



Senate

General Assembly

File No. 551

February Session, 2006

Substitute Senate Bill No. 378

Senate, April 19, 2006

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 THE DEFINITION OF "PER CAPITA INCOME" AND TAX CREDITS FOR DONATIONS OF COMPUTER EQUIPMENT TO NONPUBLIC SCHOOLS.

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

1 Section 1. Subdivision (8) of section 10-261 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2008*):

4 (8) "Per capita income" for each town means [that enumerated in the
5 most recent federal decennial census of population or that enumerated
6 in the current population report series issued by the United States
7 Department of Commerce, Bureau of the Census available on January
8 first of the fiscal year two years prior to the fiscal year in which a grant
9 is to be paid or an allocation is to be made, whichever is most recent;]
10 the sum of the adjusted gross incomes, as defined in subdivision (19)
11 of section 12-701 of the 2006 supplement to the general statutes, of the
12 residents of each town for the most recent available income year as

13 determined by the Commissioner of Revenue Services, divided by the
14 town's total population.

15 Sec. 2. (NEW) (*Effective July 1, 2008*) The Commissioner of Revenue
16 Services shall annually, no later than the first day of August, report the
17 total adjusted gross income, as defined in subdivision (19) of section
18 12-701 of the 2006 supplement to the general statutes, for each town to
19 the State Board of Education and the Commissioner of Education.

20 Sec. 3. Subsections (a) and (b) of section 10-228b of the general
21 statutes are repealed and the following is substituted in lieu thereof
22 (*Effective July 1, 2006, and applicable to income years commencing on or after*
23 *January 1, 2006*):

24 (a) The Commissioner of Revenue Services shall grant a credit
25 against any tax due under the provisions of chapter 207, 208, 209, 210,
26 211 or 212, for the donation to a local or regional board of education or
27 a public or nonpublic school of new computers or used computers that
28 are not more than two years old at the time of the donation in
29 accordance with this section. The amount of the credit shall not exceed
30 fifty per cent of the fair market value of the new or used computer at
31 the time of donation as described in this section.

32 (b) Any business firm may apply to the Commissioner of Revenue
33 Services for a tax credit under this section. The commissioner, in
34 consultation with the Commissioner of Education, shall develop an
35 application form for such credit which shall contain, but not be limited
36 to, the following information: (1) The number of computers to be
37 donated, (2) to whom the donation will be made, (3) when the
38 donation will be made, (4) the fair market value of the donated
39 computers at the time of donation, and (5) such additional information
40 as the commissioner may prescribe. A copy of a written agreement
41 between the business firm and the local or regional board of education
42 or public or nonpublic school shall be submitted with the application.
43 The agreement shall provide for the acceptance of the computers by
44 the board of education or public or nonpublic school, an
45 acknowledgement that the computers are in good working condition

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

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$	Out-years
Education, Dept.	GF - Cost	None	None	Potential Significant
Department of Revenue Services	GF - Cost	None	None	Minimal
Department of Revenue Services	GF - Revenue Loss	Minimal	Minimal	Minimal

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 07 \$	FY 08 \$	Potential
All Municipalities	Revenue Gain/Revenue Loss	None	None	Significant

Explanation

This bill is anticipated to result in a potential future significant cost to the State Department of Education (SDE) due to requiring the use of federal adjusted gross income (AGI) rather than per capita income in determining future ECS aid. Reliable data does not exist to determine an exact impact however the cost will likely exceed \$200 million based on initial projections. This cost is related to the larger variation in income among towns when utilizing AGI. Projections indicate that most towns would receive substantially larger ECS aid and that some may actually receive less when using AGI. Also, it is anticipated that the Department of Revenue Services (DRS) will incur minimal costs to provide federal adjusted gross income data to SDE.

Section 3

Currently, the total amount of credits claimed for donating computers to public schools is less than \$100,000 per year. Therefore,

based on this experience, expanding the credit program is anticipated to result in a minimal (less than \$100,000/yr) revenue loss beginning in FY 08.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 378*****AN ACT CONCERNING THE DEFINITION OF "PER CAPITA INCOME" AND TAX CREDITS FOR DONATIONS OF COMPUTER EQUIPMENT TO NONPUBLIC SCHOOLS.*****SUMMARY:**

This bill requires the Education Cost Sharing (ECS) formula to use federal adjusted gross income (AGI) instead of figures compiled by the U.S. Census Bureau as the basis of "per capita income." In the ECS formula, per capita income is one of the income adjustments (the other is median household income) applied to each town's equalized net grand list to determine its wealth in relation to other towns. The main difference between the two figures is that AGI includes income from capital gains while the census figure does not.

The bill also extends to nonpublic schools an existing business tax credit for businesses that donate new or used computers to public schools. By law, the maximum credit is 50% of the computer's fair market value when donated. The credit applies against the corporation tax and the insurance premium, air carrier, railroad company, cable and satellite T.V., and utility company taxes.

EFFECTIVE DATE: July 1, 2008 for the per capita income change; July 1, 2006 and applicable to income years starting on or after January 1, 2006 for the computer donation tax credit.

AGI IN PER CAPITA INCOME

The bill requires the per capita income for the ECS formula to be calculated by adding together the AGIs of all the residents of each town and dividing the total by the town's population.

The ECS formula currently uses census numbers for the year two

years before the fiscal year in which the grant is paid or an allocation for it is made. The bill requires the AGI figures to be for the most recent available year as determined by the revenue services commissioner. It requires the commissioner to report the total AGI for each town to the State Board of Education and the education commissioner by August 1 annually.

COMMITTEE ACTION

Education Committee

Joint Favorable Substitute Change of Reference

Yea 18 Nay 11 (03/20/2006)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 28 Nay 22 (04/04/2006)