



General Assembly

**Raised Bill No. 5778**

February Session, 2006

LCO No. 3063

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Referred to Committee on Finance, Revenue and Bonding

Introduced by:  
(FIN)

**AN ACT CONCERNING VARIOUS TAXES ADMINISTERED BY THE  
DEPARTMENT OF REVENUE SERVICES.**

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

1 Section 1. Section 12-35b of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) For the purposes of sections 12-204, 12-212, 12-235, [12-263b, 12-  
4 263m,] 12-268h, 12-309, 12-330i, 12-366, as amended, 12-398, [12-405d,]  
5 12-420, 12-441, 12-475, 12-488, [12-512,] 12-555a, 12-594, 12-638j, 12-655  
6 and 12-734; [, 22a-256j and 51-81b:]

7 [(a)] (1) "Bona fide purchaser" means a person who takes a  
8 conveyance of real estate in good faith from the holder of legal title,  
9 and pays valuable consideration, without actual, implied, or  
10 constructive notice of any tax delinquency.

11 [(b)] (2) "Qualified encumbrancer" means a person who places a  
12 burden, charge or lien on real estate, in good faith, without actual,  
13 implied, or constructive notice of any tax delinquency.

14 [(c)] (3) "Commissioner" means the Commissioner of Revenue

15 Services or his or her authorized agent.

16 (b) For purposes of the sections enumerated in subsection (a) of this  
17 section, the commissioner may use an electronic signature, as defined  
18 in section 1-267, on any certificate of lien or certificate discharging such  
19 lien. No town clerk shall refuse to record any such certificate because  
20 the commissioner has used an electronic signature thereon.

21 (c) All certificates of lien or certificates discharging a lien using an  
22 electronic signature of the commissioner and filed with a town clerk by  
23 the commissioner before the effective date of this section, when  
24 otherwise valid, are validated and effective as of the date originally  
25 filed with such town clerk.

26 Sec. 2. Subdivision (5) of subsection (a) of section 12-285 of the  
27 general statutes is repealed and the following is substituted in lieu  
28 thereof (*Effective July 1, 2006*):

29 (5) "Dealer" means any person other than a distributor who is  
30 engaged in this state in the business of selling cigarettes, including any  
31 person operating and servicing fewer than twenty-five cigarette  
32 vending machines, and any person who is engaged in the business of  
33 selling taxed tobacco products, as defined in section 12-330a, as  
34 amended by this act, at retail.

35 Sec. 3. Subsections (d) and (e) of section 12-286 of the 2006  
36 supplement to the general statutes are repealed and the following is  
37 substituted in lieu thereof (*Effective July 1, 2006*):

38 (d) The commissioner may, in the commissioner's discretion, refuse  
39 to issue a license if there is reasonable ground to believe (1) that the  
40 applicant has wilfully made any false statement of substance with  
41 respect to such application for license, (2) that the applicant has  
42 neglected to pay any taxes due to this state, or (3) that the applicant  
43 has been convicted of violating any of the cigarette or other tobacco  
44 products tax laws of this or any other state or the cigarette tax laws of

45 the United States or has such a criminal record that the commissioner  
46 reasonably believes that such applicant is not a suitable person to be  
47 issued a license, provided no refusal shall be rendered under this  
48 subdivision except in accordance with the provisions of sections 46a-80  
49 and 46a-81.

50 (e) (1) Any person who knowingly sells, offers for sale or possesses  
51 with intent to sell any cigarettes, without a license as provided in this  
52 chapter, shall be fined not more than five hundred dollars or  
53 imprisoned for not more than three months, or both, for each offense.  
54 Each day of such unauthorized operation may be deemed a separate  
55 offense.

56 (2) Any person who knowingly sells at retail, offers for sale at retail  
57 or possesses with intent to sell at retail any taxed tobacco products,  
58 without a dealer's license as provided in this chapter, shall be fined not  
59 more than five hundred dollars or imprisoned for not more than three  
60 months, or both, for each offense. Each day of such unauthorized  
61 operation may be deemed a separate offense.

62 Sec. 4. Section 12-287 of the general statutes is repealed and the  
63 following is substituted in lieu thereof (*Effective July 1, 2006*):

64 Each person engaging in, or intending to engage in, the business of  
65 selling cigarettes in this state as a dealer, and each person engaging in  
66 or intending to engage in, the business of selling taxed tobacco  
67 products at retail, shall secure a dealer's license from the  
68 Commissioner of Revenue Services before engaging in such business  
69 or continuing to engage therein. Subject to the provisions of section 12-  
70 286, as amended by this act, such license shall be renewable annually.  
71 The annual fee for a dealer's license shall be twenty-five dollars. Such  
72 license shall be valid for a period beginning with the date of license to  
73 the thirtieth day of September next succeeding the date of license  
74 unless sooner revoked as provided in section 12-295, as amended, or  
75 unless the person to whom it was issued discontinues business, in  
76 either of which cases the holder of the license shall immediately return

77 it to the commissioner. In the event of mutilation or destruction of such  
78 license, a duplicate copy, marked as such, shall be issued by said  
79 commissioner upon application accompanied by a fee of five dollars.

80 Sec. 5. Section 12-330a of the general statutes is repealed and the  
81 following is substituted in lieu thereof (*Effective July 1, 2006*):

82 As used in this chapter:

83 (1) "Commissioner" means the Commissioner of Revenue Services;

84 (2) ["tobacco products"] "Tobacco products" means cigars, cheroots,  
85 stogies, periques, granulated, plug cut, crimp cut, ready rubbed and  
86 other smoking tobacco, snuff tobacco products, cavendish, plug and  
87 twist tobacco, fine cut and other chewing tobaccos, shorts, refuse  
88 scraps, clippings, cuttings and sweepings of tobacco and all other  
89 kinds and forms of tobacco, prepared in such manner as to be suitable  
90 for chewing or smoking in a pipe or otherwise or for both chewing and  
91 smoking, but shall not include any cigarette, as defined in section 12-  
92 285, as amended by this act;

93 (3) ["distributor"] "Distributor" means (A) any person in this state  
94 engaged in the business of manufacturing tobacco products, (B) any  
95 person who purchases untaxed tobacco products at wholesale from  
96 manufacturers or other distributors for sale, or (C) any person who  
97 imports into this state untaxed tobacco products, at least seventy-five  
98 per cent of which are to be sold;

99 (4) ["unclassified importer"] "Unclassified importer" means any  
100 person, other than a distributor, who imports, receives or acquires  
101 untaxed tobacco products from outside this state for his or her  
102 personal use or consumption in this state;

103 (5) ["sale"] "Sale" or "sell" includes or applies to gifts, exchanges and  
104 barter;

105 (6) ["wholesale sales price"] "Wholesale sales price" means, in the

106 case of a manufacturer of tobacco products, the price set for such  
107 products or, if no price has been set, the wholesale value of such  
108 products, and, in the case of a distributor who is not a manufacturer of  
109 tobacco products, the price at which the distributor purchased such  
110 products, and, in the case of an unclassified importer of tobacco  
111 products, the price at which the unclassified importer purchased such  
112 products; [and]

113 (7) ["snuff tobacco products"] "Snuff tobacco products" means only  
114 those snuff tobacco products that have imprinted on the packages the  
115 designation "snuff" or "snuff flour", or the federal tax designation "Tax  
116 Class M", or both;

117 (8) "Untaxed tobacco products" means tobacco products upon which  
118 no tax has been paid in accordance with the provisions of this chapter;  
119 and

120 (9) "Taxed tobacco products" means tobacco products upon which  
121 tax has been paid in accordance with the provisions of this chapter.

122 Sec. 6. Section 12-330b of the general statutes is repealed and the  
123 following is substituted in lieu thereof (*Effective July 1, 2006*):

124 Each distributor or unclassified importer shall obtain a license  
125 issued by the commissioner before manufacturing, purchasing,  
126 importing, receiving or acquiring any untaxed tobacco products in this  
127 state. The commissioner may, in his or her discretion, refuse to issue a  
128 license if [he] such commissioner has reasonable ground to believe (1)  
129 that the applicant has wilfully made any false statement of substance  
130 with respect to such application for license, (2) that the applicant has  
131 neglected to pay any taxes due to this state, or (3) that the applicant  
132 has been convicted of violating any of the cigarette or other tobacco  
133 product tax laws of this or any other state or the cigarette tax laws of  
134 the United States or has such a criminal record that the commissioner  
135 reasonably believes that such applicant is not a suitable person to be  
136 issued a license, provided no refusal shall be rendered under this

137 subdivision except in accordance with the provisions of sections 46a-80  
138 and 46a-81. The fee for a distributor's license shall be one hundred  
139 dollars a year. There shall be no fee for an unclassified importer's  
140 license. Each distributor's license [so issued] shall be [properly]  
141 conspicuously displayed on the premises covered by the license.  
142 Notwithstanding the provisions of section 12-15, as amended, the  
143 commissioner shall publish on the Internet web site of the Department  
144 of Revenue Services a list of every distributor licensed under this  
145 chapter. The commissioner shall prescribe the form of application for a  
146 distributor's license and for an unclassified importer's license.

147 Sec. 7. Subsection (a) of section 12-330c of the general statutes is  
148 repealed and the following is substituted in lieu thereof (*Effective July*  
149 *1, 2006*):

150 (a) (1) A tax is imposed on all untaxed tobacco products held in this  
151 state by any person. Except as otherwise provided in subdivision (2) of  
152 this subsection with respect to the rate of tax on snuff tobacco  
153 products, the tax shall be imposed at the rate of twenty per cent of the  
154 wholesale sales price of such products.

155 (2) The tax shall be imposed on snuff tobacco products, on the net  
156 weight as listed by the manufacturer, as follows: Forty cents per ounce  
157 of snuff and a proportionate tax at the like rate on all fractional parts of  
158 an ounce of snuff.

159 Sec. 8. Subdivision (1) of subsection (b) of section 12-330d of the  
160 2006 supplement to the general statutes is repealed and the following  
161 is substituted in lieu thereof (*Effective July 1, 2006*):

162 (b) (1) [Each licensed distributor who does not acquire untaxed  
163 tobacco products shall file with the commissioner, on or before the  
164 twenty-fifth day of each July, a report for the twelve-month period  
165 ending the June thirtieth immediately preceding, in such form and  
166 containing such information as the commissioner may prescribe, and  
167 bearing notice to the effect that false statements made in such report

168 are punishable. As used in this section, "untaxed tobacco products"  
169 means tobacco products other than taxed tobacco products; and "taxed  
170 tobacco products" means tobacco products which are acquired from a  
171 licensed distributor who does acquire untaxed tobacco products and  
172 who is subject to and required to pay the tax imposed under this  
173 chapter on such tobacco products. Each distributor required to file an  
174 annual report] Any person who does not acquire untaxed tobacco  
175 products, but acquires taxed tobacco products for sale at retail shall not  
176 be licensed as a distributor under this chapter, and shall be required,  
177 during the period that such person is a retailer of taxed tobacco  
178 products, to apply for and retain a dealer's license under chapter 214.  
179 Each such retailer shall maintain records that detail (A) the persons  
180 from whom, the quantities in which and the dates on which tobacco  
181 products were acquired by [the distributor; (B) the persons to whom,  
182 the quantities in which and the dates on which such tobacco products  
183 were sold by the distributor; and (C)] such retailer, and (B) any other  
184 information deemed necessary by the commissioner.

185 Sec. 9. Subdivision (1) of subsection (a) of section 12-392 of the 2006  
186 supplement to the general statutes is repealed and the following is  
187 substituted in lieu thereof (*Effective from passage and applicable to taxes*  
188 *payable on or after said date*):

189 (a) (1) The tax imposed by this chapter shall become due at the date  
190 of the taxable transfer and shall become payable, and shall be paid,  
191 without assessment, notice or demand, to the Commissioner of  
192 Revenue Services at the expiration of nine months from the date of  
193 death, and executors, administrators, trustees, grantees, donees,  
194 beneficiaries and surviving joint owners shall be liable for the tax and  
195 for any interest or penalty thereon until it is paid, except that no  
196 executor, administrator, trustee, grantee, donee, beneficiary or  
197 surviving joint owner shall be liable for a greater sum than the value of  
198 the property actually received by him or her. If the amount of tax  
199 reported to be due on the return is not paid within such nine months,  
200 there shall be imposed a penalty equal to ten per cent of such amount

201 due and unpaid, or fifty dollars, whichever is greater. Such amount  
202 shall bear interest at the rate of one per cent per month or fraction  
203 thereof, from the due date of such tax until the date of payment.  
204 Subject to the provisions of section 12-3a, the commissioner may waive  
205 all or part of the penalties provided under this chapter when it is  
206 proven to his satisfaction that the failure to pay any tax was due to  
207 reasonable cause and was not intentional or due to neglect.

208 Sec. 10. Section 12-395 of the general statutes is repealed and the  
209 following is substituted in lieu thereof (*Effective from passage*):

210 (a) (1) The provisions of sections 12-548 and 12-550 to [12-553] 12-  
211 554, inclusive, shall apply to the provisions of this chapter in the same  
212 manner and with the same force and effect as if the language of said  
213 sections 12-548 and 12-550 to [12-553] 12-554, inclusive, had been  
214 incorporated in full into this chapter and had expressly referred to the  
215 tax imposed under this chapter, except to the extent that any such  
216 provision is inconsistent with a provision of this chapter.

217 (2) A finding of domicile by a court of probate in accordance with  
218 subsection (b) of section 45a-309 shall not affect the determination, for  
219 purposes of this chapter of whether a decedent died a resident of this  
220 state, [or of the amount of estate tax due this state,] except in  
221 accordance with the provisions of subsection (b) of this section.

222 (b) Any person aggrieved by any [order, decision, determination or  
223 disallowance of] determination of domicile by the Commissioner of  
224 Revenue Services under the provisions of [this chapter] subdivision (5)  
225 of subsection (h) of section 12-391 of the 2006 supplement to the  
226 general statutes, may, not later than one month after service upon the  
227 person of notice of such [order, decision,] determination, [or  
228 disallowance,] make a written application for a hearing to the court of  
229 probate for the district within which the decedent resided at the date  
230 of his death, or within which the commissioner contends that the  
231 decedent resided at the date of his death or, if the decedent died a  
232 nonresident of this state, in the court of probate for the district within

233 which real estate or tangible personal property of the decedent is  
234 situated, or within which the commissioner contends that real estate or  
235 tangible personal property of the decedent is situated. Such application  
236 shall set forth in detail the objection to the [order, decision,]  
237 determination [or disallowance] of said commissioner and a copy of  
238 same shall be mailed to said commissioner at the time of filing. The  
239 court of probate shall assign a time and place for a hearing upon such  
240 application not less than two nor more than four weeks after receipt  
241 thereof and shall cause a copy of the order of hearing to be sent to said  
242 commissioner and to the person aggrieved by said [order, decision,]  
243 determination [or disallowance] at least ten days before the time of  
244 such hearing. The commissioner or any person interested may appear  
245 before the court at such hearing and be heard on any matter involved  
246 in the determination. [of the tax.] At such hearing, the court shall  
247 determine all matters properly before it, [including the amount of such  
248 tax] and shall enter upon its records a decree [for such amount] of  
249 domicile. A copy of the decree of the court of probate shall be  
250 forwarded by the judge or clerk of such court to the commissioner and  
251 to the person aggrieved because of such [order, decision,]  
252 determination [or disallowance] of the commissioner. The  
253 determination [of the tax] by the Commissioner of Revenue Services  
254 shall be conclusive upon the state and any person aggrieved by any  
255 [order, decision,] determination [or disallowance] of the commissioner  
256 unless a hearing is held as provided in this subsection, in which case  
257 the decree of the court of probate shall be conclusive upon the state  
258 and any person aggrieved by such [order, decision,] determination [or  
259 disallowance] of the commissioner unless an appeal is taken as  
260 provided for appeals from other decrees and orders of such court.

261 Sec. 11. Section 12-644 of the general statutes is repealed and the  
262 following is substituted in lieu thereof (*Effective from passage and*  
263 *applicable to gifts made during calendar years commencing on or after*  
264 *January 1, 2006*):

265 (a) Any individual, whether resident or nonresident, liable for a

266 return under this chapter, who in the calendar year makes any transfer  
267 by gift not excluded in this chapter shall make a return with respect to  
268 the gift tax imposed by this chapter.

269 (b) If the donor dies before filing his return, the executor of his will  
270 or the administrator of his estate shall file the return. If the donor  
271 becomes legally incompetent before filing his return, his guardian or  
272 conservator shall file the return.

273 (c) The return shall set forth:

274 (1) Each gift made during the calendar year which is to be included  
275 in computing the taxable gifts.

276 (2) The deductions claimed and allowable under section 12-643, as  
277 amended.

278 (3) A description of the gift, and the donee's name, address and  
279 social security account number.

280 (4) The fair market value of gifts not made in money.

281 (5) Such further information as the Commissioner of Revenue  
282 Services may find necessary to administer properly the provisions of  
283 this chapter.

284 (d) (1) If any gift which is required to be shown on a return under  
285 this chapter is not shown on such return, or if the information set forth  
286 in such return fails to meet the requirements of subsection (c) of this  
287 section, any tax imposed by this chapter on such undisclosed gift may  
288 be assessed at any time with respect to that gift, even if the  
289 commissioner has filed a return on behalf of the taxpayer in  
290 accordance with section 12-649.

291 (2) In the case of any item adequately disclosed in such return in  
292 accordance with subsection (c) of this section, the provisions of  
293 subdivision (1) of this subsection shall not apply.

294 Sec. 12. Section 12-645 of the general statutes is repealed and the  
295 following is substituted in lieu thereof (*Effective from passage and*  
296 *applicable to gifts made during calendar years commencing on or after*  
297 *January 1, 2006*):

298 Returns required under this chapter shall be filed on or before the  
299 fifteenth day of April following the close of the calendar year except  
300 where a gift is made during the calendar year in which the donor dies,  
301 the return with respect to such donor shall be filed on or before the last  
302 date, including extensions, for filing the [gift] estate tax return [for  
303 federal gift tax purposes] under chapter 217 with respect to such  
304 donor.

305 Sec. 13. Section 12-647 of the general statutes is repealed and the  
306 following is substituted in lieu thereof (*Effective from passage and*  
307 *applicable to taxes due for calendar years commencing on or after January 1,*  
308 *2005*):

309 (a) The tax imposed under this chapter shall be due and payable by  
310 the donor no later than April fifteenth following the close of the  
311 calendar year during which the gift was made and shall be payable to  
312 the Commissioner of Revenue Services. The return required under  
313 section 12-644, as amended by this act, shall accompany such payment.  
314 Where a gift is made during the calendar year in which the donor dies,  
315 the last date for paying the tax required under this chapter shall be the  
316 last date, including extensions, for filing the [gift tax return for federal  
317 gift tax purposes] estate tax return under chapter 217 with respect to  
318 such donor. If any person fails to pay the amount of tax reported to be  
319 due on such return within the time specified under the provisions of  
320 this section, there shall be imposed a penalty equal to ten per cent of  
321 such amount due and unpaid or fifty dollars, whichever is greater.  
322 Such amount shall bear interest at the rate of one per cent per month or  
323 fraction thereof, from the due date of such return.

324 (b) The commissioner for good cause may extend the time for  
325 making any return and paying any amount required to be paid under

326 this chapter if a written request therefor is filed with the commissioner  
327 together with a tentative return which must be accompanied by a  
328 payment of the tax, which shall be estimated in such tentative return,  
329 on or before the last day for filing the return. Any person to whom an  
330 extension is granted shall pay, in addition to the tax, interest at the rate  
331 of one per cent per month or fraction thereof from the date on which  
332 the tax would have been due without the extension until the date of  
333 payment.

334 (c) If the amount of a taxpayer's taxable gifts, for federal gift tax  
335 purposes, reported on such taxpayer's federal gift tax return for any  
336 calendar year, is changed or corrected by the United States Internal  
337 Revenue Service or other competent authority, the taxpayer shall  
338 report such change or correction in federal taxable gifts within ninety  
339 days after the final determination of such change or correction, and  
340 shall concede the accuracy of such determination or state wherein it is  
341 erroneous. Any taxpayer filing an amended federal gift tax return shall  
342 also file within ninety days thereafter an amended return under this  
343 chapter and shall give such information as the commissioner may  
344 require. The time for filing such report or amended return may be  
345 extended by the commissioner upon due cause shown.  
346 Notwithstanding any limitation of time in this chapter, if, upon  
347 examination, the commissioner finds that such taxpayer is liable for  
348 the payment of an additional tax, he shall, within a reasonable time  
349 from the receipt of such report or amended return, notify such  
350 taxpayer of the amount of such additional tax, together with interest  
351 thereon computed at the rate of one per cent per month or fraction  
352 thereof from the date when the original tax became due and payable.  
353 Within thirty days of the mailing of such notice, the taxpayer shall pay  
354 the commissioner the amount of such additional tax and interest. If,  
355 upon examination of such report or amended return and related  
356 information, the commissioner finds that the taxpayer has overpaid the  
357 tax due the state, the commissioner shall certify the amount of such  
358 overpayment, together with interest as provided in subsection (d) of  
359 this section, to the Comptroller, and such amount shall be paid to the

360 taxpayer by the State Treasurer upon order of the Comptroller.

361 (d) Whenever there is an overpayment of the tax imposed by this  
362 chapter, the commissioner shall return to the taxpayer the  
363 overpayment, which shall bear interest at the rate of two-thirds of one  
364 per cent per month or fraction thereof, said interest commencing from  
365 the due date of the return required under this chapter, or the date of  
366 payment, whichever is later.

367 Sec. 14. Subsections (b) and (c) of section 12-719 of the general  
368 statutes are repealed and the following is substituted in lieu thereof  
369 (*Effective from passage and applicable to taxable years commencing on or after*  
370 *January 1, 2006*):

371 (b) (1) With respect to each of its nonresident partners, each  
372 partnership doing business in this state or having income derived from  
373 or connected with sources within this state shall, for each taxable year,  
374 [either timely file with the commissioner a group return, as provided  
375 in subdivision (2) of this subsection, or] make payment to the  
376 commissioner as provided in subdivision [(3)] (2) of this subsection.

377 [(2) (A) (i) A partnership with two or more qualified electing  
378 nonresident partners for a taxable year may file a group return. A  
379 group return under this subdivision shall be considered a group of  
380 separate returns and shall satisfy the filing requirements otherwise  
381 separately imposed on each qualified electing nonresident partner  
382 included in the group return by this chapter.

383 (ii) Nothing in this subdivision shall be construed as precluding the  
384 commissioner, in his or her sole discretion, from requiring the filing of  
385 a separate tax return under this chapter by a qualified electing  
386 nonresident partner.

387 (iii) Nothing in this subdivision shall be construed as excusing a  
388 partner on whose behalf income tax has been paid under this  
389 subdivision by a partnership from the obligation to file his or her own

390 separate tax return under this chapter if the conditions enumerated in  
391 subparagraph (B) of this subdivision are not met by such partner. In  
392 such event, such partner shall receive credit for the income tax paid  
393 under this subdivision by the partnership on his or her behalf,  
394 provided no overpayment attributable to such tax having been paid at  
395 the highest marginal tax rate in effect under section 12-700 for the  
396 taxable year shall be refunded or credited to the partner.

397 (B) As used in this subsection, a "qualified electing nonresident  
398 partner" means a partner who meets all of the following conditions: (i)  
399 The partner was a nonresident individual for the entire taxable year;  
400 (ii) the partner did not maintain a permanent place of abode in  
401 Connecticut at any time during the taxable year; (iii) the only source of  
402 income derived from or connected with Connecticut sources of the  
403 partner, or the partner and his or her spouse if a joint federal income  
404 tax return is or shall be made, is from one or more pass-through  
405 entities, as defined in subparagraph (C) of subdivision (3) of this  
406 subsection; (iv) the partner waives the right to claim any Connecticut  
407 personal exemption under section 12-702 and any Connecticut  
408 personal credit under section 12-703; (v) the partner does not have  
409 Connecticut alternative minimum tax liability under section 12-700a  
410 for the taxable year; (vi) the partner has the same taxable year as the  
411 other qualified electing nonresident partners; and (vii) the partner  
412 elects to be included in a group return by completing and delivering to  
413 the partnership a form prescribed by the commissioner for such  
414 purpose prior to the filing of the group return by the partnership. By  
415 making such election, which shall be binding upon the partner's heirs,  
416 representatives, assigns, successors, executors and administrators, the  
417 partner expressly consents to personal jurisdiction in Connecticut for  
418 Connecticut income tax purposes and waives his or her right to  
419 request, on his or her own behalf or with others making such election,  
420 an extension of time to pay Connecticut income tax. A qualified  
421 electing nonresident partner may neither revoke an election after  
422 delivering to the partnership an election form nor make an election  
423 after the fifteenth day of the fourth month following the close of such

424 partner's taxable year. The election form shall be maintained on file by  
425 the partnership and shall be subject to inspection by the department.

426 (C) A partnership filing a group return on behalf of its qualified  
427 electing nonresident partners shall show the exact name and address  
428 of the partnership as shown on its informational return under section  
429 12-726, the taxable year of the partnership and the taxable year of the  
430 qualified electing nonresident partners. A group return shall be signed  
431 by a partner having the authority to act as an agent for all qualified  
432 electing nonresident partners. The election form, as described in  
433 subparagraph (B) of this subdivision, shall constitute written evidence  
434 of such authority and of the election by the partner to be included in  
435 the group return. The due date of the group return is the fifteenth day  
436 of the fourth month following the close of the taxable year of the  
437 qualified electing nonresident partners. In addition, the partnership  
438 shall include with the group return a schedule showing each qualified  
439 electing nonresident partner's name and address; Social Security  
440 number; distributive share of such partnership's separately and  
441 nonseparately computed items, as described in Section 702(a) of the  
442 Internal Revenue Code, to the extent derived from or connected with  
443 sources within this state, as determined under this chapter; distributive  
444 share of any modification described in section 12-701 which relates to  
445 an item of such partnership's income, gain, loss or deduction, to the  
446 extent derived from or connected with sources within this state, as  
447 determined under this chapter; income tax under this chapter, as  
448 computed by multiplying the partner's distributive share of (i) such  
449 partnership's separately and nonseparately computed items, as  
450 described in Section 702(a) of the Internal Revenue Code, to the extent  
451 derived from or connected with sources within this state, and (ii) any  
452 modification described in section 12-701 which relates to an item of  
453 such partnership's income, gain, loss or deduction, to the extent  
454 derived from or connected with sources within this state, by the  
455 highest marginal tax rate in effect under section 12-700 for the taxable  
456 year; and estimated tax paid, if any, under section 12-722. As required  
457 by the commissioner, the partnership as agent for the qualified electing

458 nonresident partners shall make the payments of tax, estimated tax,  
459 additions to tax, interest and penalties otherwise required to be paid  
460 by such partners.

461 (D) The provisions of this subdivision shall also apply to a trust or  
462 estate with two or more qualified electing nonresident beneficiaries,  
463 and wherever reference is made in this subdivision to a partnership  
464 and its partners, such reference shall be construed as including a trust  
465 or estate and the beneficiaries thereof.]

466 [(3)] (2) (A) Any payment under this subdivision shall be in an  
467 amount equal to the highest marginal tax rate in effect under section  
468 12-700 for the taxable year multiplied by the subject partner's  
469 distributive share of (i) such partnership's separately and  
470 nonseparately computed items, as described in Section 702(a) of the  
471 Internal Revenue Code, to the extent derived from or connected with  
472 sources within this state, as determined under this chapter, and (ii) any  
473 modification described in section 12-701, as amended, which relates to  
474 an item of such partnership's income, gain, loss or deduction, to the  
475 extent derived from or connected with sources within this state, as  
476 determined under this chapter. Any amount paid by a partnership to  
477 this state with respect to any taxable year pursuant to this subdivision  
478 shall be considered to be a payment by the partner on account of the  
479 income tax imposed on the partner for such taxable year pursuant to  
480 this chapter. A partnership shall not be liable to, and shall be entitled  
481 to recover a payment made pursuant to this subdivision from, the  
482 partner on whose behalf the payment was made. Any [estimated tax  
483 installment shall be made on or before the due date of such installment  
484 pursuant to section 12-722, and any other] payment for a taxable year  
485 shall be made on or before the date the annual return for such taxable  
486 year is required to be filed pursuant to section 12-726, as amended by  
487 this act. The partnership shall furnish, on a form prescribed by the  
488 commissioner, to each partner on whose behalf payment was made  
489 under this subdivision no later than the fifteenth day of the [third]  
490 fourth month following the close of the partnership's taxable year a

491 record of the amount of the tax paid on behalf of such partner by the  
492 partnership with respect to the taxable year.

493 (B) (i) If income from one or more pass-through entities, as defined  
494 in subparagraph (D) of this subdivision, is the only source of income  
495 derived from or connected with Connecticut sources of a partner, or  
496 the partner and his or her spouse if a joint federal income tax return is  
497 or shall be made, the filing by the partnership of an annual return  
498 pursuant to section 12-726, as amended by this act, and the payment  
499 by the partnership on behalf of the partner of the tax prescribed under  
500 subparagraph (A) of this subdivision shall satisfy the filing and  
501 payment requirements otherwise separately imposed on the partner by  
502 this chapter. The commissioner may make any deficiency assessment  
503 against, at the commissioner's sole discretion, either the partnership or  
504 the partner, provided any such assessment against the partner shall be  
505 limited to the partner's share thereof. Except as otherwise provided in  
506 section 12-733 of the 2006 supplement to the general statutes, any such  
507 assessment shall be made not later than three years after the  
508 partnership's annual return pursuant to section 12-726, as amended by  
509 this act, is filed. The commissioner may refund or credit any  
510 overpayment to either the partnership or the partner, in the  
511 commissioner's sole discretion. Except as otherwise provided in  
512 section 12-732, any such overpayment shall be refunded or credited  
513 not later than three years from the due date of the partnership's annual  
514 return pursuant to section 12-726, as amended by this act, or, if the  
515 time for filing such return was extended, not later than three years  
516 from the date on which such return is filed or the extended due date of  
517 such return, whichever is earlier.

518 (ii) If income from one or more pass-through entities, as defined in  
519 subparagraph (D) of this subdivision, is not the only source of income  
520 derived from or connected with Connecticut sources of a partner, or  
521 the partner and his or her spouse if a joint federal income tax return is  
522 or shall be made, nothing in this subdivision shall be construed as  
523 excusing the partner from the obligation to file his or her own separate

524 tax return under this chapter. In such event, the partner shall receive  
525 credit for the income tax paid under this subdivision by the  
526 partnership on his or her behalf. The commissioner may make any  
527 deficiency assessment that is related to the partner's share of  
528 partnership items against either, in the commissioner's sole discretion,  
529 the partnership or the partner. If the commissioner chooses to make  
530 any deficiency assessment against the partnership, then, except as  
531 otherwise provided in said section 12-733, any such assessment shall  
532 be made not later than three years after the partnership's annual return  
533 pursuant to section 12-726, as amended by this act, is filed. The  
534 commissioner may refund or credit any overpayment that is related to  
535 the partner's share of partnership items to either, in the commissioner's  
536 sole discretion, the partnership or the partner. If the commissioner  
537 chooses to refund or credit any overpayment to the partnership, then,  
538 except as otherwise provided in section 12-732, any such overpayment  
539 shall be refunded or credited not later than three years from the due  
540 date of the partnership's annual return pursuant to section 12-726, as  
541 amended by this act, or, if the time for filing such return was extended,  
542 not later than three years from the date on which such return is filed or  
543 the extended due date of such return, whichever is earlier.

544 [(B)] (C) Notwithstanding any provision of subparagraph (A) of this  
545 subdivision, a partnership shall not be required to make a payment on  
546 account of the income tax imposed on a partner for a taxable year  
547 pursuant to this chapter if [(i) the partner's distributive share of  
548 partnership income, to the extent derived from or connected with  
549 sources within this state, as reflected on the partnership's annual  
550 return for the taxable year under section 12-726, is less than one  
551 thousand dollars; (ii)] (i) the department has determined by regulation,  
552 ruling or instruction that the partner's income is not subject to the  
553 provisions of this subdivision; [(iii) the partner has elected to be  
554 included in a group return being filed by the partnership under  
555 subdivision (2) of this subsection; or (iv)] or (ii) the partnership is a  
556 publicly traded partnership, as defined in Section 7704(b) of the  
557 Internal Revenue Code, that is treated as a partnership for federal

558 income tax purposes and that has agreed to file the annual return  
559 pursuant to section 12-726, as amended by this act, and to report  
560 therewith the name, address, Social Security number or federal  
561 employer identification number, and other information required by the  
562 department concerning each unitholder whose distributive share of  
563 partnership income, to the extent derived from or connected with  
564 sources within this state, as reflected on such annual return, is more  
565 than five hundred dollars.

566 [(C)] (D) If a member of a pass-through entity, referred to in this  
567 subparagraph as an "upper-tier pass-through entity", is itself a pass-  
568 through entity, the member, referred to in this subparagraph as a  
569 "lower-tier pass-through entity", shall be subject to the same  
570 requirements to make payment, on behalf of its members, of the  
571 income tax imposed on those members pursuant to this chapter that  
572 apply to the upper-tier pass-through entity under this subdivision. The  
573 department shall apply the income tax paid by the upper-tier pass-  
574 through entity, on behalf of the lower-tier pass-through entity, to the  
575 income tax required to paid by the lower-tier pass-through entity, on  
576 behalf of its members. For purposes of this subdivision, "pass-through  
577 entity" means an S corporation, general partnership, limited  
578 partnership, limited liability partnership or limited liability company  
579 that is treated as a partnership for federal income tax purposes; and  
580 "member" means a shareholder of an S corporation, a partner in a  
581 general partnership, a limited partnership, or a limited liability  
582 partnership and a member of a limited liability company that is treated  
583 as a partnership for federal income tax purposes.

584 (c) (1) With respect to each of its nonresident shareholders, each S  
585 corporation doing business in this state or having income derived from  
586 or connected with sources within this state shall, for each taxable year,  
587 [either timely file with the commissioner a group return on behalf of its  
588 qualified electing nonresident shareholders, as provided in subdivision  
589 (2) of this subsection, or] make payment to the commissioner as  
590 provided in subdivision [(3)] (2) of this subsection.

591 [(2) (A) (i) An S corporation with two or more qualified electing  
592 nonresident shareholders for a taxable year may file a group return. A  
593 group return under this subdivision shall be considered a group of  
594 separate returns and shall satisfy the filing requirements otherwise  
595 separately imposed on each qualified electing nonresident shareholder  
596 included in the group return by this chapter.

597 (ii) Nothing in this subdivision shall be construed as precluding the  
598 commissioner, in his or her sole discretion, from requiring the filing of  
599 a separate tax return under this chapter by a qualified electing  
600 nonresident shareholder.

601 (iii) Nothing in this subdivision shall be construed as excusing a  
602 shareholder on whose behalf income tax has been paid under this  
603 subdivision by an S corporation from the obligation to file his or her  
604 own separate tax return under this chapter if the conditions  
605 enumerated in subparagraph (B) of this subdivision are not met by the  
606 shareholder. In such event, the shareholder shall receive credit for the  
607 income tax paid under this subdivision by the S corporation on his or  
608 her behalf, provided no overpayment attributable to such tax having  
609 been paid at the highest marginal tax rate in effect under section 12-700  
610 for the taxable year shall be refunded or credited to the shareholder.

611 (B) As used in this subsection, "qualified electing nonresident  
612 shareholder" means a shareholder who meets all of the following  
613 conditions: (i) The shareholder was a nonresident individual for the  
614 entire taxable year; (ii) the shareholder did not maintain a permanent  
615 place of abode in Connecticut at any time during the taxable year; (iii)  
616 the only source of income derived from or connected with Connecticut  
617 sources of the shareholder, or the shareholder and his or her spouse if  
618 a joint federal income tax return is or shall be made, is from one or  
619 more pass-through entities, as defined in subparagraph (C) of  
620 subdivision (3) of subsection (b) of this section; (iv) the shareholder  
621 waives the right to claim any Connecticut personal exemption under  
622 section 12-702 and any Connecticut personal credit under section 12-

623 703; (v) the shareholder does not have Connecticut alternative  
624 minimum tax liability under section 12-700a for the taxable year; (vi)  
625 the shareholder has the same taxable year as the other qualified  
626 electing nonresident shareholders; and (vii) the shareholder elects to be  
627 included in a group return by completing and delivering to the S  
628 corporation an election form prescribed by the commissioner for such  
629 purpose prior to the filing of the group return by the S corporation. By  
630 making such election, which shall be binding upon the shareholder's  
631 heirs, representatives, assigns, successors, executors and  
632 administrators, the shareholder expressly consents to personal  
633 jurisdiction in Connecticut for Connecticut income tax purposes and  
634 waives his or her right to request, on his or her own behalf or with  
635 others making such election, an extension of time to pay Connecticut  
636 income tax. A qualified electing nonresident shareholder may neither  
637 revoke an election after delivering to the S corporation an election form  
638 nor make an election after the fifteenth day of the fourth month  
639 following the close of such shareholder's taxable year. The election  
640 form shall be maintained on file by the S corporation and shall be  
641 subject to inspection by the department.

642 (C) An S corporation filing a group return on behalf of its qualified  
643 electing nonresident shareholders shall show the exact name and  
644 address of the S corporation as shown on its informational return  
645 under section 12-726, the taxable year of the S corporation and the  
646 taxable year of the qualified electing nonresident shareholders. A  
647 group return shall be signed by a shareholder having the authority to  
648 act as an agent for all qualified electing nonresident shareholders. The  
649 election form, as described in subparagraph (B) of this subdivision,  
650 shall constitute written evidence of such authority and of the election  
651 by the shareholder to be included in the group return. The due date of  
652 the group return is the fifteenth day of the fourth month following the  
653 close of the taxable year of the qualified electing nonresident  
654 shareholders. In addition, the S corporation shall include with the  
655 group return a schedule showing each qualified electing nonresident  
656 shareholder's name and address; Social Security number; pro rata

657 share of such S corporation's separately and nonseparately computed  
658 items, as described in Section 1366 of the Internal Revenue Code, to the  
659 extent derived from or connected with sources within this state, as  
660 determined under this chapter; pro rata share of any modification  
661 described in section 12-701 which relates to an item of such S  
662 corporation's income, gain, loss or deduction, to the extent derived  
663 from or connected with sources within this state, as determined under  
664 this chapter; income tax under this chapter, as computed by  
665 multiplying the shareholder's pro rata share of (i) such S corporation's  
666 separately and nonseparately computed items, as described in Section  
667 1366 of the Internal Revenue Code, to the extent derived from or  
668 connected with sources within this state, and (ii) any modification  
669 described in section 12-701 which relates to an item of such S  
670 corporation's income, gain, loss or deduction, to the extent derived  
671 from or connected with sources within this state, by the highest  
672 marginal tax rate in effect under section 12-700 for the taxable year;  
673 and estimated tax paid, if any, under section 12-722. As required by the  
674 commissioner, the S corporation as agent for the qualified electing  
675 nonresident shareholders shall make the payments of tax, estimated  
676 tax, additions to tax, interest and penalties otherwise required to be  
677 paid by such shareholders.]

678 [(3)] (2) (A) Any payment under this subdivision shall be in an  
679 amount equal to the highest marginal tax rate in effect under section  
680 12-700 for the taxable year multiplied by the subject shareholder's pro  
681 rata share of (i) such S corporation's separately and nonseparately  
682 computed items, as described in Section 1366 of the Internal Revenue  
683 Code, to the extent derived from or connected with sources within this  
684 state, as determined under this chapter, and (ii) any modification  
685 described in section 12-701, as amended, which relates to an item of  
686 such S corporation's income, gain, loss or deduction, to the extent  
687 derived from or connected with sources within this state, as  
688 determined under this chapter. Any amount paid by an S corporation  
689 to this state with respect to any taxable year pursuant to this  
690 subdivision shall be considered to be a payment by the shareholder on

691 account of the income tax imposed on the shareholder for such taxable  
692 year pursuant to this chapter. An S corporation shall not be liable to,  
693 and shall be entitled to recover a payment made pursuant to this  
694 subdivision from, the shareholder on whose behalf the payment was  
695 made. Any [estimated tax installment shall be made on or before the  
696 due date of such installment pursuant to section 12-722, and any other]  
697 payment for a taxable year shall be made at or before the date the  
698 annual return for such taxable year is required to be filed pursuant to  
699 section 12-726, as amended by this act. The S corporation shall furnish,  
700 on a form prescribed by the department, to each shareholder on whose  
701 behalf payment was made under this subdivision no later than the  
702 fifteenth day of the [third] fourth month following the close of the S  
703 corporation's taxable year a record of the amount of the tax paid on  
704 behalf of such shareholder by the S corporation with respect to the  
705 taxable year.

706 (B) (i) If income from one or more pass-through entities, as defined  
707 in subparagraph (D) of this subdivision, is the only source of income  
708 derived from or connected with Connecticut sources of a shareholder,  
709 or the shareholder and his or her spouse if a joint federal income tax  
710 return is or shall be made, the filing by the S corporation of an annual  
711 return pursuant to section 12-726, as amended by this act, and the  
712 payment by the S corporation on behalf of the shareholder of the tax  
713 prescribed under subparagraph (A) of this subdivision shall satisfy the  
714 filing and payment requirements otherwise separately imposed on the  
715 shareholder by this chapter. The commissioner may make any  
716 deficiency assessment against, at the commissioner's sole discretion,  
717 either the S corporation or the shareholder, provided any such  
718 assessment against the shareholder shall be limited to the  
719 shareholder's share thereof. Except as otherwise provided in section  
720 12-733 of the 2006 supplement to the general statutes, any such  
721 assessment shall be made not later than three years after the S  
722 corporation's annual return pursuant to section 12-726, as amended by  
723 this act, is filed. The commissioner may refund or credit any  
724 overpayment to either the S corporation or the shareholder, in the

725 commissioner's sole discretion. Except as otherwise provided in  
726 section 12-732, any such overpayment shall be refunded or credited  
727 not later than three years from the due date of the S corporation's  
728 annual return pursuant to section 12-726, as amended by this act, or, if  
729 the time for filing such return was extended, not later than three years  
730 from the date on which such return is filed or the extended due date of  
731 such return, whichever is earlier.

732 (ii) If income from one or more pass-through entities, as defined in  
733 subparagraph (D) of subdivision (2) of subsection (b) of this section, is  
734 not the only source of income derived from or connected with  
735 Connecticut sources of a shareholder, or the shareholder and his or her  
736 spouse if a joint federal income tax return is or shall be made, nothing  
737 in this subdivision shall be construed as excusing the shareholder from  
738 the obligation to file his or her own separate tax return under this  
739 chapter. In such event, the shareholder shall receive credit for the  
740 income tax paid under this subdivision by the S corporation on his or  
741 her behalf. The commissioner may make any deficiency assessment  
742 that is related to the shareholder's share of S corporation items against  
743 either, in the commissioner's sole discretion, the S corporation or the  
744 shareholder. If the commissioner chooses to make any deficiency  
745 assessment against the S corporation, then, except as otherwise  
746 provided in said section 12-733, any such assessment shall be made not  
747 later than three years after the S corporation's annual return pursuant  
748 to section 12-726, as amended by this act, is filed. The commissioner  
749 may refund or credit any overpayment that is related to the  
750 shareholder's share of S corporation items to either, in the  
751 commissioner's sole discretion, the S corporation or the shareholder. If  
752 the commissioner chooses to refund or credit any overpayment to the S  
753 corporation, then, except as otherwise provided in section 12-732, any  
754 such overpayment shall be refunded or credited not later than three  
755 years from the due date of the S corporation's annual return pursuant  
756 to section 12-726, as amended by this act, or, if the time for filing such  
757 return was extended, not later than three years from the date on which  
758 such return is filed or the extended due date of such return, whichever

759 is earlier.

760 [(B)] (C) Notwithstanding the provisions of subparagraph (A) of this  
761 subdivision, an S corporation shall not be required to make a payment  
762 on account of the income tax imposed on a shareholder for a taxable  
763 year pursuant to this chapter if [(i) the shareholder's distributive share  
764 of S corporation income, to the extent derived from or connected with  
765 sources within this state, as reflected on the S corporation's annual  
766 return for the taxable year under section 12-726, is less than one  
767 thousand dollars; (ii)] the department has determined by regulation,  
768 ruling or instruction that the shareholder's income is not subject to the  
769 provisions of this subdivision. [; or (iii) the shareholder has elected to  
770 be included in a group return being filed by the S corporation under  
771 subdivision (2) of this subsection.]

772 [(C)] (D) For purposes of this subdivision, the provisions of  
773 subparagraph [(C)] (D) of subdivision [(3)] (2) of subsection (b) of this  
774 section apply.

775 Sec. 15. Section 12-726 of the general statutes is repealed and the  
776 following is substituted in lieu thereof (*Effective from passage and*  
777 *applicable to taxable years commencing on or after January 1, 2006*):

778 (a) Each partnership having any income derived from or connected  
779 with sources within this state, determined in accordance with the  
780 provisions of this chapter, shall make a return for the taxable year  
781 setting forth all items of income, gain, loss and deduction, and the  
782 name, address and Social Security or federal employer identification  
783 number of each partner, whether or not a resident of this state, the  
784 amount of each partner's distributive share of (1) such partnership's  
785 separately and nonseparately computed items, as described in Section  
786 702(a) of the Internal Revenue Code, (2) any modification described in  
787 section 12-701, as amended, which relates to an item of such  
788 partnership's income, gain, loss or deduction, (3) such partnership's  
789 separately and nonseparately computed items, as described in Section  
790 702(a) of the Internal Revenue Code, to the extent derived from or

791 connected with sources within this state, as determined under this  
792 chapter, and (4) any modification described in section 12-701, as  
793 amended, which relates to an item of such partnership's income, gain,  
794 loss or deduction, to the extent derived from or connected with sources  
795 within this state, as determined under this chapter, and such other  
796 pertinent information as the Commissioner of Revenue Services may  
797 prescribe by regulations and instructions. Such return shall be filed on  
798 or before the fifteenth day of the fourth month following the close of  
799 each taxable year. The partnership shall, on or before the day on which  
800 such return is filed, furnish to each person who was a partner during  
801 the taxable year a copy of such information as shown on the return.  
802 [The partnership shall attach to its return a list showing the name and  
803 Social Security number of each partner included in a group return  
804 under subdivision (2) of subsection (b) of section 12-719 for the taxable  
805 year within or with which the taxable year of the partnership ends.]

806 (b) Each S corporation having any income derived from or  
807 connected with sources within this state, determined in accordance  
808 with the provisions of this chapter, shall make a return for the taxable  
809 year setting forth all items of income, gain, loss and deduction, and the  
810 name, address and Social Security or federal employer identification  
811 number of each shareholder, whether or not a resident of this state, the  
812 amount of each shareholder's pro rata share of (1) such S corporation's  
813 separately and nonseparately computed items, as described in Section  
814 1366 of the Internal Revenue Code, (2) any modification described in  
815 section 12-701, as amended, which relates to an item of such S  
816 corporation's income, gain, loss or deduction, (3) such S corporation's  
817 separately and nonseparately computed items, as described in Section  
818 1366 of the Internal Revenue Code, to the extent derived from or  
819 connected with sources within this state, as determined under this  
820 chapter, and (4) any modification described in section 12-701, as  
821 amended, which relates to an item of such S corporation's income,  
822 gain, loss or deduction, to the extent derived from or connected with  
823 sources within this state, as determined under this chapter, and such  
824 other pertinent information as the Commissioner of Revenue Services

825 may prescribe by regulations and instructions. Such return shall be  
 826 filed on or before the fifteenth day of the fourth month following the  
 827 close of each taxable year. The S corporation shall, on or before the day  
 828 on which such return is filed, furnish to each person who was a  
 829 shareholder during the taxable year a copy of such information as  
 830 shown on the return. [The S corporation shall attach to its return a list  
 831 showing the name and Social Security number of each shareholder  
 832 included in a group return under subdivision (2) of subsection (c) of  
 833 section 12-719 for the taxable year within or with which the taxable  
 834 year of the S corporation ends.]

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-35b
Sec. 2	<i>July 1, 2006</i>	12-285(a)(5)
Sec. 3	<i>July 1, 2006</i>	12-286(d) and (e)
Sec. 4	<i>July 1, 2006</i>	12-287
Sec. 5	<i>July 1, 2006</i>	12-330a
Sec. 6	<i>July 1, 2006</i>	12-330b
Sec. 7	<i>July 1, 2006</i>	12-330c(a)
Sec. 8	<i>July 1, 2006</i>	12-330d(b)(1)
Sec. 9	<i>from passage and applicable to taxes payable on or after said date</i>	12-392(a)(1)
Sec. 10	<i>from passage</i>	12-395
Sec. 11	<i>from passage and applicable to gifts made during calendar years commencing on or after January 1, 2006</i>	12-644
Sec. 12	<i>from passage and applicable to gifts made during calendar years commencing on or after January 1, 2006</i>	12-645

Sec. 13	<i>from passage and applicable to taxes due for calendar years commencing on or after January 1, 2005</i>	12-647
Sec. 14	<i>from passage and applicable to taxable years commencing on or after January 1, 2006</i>	12-719(b) and (c)
Sec. 15	<i>from passage and applicable to taxable years commencing on or after January 1, 2006</i>	12-726

**Statement of Purpose:**

To (1) authorize the use of the commissioner's electronic signature on tax liens, (2) eliminate the requirement that every person selling tobacco products be licensed for tobacco products tax purposes and instead require only those persons who are selling tobacco products on which the tax has not previously been paid to be licensed, to ease administration for both the taxpayer and the department, (3) impose the same penalty for the estate tax as for the gift tax, (4) incorporate by reference the statutory section governing appeals to the gift and estate tax sections, (5) keep open the statute of limitations with respect to the gift tax for any gifts that have not been adequately disclosed, (6) provide for situations where the donor dies in the same year a gift is made, and to pay interest on overpayments of gift tax, and (7) eliminate estimated income tax payments and group returns for pass-through entities and make conforming changes.

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