Tobacco Settlement Fund shall be to  
841 the General Fund in the amount identified as "Transfer from Tobacco  
842 Settlement Fund" in the General Fund revenue schedule adopted by  
843 the General Assembly.

844 Sec. 18. (*Effective July 1, 2003*) Section 12-407d of the general statutes  
845 is repealed.

This act shall take effect as follows:
--

Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2003</i>
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2003</i>
Sec. 3	<i>July 1, 2003, and applicable to sales occurring on or after July 1, 2003</i>
Sec. 4	<i>July 1, 2003, and applicable to sales occurring on or after July 1, 2003</i>
Sec. 5	<i>July 1, 2003, and applicable to sales occurring on or after July 1, 2003</i>
Sec. 6	<i>from passage and applicable to income years commencing on or after January 1, 2004</i>
Sec. 7	<i>from passage and applicable to taxable years commencing on or after January 1, 2004</i>
Sec. 8	<i>from passage and applicable to income years commencing on or after January 1, 2004</i>
Sec. 9	<i>from passage and applicable to income years commencing on or after January 1, 2003</i>
Sec. 10	<i>from passage and applicable to transfers from estates of decedents who die on or after January 1, 2003</i>
Sec. 11	<i>from passage and applicable to transfers occurring on or after January 1, 2003</i>
Sec. 12	<i>from passage and applicable to transfers occurring on or after January 1, 2003</i>
Sec. 13	<i>from passage and applicable to estates of decedents who die on or after January 1, 2003</i>
Sec. 14	<i>July 1, 2003, and applicable to gross earnings on sales occurring on or after July 1, 2003</i>
Sec. 15	<i>July 1, 2003, and applicable to gross earnings on sales occurring on or after July 1, 2003</i>
Sec. 16	<i>from passage and applicable to taxable years commencing on or after January 1, 2003</i>
Sec. 17	<i>July 1, 2003</i>
Sec. 18	<i>July 1, 2003</i>

**FIN**      **Joint Favorable Subst.**

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 & OLR Bill Analysis**

**State Impact:**

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Revenue Serv., Dept.	GF - Revenue Impact	See Below	See Below
Revenue Serv., Dept.	TF - Revenue Gain	See Below	See Below
Revenue Serv., Dept.	GF - Cost	See Below	See Below

Note: GF=General Fund; TF=Transportation Fund

**Municipal Impact:** None

**Explanation**

**SUMMARY**

The bill increases taxes and makes other revenue adjustments as shown below.

Provision	Fiscal Impact	
	FY 04	FY 05
	(\$-Millions)	
<b>Income Tax</b>		
<ul style="list-style-type: none"> <li>Increases tax rates from 5% to 5.5%, 5.75%, and 5.9% for joint filers with incomes over \$500,000, \$1,000,000, and \$2,000,000, respectively.</li> <li>Applies the new rates to other categories of filers with correspondingly high-income brackets.</li> <li>Applies higher rates and new brackets from January 1, 2003 to January 1, 2007.</li> </ul>	256.4 (18 months of revenue)	170.9 (12 months of revenue)
<ul style="list-style-type: none"> <li>Reduces the maximum property tax credit from \$500 to \$375 and the minimum from \$100 to \$75.</li> </ul>	86.5	90.0
<b>Sales and Use Tax</b>		
<ul style="list-style-type: none"> <li>Increases the tax rate from 6% to 6.5% from July 1, 2003 through June 30, 2007.</li> </ul>	250.0 GF 5.6 TF	273.0 GF 5.7 TF

<i>Provision</i>	<i>Fiscal Impact</i>	
	<i>FY 04</i>	<i>FY 05</i>
	<i>(\$-Millions)</i>	
<ul style="list-style-type: none"> <li>Eliminates the final step of the tax phase-out for computer and data processing services, maintaining the tax rate on such services at 1%.</li> </ul>	-	10.8
<ul style="list-style-type: none"> <li>Eliminates the annual August sales-tax-free week for clothing and footwear costing under \$300.</li> </ul>	3.1	3.3
<b>Business Taxes</b>		
<ul style="list-style-type: none"> <li>Imposes a 10% annual surcharge for 2004 and 2005 on the corporation tax and on the annual tax on LLCs, LLPs, LPs, and S corporations.</li> </ul>	21.4	39.0
<ul style="list-style-type: none"> <li>Limits annual credits against the insurance premium tax to 70% of liability without the credits.</li> </ul>	2.5	2.5
<ul style="list-style-type: none"> <li>Imposes a 5% gross earnings tax on subscription satellite TV services.</li> </ul>	3.0	3.0
<b>Miscellaneous Taxes</b>		
<ul style="list-style-type: none"> <li>Delays the remaining steps of the succession tax phase-out for Class B and C heirs for two years, thus maintaining current tax rates until January 1, 2005.</li> </ul>	6.5	23.5
<ul style="list-style-type: none"> <li>Sets estate and generation-skipping transfer tax rates at the amount of the federal credit for such state taxes as of January 1, 2001 instead of as of the death or transfer date, thus increasing the taxes.</li> </ul>	56.0	100.0
<ul style="list-style-type: none"> <li>Delays the remaining steps of the phase-out of the tax on gifts under \$1 million for two years, thus maintaining current tax rates until January 1, 2006.</li> </ul>	-	1.0
<b>Tobacco Settlement Fund Transfers</b>		
<ul style="list-style-type: none"> <li>Eliminates annual transfers from the Tobacco Settlement Fund to the Tobacco and Health and Biomedical Research funds and requires the settlement fund to send money only to the General Fund starting in FY 2003-04.</li> </ul>	16.0	16.0

<i>Provision</i>	<i>Fiscal Impact</i>	
	<i>FY 04</i>	<i>FY 05</i>
	<i>(\$-Millions)</i>	
<b>Total</b>	<b>701.4 GF</b>	<b>733.0 GF</b>
<b>Total</b>	<b>5.6 TF</b>	<b>5.7 TF</b>

In addition to the revenue impact outline in the table above the Department of Revenue Services is anticipated to incur primarily one-time costs of \$500,000 to administer the tax changes. These costs are likely to be incurred at the end of FY 03 and beginning of FY 04.

EFFECTIVE DATE: Various, see below.

A section-by-section fiscal impact and bill analysis appears below.

## **INCOME TAX**

### ***Rate Increases and Additional Brackets (§1)***

#### **Fiscal Impact**

	<b>FY 04</b>	<b>FY 05</b>
Revenue Gain	\$256.4 million (18 months of Revenue)	\$170.9 million (12 months of Revenue)
Effective 1/1/03, and assumes that the Department of Revenue Services will adjust withholding tables 7/1/03.		

#### **OLR Analysis**

For four tax years, from January 1, 2003 through December 31, 2006, the bill increases the number of income tax brackets from two to five by adding three new brackets for taxable incomes over \$500,000 for joint filers; \$265,000 for single filers; \$250,000 for married people filing separately, and \$396,000 for heads of household. It increases the tax rate on these higher income brackets from a flat 5.0% to 5.5%, 5.75%, and 5.9%.

During the same four-year period, the bill also eliminates the flat

5.0% income tax rate on trusts and estates and instead subjects their taxable income to the same tax rates as apply to single filers. Finally, the bill establishes new tax brackets for married people filing separately instead of applying the singles' brackets to such filers. The bill sets income levels for each tax bracket for married separate filers at 50% of the income levels applicable to the comparable bracket for joint filers (see Table 1).

Starting January 1, 2007, income tax rates and brackets revert to current levels.

**TABLE 1: CURRENT AND PROPOSED (FOR 2003-2007) TAX RATES AND BRACKETS**

TAX RATES		CT. TAXABLE INCOME (Income Exceeding Applicable Exemption)			
		<i>Married Filing Jointly or as Surviving Spouse</i>		<i>Single and Trusts &amp; Estates</i>	
<i>Current and as of 1/1/07</i>	<i>Bill 1/1/03- 12/31/06</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>
3.0% (Trusts & estates: 5%)	3.0%	\$1	\$20,000	\$1	\$10,000
5.0%	5.0	20,001	500,000	10,001	265,000
	5.5	500,001	1,000,000	265,001	531,500
	5.75	1,000,001	2,000,000	531,501	1,062,500
	5.9	Over \$2,000,000		Over \$1,062,500	
TAX RATES		<i>Head of Household</i>		<i>Married Filing Separately</i>	
<i>Current and as of 1/1/07</i>	<i>Bill 1/1/03- 12/31/06</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>
3.0% (Trusts & estates: 5%)	3.0%	\$1	\$16,000	\$1	\$10,000
5.0%	5.0	16,001	396,000	10,001	250,000
	5.5	396,001	792,000	250,001	500,000
	5.75	792,001	1,580,000	500,001	1,000,000
	5.9	Over \$1,580,000		Over \$1,000,000	

Each tax rate shown applies only to the taxable income that falls within the corresponding income bracket and not to a taxpayer's

taxable income above or below the bracket. Current and proposed rates apply to each person's taxable income, not his entire Connecticut adjusted gross income (AGI). Taxable income is Connecticut AGI minus exempt income. For 2003, the maximum exemptions are \$12,000 for married people filing separately, \$12,500 for singles, \$19,000 for heads of household, and \$24,000 for married couples filing jointly. Exemptions are phased out at higher incomes. Taxpayers with Connecticut AGIs above \$71,000 for joint filers, \$56,000 for heads of household, \$36,000 for singles, and \$35,000 for married separate filers receive no exemptions.

EFFECTIVE DATE: Upon passage and applicable to tax years starting on or after January 1, 2003.

### **Property Tax Credit (\$2)**

#### **Fiscal Impact**

	FY 04	FY 05
Revenue Gain	\$86.5 million	\$90.0 million

#### **OLR Analysis**

The bill reduces the maximum property tax credit against the income tax from \$500 to \$375 and the minimum credit from \$100 to \$75, starting in the 2003 tax year. As under current law, the maximum credit is reduced by 10% of the difference between the minimum and maximum credits for each \$10,000 of a taxpayer's Connecticut AGI (10% for each \$5,000 for married people filing separately) above specified levels. But under the bill, the credit reductions occur in increments of \$30 rather than \$40 to reflect the bill's 25% reduction in the minimum and maximum credits.

The current and proposed maximum credits for each filing category are shown in Table 2.

**TABLE 2: CURRENT AND PROPOSED MAXIMUM PROPERTY TAX CREDITS**

MAXIMUM CREDIT		CT ADJUSTED GROSS INCOME			
		Married Filing Jointly		Single (for 2003 only)	
<i>Current</i>	<i>Bill</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>
\$500	\$375	\$24,001	\$100,500	\$12,501	\$54,500
460	345	100,501	110,500	54,501	64,500
420	315	110,501	120,500	64,501	74,500
380	285	120,501	130,500	74,501	84,500
340	255	130,501	140,500	84,501	94,500
300	225	140,501	150,500	94,501	104,500
260	195	150,501	160,500	104,501	114,500
220	165	160,501	170,500	114,501	124,500
180	135	170,501	180,500	124,501	134,500
140	105	180,501	190,500	134,501	144,500
100	75	Over \$190,500		Over \$144,500	
MAXIMUM CREDIT		Head of Household		Married Filing Separately	
<i>Current</i>	<i>Bill</i>	<i>From</i>	<i>To</i>	<i>From</i>	<i>To</i>
\$500	\$375	\$19,001	\$78,500	\$12,001	\$50,250
460	345	78,501	88,500	50,251	55,250
420	315	88,501	98,500	55,251	60,250
380	285	98,501	108,500	60,251	65,250
340	255	108,501	118,500	65,251	70,250
300	225	118,501	128,500	70,251	75,250
260	195	128,501	138,500	75,251	80,250
220	165	138,501	148,500	80,251	85,250
180	135	148,501	158,500	85,251	90,250
140	105	158,501	168,500	90,251	95,250
100	75	Over \$168,500		Over \$92,250	

The income levels at which the maximum credit reduction starts for singles shown in Table 2 apply for the 2003 tax year. Starting January 1, 2004, the income at which the reduction starts for single filers is scheduled to increase every year until January 1, 2009, when it reaches \$64,501.

EFFECTIVE DATE: Upon passage and applicable to tax years starting on or after January 1, 2003.

## SALES AND USE TAX

### Rate Increase (§§ 3-5)

### Fiscal Impact

	FY 04	FY 05
General Fund - Revenue Gain	\$250.0 million	\$273.0 million
Transportation Fund - Revenue Gain	\$5.6 million	\$5.7 million

### OLR Analysis

For a four-year period, from July 1, 2003 through June 30, 2007, the bill increases the sales and use tax rates from 6% to 6.5%.

EFFECTIVE DATE: July 1, 2003 and applicable to sales on or after that date.

### **Computer and Data Processing Services (§§ 3 & 5)**

#### Fiscal Impact

	FY 04	FY 05
Revenue Gain	None	\$10.8 million

### OLR Analysis

The bill repeals a the final step of a scheduled phase-out of the 1% sales and use tax on computer and data processing services currently set to take effect July 1, 2004, thus maintaining the 1% tax on such services indefinitely.

EFFECTIVE DATE: July 1, 2003 and applicable to sales on or after that date.

### **Sales-Tax-Free-Week (§ 18)**

#### Fiscal Impact

	FY 04	FY 05
Revenue Gain	\$3.1 million	\$3.3 million

### OLR Analysis

The bill eliminates a sales tax exemption for clothing and footwear costing less than \$300 that applies during the fourth week of August (the third Sunday of the month to the following Saturday) every year. The exemption is known as the “sales-tax-free week.”

EFFECTIVE DATE:

July 1, 2003

### **CORPORATION AND OTHER BUSINESS TAX SURCHARGES (§§ 6, 7, 8)**

#### **Fiscal Impact**

	FY 04	FY 05
Revenue Gain	\$21.4 million	\$39.0 million

#### **OLR Analysis**

For tax years 2004 and 2005, the bill imposes a 10% annual surcharge on the corporation tax and the annual \$250 tax on limited liability companies (LLCs), limited liability partnerships (LLPs), limited partnerships (LPs), and S corporations. The surcharge is due, payable, and collectible as part of each company’s total tax for the year.

Companies subject to the corporation tax must calculate their surcharges based on their tax liability excluding credits. The surcharge applies to corporations paying the tax on their net income or on the alternative capital base.

Corporations, LLCs, LLPs, LPs, and S corporations are already subject to a 20% tax surcharge for the 2003 tax year.

EFFECTIVE DATE: Upon passage and applicable to income and taxable years starting on or after January 1, 2004.

### **PREMIUM TAX CREDIT LIMIT (§ 9)**

#### **Fiscal Impact**

	FY 04	FY 05
Revenue Gain	\$2.5 million	\$2.5 million

### OLR Analysis

The bill limits the total value of the credits an insurance company or HMO may take against the 1.75% premium tax in any year to 70% of its tax liability for that year without the credits. This limit already applies to credits against the corporation tax.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2003.

### SUCCESSION TAX PHASE-OUT (§ 10)

#### Fiscal Impact

	FY 04	FY 05
Revenue Gain	\$6.5 million	\$23.5 million

### OLR Analysis

The bill delays the remaining steps of the phase-out of the succession tax by two years and, by reversing the rate reduction that took effect on January 1, 2003, maintains the 2002 tax rates through the end of 2004.

The bill affects estates of people who die on or after January 1, 2003 that exceed certain values, and that pass either to collateral descendants, such as brothers, sisters, nephews, and nieces (Class B heirs) or to other, more remote, heirs (Class C heirs). Estates passing to surviving spouses (Class AA heirs) or immediate family members and direct descendants, such as children and grandchildren (Class A heirs), are tax-exempt under both current law and the bill.

The succession tax is currently scheduled for elimination as of January 1, 2004 for Class B heirs and as of January 1, 2006 for Class C

heirs. The bill delays elimination for Class B heirs to January 1, 2006 and for Class C heirs to January 1, 2008. Table 3 shows when remaining succession tax rates are effective under current law and under the bill for each class of heirs. (Rates given below include applicable surcharges of 10% plus 30% imposed under CGS § 12-344a.)

**TABLE 3: CURRENT AND PROPOSED SUCCESSION TAX RATE EFFECTIVE DATES**

<b>CLASS B</b>		
<i>EFFECTIVE</i>		<i>Estate Size &amp; Tax Rate (including surcharges)</i>
<i>Current Law</i>	<i>Bill</i>	
<b>Death Date:</b> January 1, 2002 to January 1, 2003	<b>Death Date:</b> January 1, 2002 to January 1, 2005	<ul style="list-style-type: none"> <li>• \$600,000 or less: no tax</li> <li>• \$600,000 to \$1,000,000: 11.7%</li> <li>• More than \$1,000,000: 14.3%</li> </ul>
<b>Death Date:</b> January 1, 2003 to January 1, 2004	<b>Death Date:</b> January 1, 2005 to January 1, 2006	<ul style="list-style-type: none"> <li>• \$1,500,000 or less: no tax</li> <li>• More than \$1,500,000: 11.44%</li> </ul>
<b>Death Date:</b> January 1, 2004 or after	<b>Death Date:</b> January 1, 2006 or after	no tax
<b>CLASS C</b>		
<i>EFFECTIVE</i>		<i>Estate Sizes &amp; Tax Rate (including surcharges)</i>
<i>Current Law</i>	<i>Bill</i>	
<b>Death Date:</b> January 1, 2002 to January 1, 2003	<b>Death Date:</b> January 1, 2002 to January 1, 2005	<ul style="list-style-type: none"> <li>• \$200,000 or less: no tax</li> <li>• \$200,001 to \$250,000: 14.3%</li> <li>• \$250,001 to \$400,000: 15.73%</li> <li>• \$400,001 to \$600,000: 17.16%</li> <li>• \$600,001 to \$1,000,000: 18.59%</li> <li>• More than \$1,000,000: 20.02%</li> </ul>
<b>Death Date:</b> January 1, 2003 to January 1, 2004	<b>Death Date:</b> January 1, 2005 to January 1, 2006	<ul style="list-style-type: none"> <li>• \$400,000 or less: no tax</li> <li>• \$400,001 to \$600,000: 17.16%</li> <li>• \$600,001 to \$1,000,000: 18.59%</li> <li>• More than \$1,000,000: 20.02%</li> </ul>

<b>Death Date:</b> January 1, 2004 to January 1, 2005	<b>Death Date:</b> January 1, 2006 to January 1, 2007	<ul style="list-style-type: none"> <li>• \$600,000 or less: no tax</li> <li>• \$600,001 to \$1,000,000: 18.59%</li> <li>• More than \$1,000,000: 20.02%</li> </ul>
<b>Death Date:</b> January 1, 2005 to January 1, 2006	<b>Death Date:</b> January 1, 2007 to January 1, 2008	<ul style="list-style-type: none"> <li>• \$1,500,000 or less: no tax</li> <li>• More than \$1,500,000: 20.02%</li> </ul>
<b>Death Date:</b> January 1, 2006 or after	<b>Death Date:</b> January 1, 2008 or after	no tax

EFFECTIVE DATE: Upon passage and applicable to transfers from estates of those who die on or after January 1, 2003.

**ESTATE AND GENERATION-SKIPPING TRANSFER TAXES (§§ 11, 12, 13)**

**Fiscal Impact**

	FY 04	FY 05
Revenue Gain	\$56.0 million	\$100.0 million

**OLR Analysis**

The bill decouples the state generation-skipping transfer and estate taxes from the federal ones by setting the state tax rates at the amount of the federal credit for such state taxes as of January 1, 2001, rather than that allowable as of the date of the transfer or death. It also fixes the value of property subject to the taxes at the value prescribed under the federal tax law in effect as of January 1, 2001. Under current law, the state taxes are linked to the corresponding federal taxes in effect on the transfer or death date, and the state tax rates are set to absorb the maximum amount of the federal credit at the time of the transfer or death.

Connecticut’s generation-skipping transfer tax applies to transfers to beneficiaries more than one generation below that of the transferor, whether made directly or through a trust or similar arrangement. Connecticut’s tax applies to every such transfer when the original

transferor is a state resident on the date of the original transfer or the transfer includes real or tangible personal property located in Connecticut.

Connecticut currently levies an estate tax when the total federal estate tax credit for state taxes exceeds the Connecticut inheritance tax paid. The 2001 federal tax relief act phases out the federal credit for state taxes from 2002 through 2005 at the rate of 25% per year, thereby eliminating the basis of the current Connecticut estate tax. The federal law replaces the estate tax credit after 2005 with a federal estate tax deduction for state taxes paid and eliminates both the federal estate and generation-skipping transfer taxes entirely as of January 1, 2010.

EFFECTIVE DATE: Upon passage and applicable to transfers and the estates of people who die on or after January 1, 2003.

**GROSS EARNINGS TAX ON SATELLITE TV SERVICE (§§ 14, 15)**

**Fiscal Impact**

	FY 04	FY 05
Revenue Gain	\$3.0 million	\$3.0 million

**OLR Analysis**

The bill imposes a 5% tax on gross earnings from businesses providing one-way transmission of video programs to Connecticut subscribers by satellite. The tax already applies to cable television companies. The bill requires each satellite TV service’s taxable gross earnings to be apportioned to Connecticut based on the proportion of its Connecticut subscribers on the first and last day of each tax year to its total subscribers. It requires services to report their total number of subscribers and their Connecticut subscribers to the Department of Revenue Services (DRS) on their tax returns, which must be filed every year by April 1.

EFFECTIVE DATE: July 1, 2003 and applicable to gross earnings on

sales starting on or after that date.

### GIFT TAX PHASE-OUT (§ 16)

#### Fiscal Impact

	FY 04	FY 05
Revenue Gain	None	\$1.0 million

#### OLR Analysis

The bill delays the remaining steps of the phase-out of the tax on gifts between \$25,000 and \$1 million by two years, thus maintaining the current gift tax rates until January 1, 2006. Under the bill, the phase-out resumes as of that date and runs until January 1, 2010. The phase-out is currently scheduled to run from January 1, 2004 to January 1, 2008 (see Table 4).

**TABLE 4: CURRENT AND PROPOSED GIFT TAX PHASE-OUT**

IN EFFECT DURING		GIFT AMOUNT	TAX
Current Law	Bill		
2003	2003 2004 2005	\$25,000 or less	None
		\$25,001-\$50,000	\$250 plus 2% of the amount over \$25,000
		\$50,001-\$75,000	\$750 plus 3% of the amount over \$50,000
		\$75,001-\$100,000	\$1,500 plus 4% of the amount over \$75,000
		\$100,001-\$675,000	\$2,500 plus 5% of the amount over \$100,000
		Over \$675,000	\$31,250 plus 6% of the amount over \$675,000
2004	2006	\$50,000 or less	None
		\$50,001-\$75,000	\$750 plus 3% of the amount over \$50,000
		\$75,001-\$100,000	\$1,500 plus 4% of the amount over \$75,000
		\$100,001-\$700,000	\$2,500 plus 5% of the amount over \$100,000

		Over \$700,000	\$32,500 plus 6% of the amount over \$700,000
2005	2007	\$75,000 or less	None
		\$75,001-\$100,000	\$1,500 plus 4% of the amount over \$75,000
		\$100,001-\$700,000	\$2,500 plus 5% of the amount over \$100,000
		Over \$700,000	\$32,500 plus 6% of the amount over \$700,000
2006	2008	\$100,000 or less	None
		\$100,001-\$850,000	\$2,500 plus 5% of the amount over \$100,000
		Over \$850,000	\$40,000 plus 6% of the amount over \$850,000
2007	2008	\$950,000 or less	None
		Over \$950,000	\$45,000 plus 6% of the amount over \$950,000
2008 and after	2010 and after	\$1,000,000 or less	None
		Over \$1,000,000	\$47,500 plus 6% of the amount over \$1,000,000

EFFECTIVE DATE: Upon passage and applicable starting on or after January 1, 2003.

**TOBACCO SETTLEMENT FUND DISBURSEMENTS (\$17)**

**Fiscal Impact**

	FY 04	FY 05
Revenue Gain	\$16 million	\$16.0 million

**OLR Analysis**

Starting in FY 2003-04, the bill eliminates \$16 million in required annual payments from the Tobacco Settlement Fund to the Tobacco and Health Trust Fund and the Biomedical Research Trust Fund. Under current law, the settlement fund must transfer \$12 million per year to the trust fund and \$4 million per year to the biomedical fund. The bill requires annual disbursements only to the General Fund.

The bill also eliminates (1) obsolete language concerning required settlement fund disbursements in FY 1999-00 and FY 2000-01 and (2) a tobacco grant program administered by the Office of Policy and Management, in consultation with legislative leaders and the chairmen and ranking members of the Public Health and Appropriations committees. The grant program was funded by a \$5 million disbursement from the settlement fund for FY 1999-00 and grants had to be used to reduce tobacco abuse through prevention, education, cessation, treatment, enforcement, and health needs programs.

EFFECTIVE DATE: July 1, 2003

## **BACKGROUND**

### ***Tobacco and Health Trust Fund***

The Tobacco and Health Trust Fund is a separate nonlapsing fund that can accept transfers from the Tobacco Settlement Fund and apply for and accept gifts, grants, or donations from public or private sources. Its purpose is to (1) support and encourage programs to reduce tobacco abuse through prevention, education, and cessation; (2) support and encourage program development for substance abuse reduction; and (3) develop and implement programs to meet the state's unmet physical and mental health needs.

### ***Biomedical Research Trust Fund***

The Biomedical Research Trust Fund is a separate nonlapsing fund can accept transfers from the Tobacco Settlement Fund and gifts, grants, or donations from public or private sources. The health commissioner may make grants from the fund to nonprofit, tax-exempt colleges and universities and to hospitals to conduct research on heart disease, cancer, and other tobacco-related diseases.

## **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

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Yea 26    Nay 18

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**OLR Bill Analysis**

sSB 1160

***AN ACT CONCERNING REVENUE ADJUSTMENTS***

**SUMMARY:**

The OLR bill analysis for sSB 1160 is incorporated into the fiscal note (see above).

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 26    Nay 18