



General Assembly

Substitute Bill No. 638

February Session, 2006

* SB00638FIN__040406__ *

AN ACT ENABLING THE DEPARTMENT OF REVENUE SERVICES TO PROCESS RETURNS MORE EFFICIENTLY AND PERMITTING THE PROVISION OF CERTAIN INFORMATION TO THE OFFICE OF FISCAL ANALYSIS.

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

1 Section 1. Subsection (c) of section 10-228b of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage and applicable to taxable years commencing on or after January 1,*
4 *2006*):

5 (c) Such applications may be submitted to the Commissioner of
6 Revenue Services on an ongoing basis. The commissioner shall review
7 each application and shall, not later than thirty days following its
8 receipt, approve or disapprove the application. The decision of the
9 commissioner to approve or disapprove an application pursuant to the
10 provisions of this section shall be in writing and, if the commissioner
11 approves the proposal, the commissioner shall state the maximum
12 credit allowable to the business firm. [A copy of the decision shall be
13 attached to the tax return of the business firm upon which the tax
14 credit granted pursuant to this section is claimed.]

15 Sec. 2. Subsection (j) of section 10-416 of the general statutes is
16 repealed and the following is substituted in lieu thereof (*Effective from*
17 *passage and applicable to taxable years commencing on or after January 1,*

18 2006):

19 (j) The Commissioner of Revenue Services shall grant a tax credit to
20 a taxpayer holding the tax credit voucher issued under subsections (e)
21 to (i), inclusive, of this section against any tax due under chapter 207,
22 208, 209, 210, 211 or 212 in the amount specified in the tax credit
23 voucher. [Such taxpayer shall submit the voucher and the
24 corresponding tax return to the Department of Revenue Services.] The
25 commission shall provide a copy of the voucher to the Commissioner
26 of Revenue Services upon the request of said commissioner.

27 Sec. 3. Subsection (a) of section 12-7b of the general statutes is
28 repealed and the following is substituted in lieu thereof (*Effective July*
29 *1, 2006*):

30 (a) The Commissioner of Revenue Services shall, annually on or
31 before the thirty-first day of December, submit to the legislative Office
32 of Fiscal Analysis a report concerning certain state tax data, applicable
33 with respect to the state fiscal year ending on the thirtieth day of June
34 immediately preceding, as follows: [(a)]

35 (1) Sales and use tax data, including [(1)] (A) gross receipts subject
36 to sales tax, stated separately in relation to sales of [(A)] (i) any tangible
37 personal property, [(B)] (ii) the leasing or rental of tangible personal
38 property, and [(C)] (iii) the rendering of any services subject to said
39 tax, [(2)] (B) total revenue loss related to each of the separate
40 provisions for exemption under chapter 219, and [(3)] (C) total amount
41 of tax collected with respect to each of the industrial classifications
42 included in the Standard Industrial Classification Code in current use
43 for purposes of certain statistical data by the Commissioner of
44 Revenue Services; [(b) corporation]

45 (2) Corporation business tax data, including [(1)] (A) total net
46 income and total net income apportioned to Connecticut for the most
47 current income years with respect to which final data is available at the
48 time of each such report, [(2)] (B) amount of depreciation not allowed
49 as a deduction in determining net income for purposes of said tax, [(3)]

50 (C) operating loss carry-overs, [(4)] (D) credits and refunds, separately
51 stated, for overpayments of taxes due in prior years and to be
52 applicable to the most current income years with respect to which final
53 data is available at the time of each such report, [(5)] (E) number of
54 accounts and total corporation tax attributable to determination in
55 accordance with [(A)] (i) net income tax base, [(B)] and (ii) the
56 minimum tax base provisions under section 12-219, as amended, [and
57 (C) S corporation filings and (6)] and (F) total corporation tax
58 attributable to each of the industrial classifications included in the
59 Standard Industrial Classification Code in current use for purposes of
60 certain statistical data by the Commissioner of Revenue Services; [(c)
61 succession and transfer]

62 (3) Estate and gift tax data, including [(1)] total taxes collected and
63 the number of taxpayers, [under each of the classes of beneficiaries as
64 described in section 12-344 and (2) the total value of the net taxable
65 estates with respect to each of said classes of beneficiaries; (d)
66 personal] separately stated with respect to the estate tax and the gift
67 tax;

68 (4) Personal income tax data, including [(1)] (A) all components of
69 and adjustments to federal gross income, federal adjusted gross
70 income and federal taxable income, separately stated, of Connecticut
71 taxpayers, sorted into ten-thousand-dollar increments of federal
72 adjusted gross income up to and including one hundred thousand
73 dollars, into twenty-five-thousand-dollar increments of federal
74 adjusted gross income from over one hundred thousand dollars up to
75 and including two hundred thousand dollars and into one increment
76 over two hundred thousand dollars of federal adjusted gross income,
77 as derived from federal income tax returns, and [(2)] (B) all
78 components of and adjustments to Connecticut adjusted gross income
79 and Connecticut taxable income, separately stated, of Connecticut
80 taxpayers, sorted into ten-thousand-dollar increments of Connecticut
81 adjusted gross income up to and including one hundred thousand
82 dollars, into twenty-five-thousand-dollar increments of Connecticut
83 adjusted gross income from over one hundred thousand dollars up to

84 and including two hundred thousand dollars and into one increment
85 over two hundred thousand dollars of Connecticut adjusted gross
86 income, as derived from state personal income tax returns; [(e)
87 admissions, cabaret]

88 (5) Admissions and dues tax data, including the number of
89 taxpayers and the total amount of tax collected, stated separately with
90 respect to each of the taxes imposed under chapter 225; [(f) real]

91 (6) Real estate conveyance tax data, including [(1)] (A) the number
92 of taxable transfers and the total amount of revenue, and [(2)] (B) the
93 amount of revenue attributable to categories of purchase price for such
94 transfers of real estate, as follows: [(A)] (i) Under thirty thousand
95 dollars, [(B)] (ii) brackets of ten thousand dollars each from thirty
96 thousand dollars up to two hundred thousand dollars, and [(C)] (iii)
97 two hundred thousand dollars and over; [(g) data] and

98 (7) Data applicable to any state tax not included in subdivisions [(a)
99 to (f)] (1) to (6), inclusive, of this [section] subsection, including totals
100 applicable to each such tax for [(1)] (A) number of taxpayers, [(2)] (B)
101 payments in accordance with applicable penalty provisions for
102 delinquency, and [(3)] (C) taxes collected which became due in the
103 preceding fiscal year.

104 Sec. 4. Subsection (f) of section 12-7b of the general statutes is
105 repealed and the following is substituted in lieu thereof (*Effective July*
106 *1, 2006*):

107 (f) (1) The Office of Fiscal Analysis shall not make known in any
108 manner any information obtained from any such report or inventory,
109 or any information obtained pursuant to subdivision (2) of this
110 subsection, which would allow the identification of any taxpayer or of
111 the amount or source of income, profits, losses, expenditures or any
112 particulars thereof set forth or disclosed in any return, statement or
113 report required to be filed with or submitted to the commissioner
114 which is discernible from such report or inventory, except as provided
115 in this subsection. The Office of Fiscal Analysis may disclose such

116 information to (A) other state officers and employees when required in
117 the course of duty, or (B) to any person under a contractual obligation
118 to provide services for purposes of revenue estimating and forecasting
119 to said office, but only to the extent necessary in connection with the
120 providing of such services for purposes of revenue estimating and
121 forecasting. No such officer or employee, and no such person under a
122 contractual obligation to provide services for purposes of revenue
123 estimating and forecasting to the Office of Fiscal Analysis, shall make
124 known any such information to any other person except as provided in
125 this subsection. Any person who violates any provision of this
126 subsection shall be fined not more than one thousand dollars or
127 imprisoned not more than one year or both.

128 (2) The Commissioner of Revenue Services shall, upon request by
129 the Office of Fiscal Analysis, provide return information, as defined in
130 subdivision (2) of subsection (h) of section 12-15, to said office,
131 provided names, addresses, and account and registration numbers
132 shall first have been redacted from such return information by the
133 Commissioner of Revenue Services.

134 Sec. 5. Subsection (b) of section 12-15 of the 2006 supplement to the
135 general statutes is repealed and the following is substituted in lieu
136 thereof (*Effective July 1, 2006*):

137 (b) The commissioner may disclose (1) returns or return information
138 to (A) an authorized representative of another state agency or office,
139 upon written request by the head of such agency or office, when
140 required in the course of duty or when there is reasonable cause to
141 believe that any state law is being violated, or (B) an authorized
142 representative of an agency or office of the United States, upon written
143 request by the head of such agency or office, when required in the
144 course of duty or when there is reasonable cause to believe that any
145 federal law is being violated, provided no such agency or office shall
146 disclose such returns or return information, other than in a judicial or
147 administrative proceeding to which such agency or office is a party
148 pertaining to the enforcement of state or federal law, as the case may

149 be, in a form which can be associated with, or otherwise identify,
150 directly or indirectly, a particular taxpayer except that the names and
151 addresses of jurors or potential jurors and the fact that the names were
152 derived from the list of taxpayers pursuant to chapter 884 may be
153 disclosed by the judicial branch; (2) returns or return information to
154 the Auditors of Public Accounts, when required in the course of duty
155 under chapter 23; (3) returns or return information to tax officers of
156 another state or of a Canadian province or of a political subdivision of
157 such other state or province or of the District of Columbia or to any
158 officer of the United States Treasury Department or the United States
159 Department of Health and Human Services, authorized for such
160 purpose in accordance with an agreement between this state and such
161 other state, province, political subdivision, the District of Columbia or
162 department, respectively, when required in the administration of taxes
163 imposed under the laws of such other state, province, political
164 subdivision, the District of Columbia or the United States, respectively,
165 and when a reciprocal arrangement exists; (4) returns or return
166 information in any action, case or proceeding in any court of
167 competent jurisdiction, when the commissioner or any other state
168 department or agency is a party, and when such information is directly
169 involved in such action, case or proceeding; (5) returns or return
170 information to a taxpayer or its authorized representative, upon
171 written request for a return filed by or return information on such
172 taxpayer; (6) returns or return information to a successor, receiver,
173 trustee, executor, administrator, assignee, guardian or guarantor of a
174 taxpayer, when such person establishes, to the satisfaction of the
175 commissioner, that such person has a material interest which will be
176 affected by information contained in such returns or return
177 information; (7) information to the assessor or an authorized
178 representative of the chief executive officer of a Connecticut
179 municipality, when the information disclosed is limited to (A) a list of
180 real or personal property that is or may be subject to property taxes in
181 such municipality, or (B) a list containing the name of each person who
182 is issued any license, permit or certificate which is required, under the
183 provisions of this title, to be conspicuously displayed and whose

184 address is in such municipality; (8) real estate conveyance tax return
185 information or controlling interest transfer tax return information to
186 the town clerk or an authorized representative of the chief executive
187 officer of a Connecticut municipality to which the information relates;
188 (9) estate tax returns and estate tax return information to the Probate
189 Court Administrator or to the court of probate for the district within
190 which a decedent resided at the date of the decedent's death, or within
191 which the commissioner contends that a decedent resided at the date
192 of the decedent's death or, if a decedent died a nonresident of this
193 state, in the court of probate for the district within which real estate or
194 tangible personal property of the decedent is situated, or within which
195 the commissioner contends that real estate or tangible personal
196 property of the decedent is situated; (10) returns or return information
197 to the (A) Secretary of the Office of Policy and Management for
198 purposes of subsection (b) of section 12-7a, and (B) Office of Fiscal
199 Analysis for purposes of, and subject to the provisions of, subdivision
200 (2) of subsection (f) of section 12-7b, as amended by this act; (11) return
201 information to the Jury Administrator, when the information disclosed
202 is limited to the names, addresses, federal Social Security numbers and
203 dates of birth, if available, of residents of this state, as defined in
204 subdivision (1) of subsection (a) of section 12-701, as amended; (12)
205 pursuant to regulations adopted by the commissioner, returns or
206 return information to any person to the extent necessary in connection
207 with the processing, storage, transmission or reproduction of such
208 returns or return information, and the programming, maintenance,
209 repair, testing or procurement of equipment, or the providing of other
210 services, for purposes of tax administration; (13) without written
211 request and unless the commissioner determines that disclosure would
212 identify a confidential informant or seriously impair a civil or criminal
213 tax investigation, returns and return information which may constitute
214 evidence of a violation of any civil or criminal law of this state or the
215 United States to the extent necessary to apprise the head of such
216 agency or office charged with the responsibility of enforcing such law,
217 in which event the head of such agency or office may disclose such
218 return information to officers and employees of such agency or office

219 to the extent necessary to enforce such law; (14) names and addresses
220 of operators, as defined in section 12-407, as amended, to tourism
221 districts, as defined in section 10-397; (15) names of each licensed
222 dealer, as defined in section 12-285, and the location of the premises
223 covered by the dealer's license; (16) to a tobacco product manufacturer
224 that places funds into escrow pursuant to the provisions of subsection
225 (a) of section 4-28i, return information of a distributor licensed under
226 the provisions of chapter 214 or chapter 214a, provided the
227 information disclosed is limited to information relating to such
228 manufacturer's sales to consumers within this state, whether directly
229 or through a distributor, dealer or similar intermediary or
230 intermediaries, of cigarettes, as defined in section 4-28h, and further
231 provided there is reasonable cause to believe that such manufacturer is
232 not in compliance with section 4-28i; (17) returns, which shall not
233 include a copy of the return filed with the commissioner, or return
234 information for purposes of section 12-217z, as amended; and (18)
235 returns or return information to the State Elections Enforcement
236 Commission, upon written request by said commission, when
237 necessary to investigate suspected violations of state election laws.

238 Sec. 6. Subsections (b) and (c) of section 12-719 of the general
239 statutes are repealed and the following is substituted in lieu thereof
240 (*Effective from passage and applicable to taxable years commencing on or after*
241 *January 1, 2006*):

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

248 [(2) (A) (i) A partnership with two or more qualified electing
249 nonresident partners for a taxable year may file a group return. A
250 group return under this subdivision shall be considered a group of
251 separate returns and shall satisfy the filing requirements otherwise

252 separately imposed on each qualified electing nonresident partner
253 included in the group return by this chapter.

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

258 (iii) Nothing in this subdivision shall be construed as excusing a
259 partner on whose behalf income tax has been paid under this
260 subdivision by a partnership from the obligation to file his or her own
261 separate tax return under this chapter if the conditions enumerated in
262 subparagraph (B) of this subdivision are not met by such partner. In
263 such event, such partner shall receive credit for the income tax paid
264 under this subdivision by the partnership on his or her behalf,
265 provided no overpayment attributable to such tax having been paid at
266 the highest marginal tax rate in effect under section 12-700 for the
267 taxable year shall be refunded or credited to the partner.

268 (B) As used in this subsection, a "qualified electing nonresident
269 partner" means a partner who meets all of the following conditions: (i)
270 The partner was a nonresident individual for the entire taxable year;
271 (ii) the partner did not maintain a permanent place of abode in
272 Connecticut at any time during the taxable year; (iii) the only source of
273 income derived from or connected with Connecticut sources of the
274 partner, or the partner and his or her spouse if a joint federal income
275 tax return is or shall be made, is from one or more pass-through
276 entities, as defined in subparagraph (C) of subdivision (3) of this
277 subsection; (iv) the partner waives the right to claim any Connecticut
278 personal exemption under section 12-702 and any Connecticut
279 personal credit under section 12-703; (v) the partner does not have
280 Connecticut alternative minimum tax liability under section 12-700a
281 for the taxable year; (vi) the partner has the same taxable year as the
282 other qualified electing nonresident partners; and (vii) the partner
283 elects to be included in a group return by completing and delivering to
284 the partnership a form prescribed by the commissioner for such

285 purpose prior to the filing of the group return by the partnership. By
286 making such election, which shall be binding upon the partner's heirs,
287 representatives, assigns, successors, executors and administrators, the
288 partner expressly consents to personal jurisdiction in Connecticut for
289 Connecticut income tax purposes and waives his or her right to
290 request, on his or her own behalf or with others making such election,
291 an extension of time to pay Connecticut income tax. A qualified
292 electing nonresident partner may neither revoke an election after
293 delivering to the partnership an election form nor make an election
294 after the fifteenth day of the fourth month following the close of such
295 partner's taxable year. The election form shall be maintained on file by
296 the partnership and shall be subject to inspection by the department.

297 (C) A partnership filing a group return on behalf of its qualified
298 electing nonresident partners shall show the exact name and address
299 of the partnership as shown on its informational return under section
300 12-726, the taxable year of the partnership and the taxable year of the
301 qualified electing nonresident partners. A group return shall be signed
302 by a partner having the authority to act as an agent for all qualified
303 electing nonresident partners. The election form, as described in
304 subparagraph (B) of this subdivision, shall constitute written evidence
305 of such authority and of the election by the partner to be included in
306 the group return. The due date of the group return is the fifteenth day
307 of the fourth month following the close of the taxable year of the
308 qualified electing nonresident partners. In addition, the partnership
309 shall include with the group return a schedule showing each qualified
310 electing nonresident partner's name and address; Social Security
311 number; distributive share of such partnership's separately and
312 nonseparately computed items, as described in Section 702(a) of the
313 Internal Revenue Code, to the extent derived from or connected with
314 sources within this state, as determined under this chapter; distributive
315 share of any modification described in section 12-701 which relates to
316 an item of such partnership's income, gain, loss or deduction, to the
317 extent derived from or connected with sources within this state, as
318 determined under this chapter; income tax under this chapter, as

319 computed by multiplying the partner's distributive share of (i) such
320 partnership's separately and nonseparately computed items, as
321 described in Section 702(a) of the Internal Revenue Code, to the extent
322 derived from or connected with sources within this state, and (ii) any
323 modification described in section 12-701 which relates to an item of
324 such partnership's income, gain, loss or deduction, to the extent
325 derived from or connected with sources within this state, by the
326 highest marginal tax rate in effect under section 12-700 for the taxable
327 year; and estimated tax paid, if any, under section 12-722. As required
328 by the commissioner, the partnership as agent for the qualified electing
329 nonresident partners shall make the payments of tax, estimated tax,
330 additions to tax, interest and penalties otherwise required to be paid
331 by such partners.

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

337 [(3)] (2) (A) Any payment under this subdivision shall be in an
338 amount equal to the highest marginal tax rate in effect under section
339 12-700 for the taxable year multiplied by the subject partner's
340 distributive share of (i) such partnership's separately and
341 nonseparately computed items, as described in Section 702(a) of the
342 Internal Revenue Code, to the extent derived from or connected with
343 sources within this state, as determined under this chapter, and (ii) any
344 modification described in section 12-701, as amended, which relates to
345 an item of such partnership's income, gain, loss or deduction, to the
346 extent derived from or connected with sources within this state, as
347 determined under this chapter. Any amount paid by a partnership to
348 this state with respect to any taxable year pursuant to this subdivision
349 shall be considered to be a payment by the partner on account of the
350 income tax imposed on the partner for such taxable year pursuant to
351 this chapter. A partnership shall not be liable to, and shall be entitled
352 to recover a payment made pursuant to this subdivision from, the

353 partner on whose behalf the payment was made. Any [estimated tax
354 installment shall be made on or before the due date of such installment
355 pursuant to section 12-722, and any other] payment for a taxable year
356 shall be made on or before the date the annual return for such taxable
357 year is required to be filed pursuant to section 12-726, as amended by
358 this act. The partnership shall furnish, on a form prescribed by the
359 commissioner, to each partner on whose behalf payment was made
360 under this subdivision no later than the fifteenth day of the [third]
361 fourth month following the close of the partnership's taxable year a
362 record of the amount of the tax paid on behalf of such partner by the
363 partnership with respect to the taxable year.

364 (B) (i) If income from one or more pass-through entities, as defined
365 in subparagraph (D) of this subdivision, is the only source of income
366 derived from or connected with Connecticut sources of a partner, or
367 the partner and his or her spouse if a joint federal income tax return is
368 or shall be made, the filing by the partnership of an annual return
369 pursuant to section 12-726, as amended by this act, and the payment
370 by the partnership on behalf of the partner of the tax prescribed under
371 subparagraph (A) of this subdivision shall satisfy the filing and
372 payment requirements otherwise separately imposed on the partner by
373 this chapter. The commissioner may make any deficiency assessment
374 against, at the commissioner's sole discretion, either the partnership or
375 the partner, provided any such assessment against the partner shall be
376 limited to the partner's share thereof. Except as otherwise provided in
377 section 12-733 of the 2006 supplement to the general statutes, any such
378 assessment shall be made not later than three years after the
379 partnership's annual return pursuant to section 12-726, as amended by
380 this act, is filed. The commissioner may refund or credit any
381 overpayment to either the partnership or the partner, in the
382 commissioner's sole discretion. Except as otherwise provided in
383 section 12-732, any such overpayment shall be refunded or credited
384 not later than three years from the due date of the partnership's annual
385 return pursuant to section 12-726, as amended by this act, or, if the
386 time for filing such return was extended, not later than three years

387 from the date on which such return is filed or the extended due date of
388 such return, whichever is earlier.

389 (ii) If income from one or more pass-through entities, as defined in
390 subparagraph (D) of this subdivision, is not the only source of income
391 derived from or connected with Connecticut sources of a partner, or
392 the partner and his or her spouse if a joint federal income tax return is
393 or shall be made, nothing in this subdivision shall be construed as
394 excusing the partner from the obligation to file his or her own separate
395 tax return under this chapter. In such event, the partner shall receive
396 credit for the income tax paid under this subdivision by the
397 partnership on his or her behalf. The commissioner may make any
398 deficiency assessment that is related to the partner's share of
399 partnership items against either, in the commissioner's sole discretion,
400 the partnership or the partner. If the commissioner chooses to make
401 any deficiency assessment against the partnership, then, except as
402 otherwise provided in section 12-733 of the 2006 supplement to the
403 general statutes, any such assessment shall be made not later than
404 three years after the partnership's annual return pursuant to section
405 12-726, as amended by this act, is filed. The commissioner may refund
406 or credit any overpayment that is related to the partner's share of
407 partnership items to either, in the commissioner's sole discretion, the
408 partnership or the partner. If the commissioner chooses to refund or
409 credit any overpayment to the partnership, then, except as otherwise
410 provided in section 12-732, any such overpayment shall be refunded or
411 credited not later than three years from the due date of the
412 partnership's annual return pursuant to section 12-726, as amended by
413 this act, or, if the time for filing such return was extended, not later
414 than three years from the date on which such return is filed or the
415 extended due date of such return, whichever is earlier.

416 [(B)] (C) Notwithstanding any provision of subparagraph (A) of this
417 subdivision, a partnership shall not be required to make a payment on
418 account of the income tax imposed on a partner for a taxable year
419 pursuant to this chapter if (i) the partner's distributive share of
420 partnership income, to the extent derived from or connected with

421 sources within this state, as reflected on the partnership's annual
422 return for the taxable year under section 12-726, as amended by this
423 act, is less than one thousand dollars; (ii) the department has
424 determined by regulation, ruling or instruction that the partner's
425 income is not subject to the provisions of this subdivision; [(iii) the
426 partner has elected to be included in a group return being filed by the
427 partnership under subdivision (2) of this subsection; or (iv)] or (iii) the
428 partnership is a publicly traded partnership, as defined in Section
429 7704(b) of the Internal Revenue Code, that is treated as a partnership
430 for federal income tax purposes and that has agreed to file the annual
431 return pursuant to section 12-726, as amended by this act, and to report
432 therewith the name, address, Social Security number or federal
433 employer identification number, and other information required by the
434 department concerning each unitholder whose distributive share of
435 partnership income, to the extent derived from or connected with
436 sources within this state, as reflected on such annual return, is more
437 than five hundred dollars.

438 [(C)] (D) If a member of a pass-through entity, referred to in this
439 subparagraph as an "upper-tier pass-through entity", is itself a pass-
440 through entity, the member, referred to in this subparagraph as a
441 "lower-tier pass-through entity", shall be subject to the same
442 requirements to make payment, on behalf of its members, of the
443 income tax imposed on those members pursuant to this chapter that
444 apply to the upper-tier pass-through entity under this subdivision. The
445 department shall apply the income tax paid by the upper-tier pass-
446 through entity, on behalf of the lower-tier pass-through entity, to the
447 income tax required to paid by the lower-tier pass-through entity, on
448 behalf of its members. For purposes of this subdivision, "pass-through
449 entity" means an S corporation, general partnership, limited
450 partnership, limited liability partnership or limited liability company
451 that is treated as a partnership for federal income tax purposes; and
452 "member" means a shareholder of an S corporation, a partner in a
453 general partnership, a limited partnership, or a limited liability
454 partnership and a member of a limited liability company that is treated

455 as a partnership for federal income tax purposes.

456 (E) For purposes of section 12-740, a nonresident individual who is a
457 member of a pass-through entity, as defined in subparagraph (D) of
458 this subdivision, shall not be required to file an income tax return
459 under this chapter for a taxable year if, for such taxable year, the only
460 source of income derived from or connected with Connecticut sources
461 of such member, or the member and his or her spouse if a joint federal
462 income tax return is or shall be made, is from one or more pass-
463 through entities, and the sum of such income derived from or
464 connected with Connecticut sources from such one or more pass-
465 through entities is less than one thousand dollars.

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

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

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

483 (iii) Nothing in this subdivision shall be construed as excusing a
484 shareholder on whose behalf income tax has been paid under this
485 subdivision by an S corporation from the obligation to file his or her
486 own separate tax return under this chapter if the conditions

487 enumerated in subparagraph (B) of this subdivision are not met by the
488 shareholder. In such event, the shareholder shall receive credit for the
489 income tax paid under this subdivision by the S corporation on his or
490 her behalf, provided no overpayment attributable to such tax having
491 been paid at the highest marginal tax rate in effect under section 12-700
492 for the taxable year shall be refunded or credited to the shareholder.

493 (B) As used in this subsection, "qualified electing nonresident
494 shareholder" means a shareholder who meets all of the following
495 conditions: (i) The shareholder was a nonresident individual for the
496 entire taxable year; (ii) the shareholder did not maintain a permanent
497 place of abode in Connecticut at any time during the taxable year; (iii)
498 the only source of income derived from or connected with Connecticut
499 sources of the shareholder, or the shareholder and his or her spouse if
500 a joint federal income tax return is or shall be made, is from one or
501 more pass-through entities, as defined in subparagraph (C) of
502 subdivision (3) of subsection (b) of this section; (iv) the shareholder
503 waives the right to claim any Connecticut personal exemption under
504 section 12-702 and any Connecticut personal credit under section 12-
505 703; (v) the shareholder does not have Connecticut alternative
506 minimum tax liability under section 12-700a for the taxable year; (vi)
507 the shareholder has the same taxable year as the other qualified
508 electing nonresident shareholders; and (vii) the shareholder elects to be
509 included in a group return by completing and delivering to the S
510 corporation an election form prescribed by the commissioner for such
511 purpose prior to the filing of the group return by the S corporation. By
512 making such election, which shall be binding upon the shareholder's
513 heirs, representatives, assigns, successors, executors and
514 administrators, the shareholder expressly consents to personal
515 jurisdiction in Connecticut for Connecticut income tax purposes and
516 waives his or her right to request, on his or her own behalf or with
517 others making such election, an extension of time to pay Connecticut
518 income tax. A qualified electing nonresident shareholder may neither
519 revoke an election after delivering to the S corporation an election form
520 nor make an election after the fifteenth day of the fourth month

521 following the close of such shareholder's taxable year. The election
522 form shall be maintained on file by the S corporation and shall be
523 subject to inspection by the department.

524 (C) An S corporation filing a group return on behalf of its qualified
525 electing nonresident shareholders shall show the exact name and
526 address of the S corporation as shown on its informational return
527 under section 12-726, the taxable year of the S corporation and the
528 taxable year of the qualified electing nonresident shareholders. A
529 group return shall be signed by a shareholder having the authority to
530 act as an agent for all qualified electing nonresident shareholders. The
531 election form, as described in subparagraph (B) of this subdivision,
532 shall constitute written evidence of such authority and of the election
533 by the shareholder to be included in the group return. The due date of
534 the group return is the fifteenth day of the fourth month following the
535 close of the taxable year of the qualified electing nonresident
536 shareholders. In addition, the S corporation shall include with the
537 group return a schedule showing each qualified electing nonresident
538 shareholder's name and address; Social Security number; pro rata
539 share of such S corporation's separately and nonseparately computed
540 items, as described in Section 1366 of the Internal Revenue Code, to the
541 extent derived from or connected with sources within this state, as
542 determined under this chapter; pro rata share of any modification
543 described in section 12-701 which relates to an item of such S
544 corporation's income, gain, loss or deduction, to the extent derived
545 from or connected with sources within this state, as determined under
546 this chapter; income tax under this chapter, as computed by
547 multiplying the shareholder's pro rata share of (i) such S corporation's
548 separately and nonseparately computed items, as described in Section
549 1366 of the Internal Revenue Code, to the extent derived from or
550 connected with sources within this state, and (ii) any modification
551 described in section 12-701 which relates to an item of such S
552 corporation's income, gain, loss or deduction, to the extent derived
553 from or connected with sources within this state, by the highest
554 marginal tax rate in effect under section 12-700 for the taxable year;

555 and estimated tax paid, if any, under section 12-722. As required by the
556 commissioner, the S corporation as agent for the qualified electing
557 nonresident shareholders shall make the payments of tax, estimated
558 tax, additions to tax, interest and penalties otherwise required to be
559 paid by such shareholders.]

560 [(3)] (2) (A) Any payment under this subdivision shall be in an
561 amount equal to the highest marginal tax rate in effect under section
562 12-700 for the taxable year multiplied by the subject shareholder's pro
563 rata share of (i) such S corporation's separately and nonseparately
564 computed items, as described in Section 1366 of the Internal Revenue
565 Code, to the extent derived from or connected with sources within this
566 state, as determined under this chapter, and (ii) any modification
567 described in section 12-701, as amended, which relates to an item of
568 such S corporation's income, gain, loss or deduction, to the extent
569 derived from or connected with sources within this state, as
570 determined under this chapter. Any amount paid by an S corporation
571 to this state with respect to any taxable year pursuant to this
572 subdivision shall be considered to be a payment by the shareholder on
573 account of the income tax imposed on the shareholder for such taxable
574 year pursuant to this chapter. An S corporation shall not be liable to,
575 and shall be entitled to recover a payment made pursuant to this
576 subdivision from, the shareholder on whose behalf the payment was
577 made. Any [estimated tax installment shall be made on or before the
578 due date of such installment pursuant to section 12-722, and any other]
579 payment for a taxable year shall be made at or before the date the
580 annual return for such taxable year is required to be filed pursuant to
581 section 12-726, as amended by this act. The S corporation shall furnish,
582 on a form prescribed by the department, to each shareholder on whose
583 behalf payment was made under this subdivision no later than the
584 fifteenth day of the [third] fourth month following the close of the S
585 corporation's taxable year a record of the amount of the tax paid on
586 behalf of such shareholder by the S corporation with respect to the
587 taxable year.

588 (B) (i) If income from one or more pass-through entities, as defined

589 in subparagraph (D) of this subdivision, is the only source of income
590 derived from or connected with Connecticut sources of a shareholder,
591 or the shareholder and his or her spouse if a joint federal income tax
592 return is or shall be made, the filing by the S corporation of an annual
593 return pursuant to section 12-726, as amended by this act, and the
594 payment by the S corporation on behalf of the shareholder of the tax
595 prescribed under subparagraph (A) of this subdivision shall satisfy the
596 filing and payment requirements otherwise separately imposed on the
597 shareholder by this chapter. The commissioner may make any
598 deficiency assessment against, at the commissioner's sole discretion,
599 either the S corporation or the shareholder, provided any such
600 assessment against the shareholder shall be limited to the
601 shareholder's share thereof. Except as otherwise provided in section
602 12-733 of the 2006 supplement to the general statutes, any such
603 assessment shall be made not later than three years after the S
604 corporation's annual return pursuant to section 12-726, as amended by
605 this act, is filed. The commissioner may refund or credit any
606 overpayment to either the S corporation or the shareholder, in the
607 commissioner's sole discretion. Except as otherwise provided in
608 section 12-732, any such overpayment shall be refunded or credited
609 not later than three years from the due date of the S corporation's
610 annual return pursuant to section 12-726, as amended by this act, or, if
611 the time for filing such return was extended, not later than three years
612 from the date on which such return is filed or the extended due date of
613 such return, whichever is earlier.

614 (ii) If income from one or more pass-through entities, as defined in
615 subparagraph (D) of subdivision (2) of subsection (b) of this section, is
616 not the only source of income derived from or connected with
617 Connecticut sources of a shareholder, or the shareholder and his or her
618 spouse if a joint federal income tax return is or shall be made, nothing
619 in this subdivision shall be construed as excusing the shareholder from
620 the obligation to file his or her own separate tax return under this
621 chapter. In such event, the shareholder shall receive credit for the
622 income tax paid under this subdivision by the S corporation on his or

623 her behalf. The commissioner may make any deficiency assessment
624 that is related to the shareholder's share of S corporation items against
625 either, in the commissioner's sole discretion, the S corporation or the
626 shareholder. If the commissioner chooses to make any deficiency
627 assessment against the S corporation, then, except as otherwise
628 provided in section 12-733 of the 2006 supplement to the general
629 statutes, any such assessment shall be made not later than three years
630 after the S corporation's annual return pursuant to section 12-726, as
631 amended by this act, is filed. The commissioner may refund or credit
632 any overpayment that is related to the shareholder's share of S
633 corporation items to either, in the commissioner's sole discretion, the S
634 corporation or the shareholder. If the commissioner chooses to refund
635 or credit any overpayment to the S corporation, then, except as
636 otherwise provided in section 12-732, any such overpayment shall be
637 refunded or credited not later than three years from the due date of the
638 S corporation's annual return pursuant to section 12-726, as amended
639 by this act, or, if the time for filing such return was extended, not later
640 than three years from the date on which such return is filed or the
641 extended due date of such return, whichever is earlier.

642 [(B)] (C) Notwithstanding the provisions of subparagraph (A) of this
643 subdivision, an S corporation shall not be required to make a payment
644 on account of the income tax imposed on a shareholder for a taxable
645 year pursuant to this chapter if (i) the shareholder's distributive share
646 of S corporation income, to the extent derived from or connected with
647 sources within this state, as reflected on the S corporation's annual
648 return for the taxable year under section 12-726, is less than one
649 thousand dollars; or (ii) the department has determined by regulation,
650 ruling or instruction that the shareholder's income is not subject to the
651 provisions of this subdivision. [; or (iii) the shareholder has elected to
652 be included in a group return being filed by the S corporation under
653 subdivision (2) of this subsection.]

654 [(C)] (D) For purposes of this subdivision, the provisions of
655 [subparagraph (C)] subparagraphs (D) and (E) of subdivision [(3)] (2)
656 of subsection (b) of this section apply.

657 Sec. 7. Section 12-726 of the general statutes is repealed and the
658 following is substituted in lieu thereof (*Effective from passage and*
659 *applicable to taxable years commencing on or after January 1, 2006*):

660 (a) Each partnership having any income derived from or connected
661 with sources within this state, determined in accordance with the
662 provisions of this chapter, shall make a return for the taxable year
663 setting forth all items of income, gain, loss and deduction, and the
664 name, address and Social Security or federal employer identification
665 number of each partner, whether or not a resident of this state, the
666 amount of each partner's distributive share of (1) such partnership's
667 separately and nonseparately computed items, as described in Section
668 702(a) of the Internal Revenue Code, (2) any modification described in
669 section 12-701, as amended, which relates to an item of such
670 partnership's income, gain, loss or deduction, (3) such partnership's
671 separately and nonseparately computed items, as described in Section
672 702(a) of the Internal Revenue Code, to the extent derived from or
673 connected with sources within this state, as determined under this
674 chapter, and (4) any modification described in section 12-701, as
675 amended, which relates to an item of such partnership's income, gain,
676 loss or deduction, to the extent derived from or connected with sources
677 within this state, as determined under this chapter, and such other
678 pertinent information as the Commissioner of Revenue Services may
679 prescribe by regulations and instructions. Such return shall be filed on
680 or before the fifteenth day of the fourth month following the close of
681 each taxable year. The partnership shall, on or before the day on which
682 such return is filed, furnish to each person who was a partner during
683 the taxable year a copy of such information as shown on the return.
684 [The partnership shall attach to its return a list showing the name and
685 Social Security number of each partner included in a group return
686 under subdivision (2) of subsection (b) of section 12-719 for the taxable
687 year within or with which the taxable year of the partnership ends.]

688 (b) Each S corporation having any income derived from or
689 connected with sources within this state, determined in accordance
690 with the provisions of this chapter, shall make a return for the taxable

691 year setting forth all items of income, gain, loss and deduction, and the
692 name, address and Social Security or federal employer identification
693 number of each shareholder, whether or not a resident of this state, the
694 amount of each shareholder's pro rata share of (1) such S corporation's
695 separately and nonseparately computed items, as described in Section
696 1366 of the Internal Revenue Code, (2) any modification described in
697 section 12-701, as amended, which relates to an item of such S
698 corporation's income, gain, loss or deduction, (3) such S corporation's
699 separately and nonseparately computed items, as described in Section
700 1366 of the Internal Revenue Code, to the extent derived from or
701 connected with sources within this state, as determined under this
702 chapter, and (4) any modification described in section 12-701, as
703 amended, which relates to an item of such S corporation's income,
704 gain, loss or deduction, to the extent derived from or connected with
705 sources within this state, as determined under this chapter, and such
706 other pertinent information as the Commissioner of Revenue Services
707 may prescribe by regulations and instructions. Such return shall be
708 filed on or before the fifteenth day of the fourth month following the
709 close of each taxable year. The S corporation shall, on or before the day
710 on which such return is filed, furnish to each person who was a
711 shareholder during the taxable year a copy of such information as
712 shown on the return. [The S corporation shall attach to its return a list
713 showing the name and Social Security number of each shareholder
714 included in a group return under subdivision (2) of subsection (c) of
715 section 12-719 for the taxable year within or with which the taxable
716 year of the S corporation ends.]

717 Sec. 8. Subsection (f) of section 12-217e of the general statutes is
718 repealed and the following is substituted in lieu thereof (*Effective from*
719 *passage and applicable to income years commencing on or after January 1,*
720 *2006*):

721 (f) [Any taxpayer claiming the credit allowed by this section shall
722 submit to the Commissioner of Revenue Services a copy of the
723 applicable eligibility certificate with his tax return in each income year
724 for which a deduction is claimed.] The Commissioner of Economic and

725 Community Development shall, upon request, provide a copy of the
726 applicable eligibility certificate to the Commissioner of Revenue
727 Services.

728 Sec. 9. Subsections (e) and (f) of section 12-217n of the general
729 statutes are repealed and the following is substituted in lieu thereof
730 (*Effective from passage and applicable to income years commencing on or after*
731 *January 1, 2006*):

732 (e) In addition to the wage base test set forth in subsection (f) of this
733 section, any aerospace company or in the case of a combined return,
734 any combined group including an aerospace company, shall be subject
735 to this subsection for any income year commencing on or after January
736 1, 1993, and prior to January 1, 1996. For purposes of this subsection,
737 an aerospace company is any taxpayer, whether or not included in a
738 combined return, engaged principally in the aerospace industry whose
739 research and development expenses during each of the income years
740 beginning on or after January 1, 1990, 1991 and 1992, respectively,
741 exceeded two hundred million dollars. No aerospace company, or in
742 the case of a combined return, a combined group including an
743 aerospace company, shall be allowed any credit under this section for
744 any income year to which this subsection applies in which the
745 aggregate transfers by an aerospace company, if any, of historical
746 economic base functions outside of this state, other than to a location
747 outside the United States, since January 1, 1993, through the end of
748 such income year, have materially reduced the historical economic
749 base functions in this state. For purposes of this subsection, the
750 historical economic base functions shall be those economic base
751 functions conducted by an aerospace company, which need not be all
752 economic base functions of the aerospace company, in this state on
753 January 1, 1993, whose continuance in this state, as determined by the
754 commissioner in his discretion, will further the policies set forth in
755 section 32-221. Such historical economic base functions shall be set
756 forth in a binding memorandum of understanding between the
757 commissioner and an aerospace company that may be entered into at
758 any time prior to the expiration of the first income year to which this

759 subsection applies, with sufficient specificity to allow the
760 commissioner and the aerospace company to determine in all income
761 years subject to this subsection whether there has been such a
762 reduction in said historical economic base functions. As a prerequisite
763 to the allowance of any credit otherwise allowable under this section
764 for any income year to which this subsection applies, each aerospace
765 company shall obtain a certificate of eligibility issued by the
766 commissioner to the aerospace company for such income year. The
767 aerospace company shall [within] not later than sixty days [of] after the
768 close of each income year to which this subsection applies certify to the
769 commissioner that there has been no such aggregate material
770 reduction in the historical economic base functions in this state for the
771 income year just completed that otherwise has not been offset as
772 provided below. Within sixty days thereafter, the commissioner shall
773 review the certification and, if the commissioner determines that there
774 has been no such net aggregate material reduction in the historical
775 economic base functions in this state, the commissioner shall issue a
776 certificate of eligibility for said income year. The following shall not
777 constitute a material reduction in the historical economic base
778 functions in this state: (1) A reduction of not more than two per cent of
779 the historical economic base functions; (2) transfer of an historical
780 economic base function to a person in this state; (3) transfer of a
781 historical economic base function outside of the United States; or (4)
782 reductions in historical economic base functions attributable to
783 reductions in volume, productivity improvements or the
784 discontinuance of operations due to obsolescence or the like. Any
785 transfers that may otherwise be counted in determining if a material
786 reduction occurred may be offset to the extent economic base functions
787 listed in, or comparable to those listed in, the memorandum of
788 understanding are increased in this state, transferred into this state, or
789 established in this state. Any such increase, transfer or establishment
790 made during an income year, or subsequent to such income year but
791 prior to the filing of the return for such income year, shall be effective
792 for such income year and all income years thereafter. The
793 commissioner may issue or reissue a certificate of eligibility for the

794 applicable income year following any such offset. [The aerospace
795 company, or in the case of a combined return including an aerospace
796 company, the combined group, shall include its certificate of eligibility
797 and memorandum of understanding with its corporation business tax
798 return for any applicable income year. Information provided under
799 this subsection and subsection (f) of this section shall be treated as
800 provided in subsection (k) of section 32-11a.] The commissioner shall,
801 upon request, provide a copy of the certificate of eligibility and
802 memorandum of understanding to the Commissioner of Revenue
803 Services.

804 (f) The tentative credit allowable to the taxpayer, or in the case of a
805 combined return, the combined group, that pays or incurs research
806 and development expenses in excess of two hundred million dollars
807 for the income year shall be reduced for any income year in which the
808 workforce reductions, if any, exceed the percentages set forth below.
809 For purposes of this subsection, workforce reductions shall be
810 reductions of the historical Connecticut wage base of the taxpayer, or
811 in the case of a combined return, the combined group, as a result of the
812 transfer outside of this state, other than to a location outside the United
813 States, of work done by employees of the taxpayer, or in the case of a
814 combined return, the combined group. Such reduction in the tentative
815 credit shall be as follows: (1) If the historical Connecticut wage base for
816 the income year is so reduced by not more than two per cent, the
817 tentative credit allowable for the income year shall not be reduced; (2)
818 if the historical Connecticut wage base for the income year is so
819 reduced by more than two per cent but not more than three per cent,
820 the tentative credit allowable for the income year shall be reduced by
821 ten per cent; (3) if the historical Connecticut wage base for the income
822 year is so reduced by more than three per cent but not more than four
823 per cent, the tentative credit allowable for the income year shall be
824 reduced by twenty per cent; (4) if the historical Connecticut wage base
825 for the income year is so reduced by more than four per cent but not
826 more than five per cent, the tentative credit allowable for the income
827 year shall be reduced by forty per cent; (5) if the historical Connecticut

828 wage base for the income year is so reduced by more than five per cent
829 but not more than six per cent, the tentative credit allowable for the
830 income year shall be reduced by seventy per cent; and (6) if the
831 historical Connecticut wage base for the income year is so reduced by
832 more than six per cent, no credit for the income year shall be allowed.
833 The Connecticut wage base for any income year shall be the total
834 wages assigned to Connecticut for such income year under section 12-
835 218 excluding wages paid to the ten most highly-compensated
836 executives of the taxpayer, or in the case of a combined return, the
837 combined group, and any compensation that does not subject the
838 recipient thereof to federal income tax thereon in said income year. The
839 historical Connecticut wage base shall be the Connecticut wage base
840 for the third full income year immediately preceding the current
841 income year; provided the historical Connecticut wage base for the
842 first three income years commencing on or after January 1, 1993, shall
843 be the Connecticut wage base for May 1993, converted to an annual
844 basis. The following shall not constitute a workforce reduction for any
845 income year: (A) A reduction of wages attributable to the transfer of
846 work done by a taxpayer, or in the case of a combined return, by the
847 combined group, in this state to a party in this state; (B) a reduction of
848 wages attributable to the transfer of work done by a taxpayer, or in the
849 case of a combined return, by the combined group, outside the United
850 States; or (C) a reduction in wages attributable to reductions in
851 volume, productivity improvements or the discontinuance of
852 operations due to obsolescence or the like. Solely for purposes of
853 determining whether the allowable credit is to be reduced under this
854 subsection for any income year, the Connecticut wages attributable to
855 any new jobs or jobs moved into this state by the taxpayer, or in the
856 case of a combined return, the combined group, during such income
857 year or subsequent to such income year but prior to the filing of the
858 return for such income year shall be an offset to any workforce
859 reduction of a taxpayer, or in the case of a combined return, the
860 combined group, for said income year. A new job shall be a job that
861 did not exist in the business of a taxpayer, or in the case of a combined
862 return, a member of the combined group, in this state at the end of the

863 income year just completed. Notwithstanding subsection (g) of this
864 section, a taxpayer may elect for any income year to separately
865 compute its allowable tentative credit under this subsection for any
866 one or more business units that had gross revenues for such income
867 year in excess of one hundred million dollars. Any taxpayer subject to
868 this subsection shall [within] not later than sixty days [of] after the
869 close of each income year certify to the commissioner whether or not
870 there has been any workforce reduction for the income year just
871 completed, the amount thereof, and any offsets thereto as provided
872 above. [Within] Not later than sixty days thereafter, the commissioner
873 shall review the certification and, if the commissioner determines that
874 there has been no more than a six per cent workforce reduction, net of
875 any such offsets, the commissioner shall issue a certificate of eligibility
876 stating the amount of net workforce reduction so determined for said
877 income year, if any. The commissioner shall not issue a certificate of
878 eligibility for any income year in which the commissioner determines
879 that there has been more than a six per cent net workforce reduction.
880 [The taxpayer, or in the case of a combined return, the combined
881 group, shall file such a certificate of eligibility with any return on
882 which a credit subject to this subsection is claimed.] The commissioner
883 shall, upon request, provide a copy of the certificate of eligibility to the
884 Commissioner of Revenue Services.

885 Sec. 10. Subsection (d) of section 12-217p of the general statutes is
886 repealed and the following is substituted in lieu thereof (*Effective from*
887 *passage and applicable to taxable years commencing on or after January 1,*
888 *2006*):

889 (d) [Any business firm claiming the credit allowed by this section
890 shall submit documentation to the Commissioner of Revenue Services
891 that the revolving loan fund complies with written procedures for
892 revolving loan funds established by the Connecticut Housing Finance
893 Authority under subsection (c) of this section.] The Connecticut
894 Housing Finance Authority shall, upon request, provide written
895 confirmation to the Commissioner of Revenue Services that an
896 employer revolving loan fund complies with the written procedures

897 established pursuant to subsection (c) of this section.

898 Sec. 11. Subsection (d) of section 12-217t of the general statutes is
899 repealed and the following is substituted in lieu thereof (*Effective from*
900 *passage and applicable to income years commencing on or after January 1,*
901 *2006*):

902 (d) In the case of leased electronic data processing equipment, the
903 lessee, not the lessor, shall be entitled to claim the credit allowed
904 pursuant to this section if the lease by its terms or operation imposes
905 on the lessee the cost of the personal property taxes on such
906 equipment, provided the lessor and lessee may elect, in writing, that
907 the lessor may claim the credit provided by this section. [Such election
908 shall be attached to the tax return filed by the lessor on which such
909 credit is claimed.] The lessor shall provide a copy of such election to
910 the Commissioner of Revenue Services, upon the request of said
911 commissioner.

912 Sec. 12. Subsection (j) of section 12-217u of the general statutes is
913 repealed and the following is substituted in lieu thereof (*Effective from*
914 *passage and applicable to income years commencing on or after January 1,*
915 *2006*):

916 (j) [Any taxpayer claiming a credit allowed under this section shall
917 submit to the Commissioner of Revenue Services a copy of the
918 certificate of eligibility with its tax return for each income year for
919 which the credit is claimed.] The commissioner shall, upon request,
920 provide a copy of the certificate of eligibility to the Commissioner of
921 Revenue Services.

922 Sec. 13. Section 12-256 of the general statutes is repealed and the
923 following is substituted in lieu thereof (*Effective October 1, 2006, and*
924 *applicable to quarterly periods commencing on and after said date*):

925 [(a) Each person carrying on an express business on railroads, and
926 each person conducting a telegraph or cable business shall pay an
927 annual tax upon the gross earnings from (1) the routes in this state in

928 the case of any person carrying on such an express business, and (2)
929 the lines in this state in the case of any person conducting a telegraph
930 or cable business, provided in the case of a person conducting a
931 telegraph business the tax imposed under this section shall only be
932 applicable with respect to a person conducting such business, and the
933 services offered by such person, subject to tax under this section on
934 January 1, 1986. No deduction shall be allowed from such gross
935 earnings from operations for commissions, rebates or other payments,
936 except such refunds as arise from errors or overcharges. Each such
937 person shall, on or before April first, annually, render to the
938 Commissioner of Revenue Services a return signed by the treasurer, or
939 the person performing the duties of treasurer, or an authorized agent
940 or officer of the business or system operated by such person, on forms
941 prescribed or furnished by the commissioner specifying: The name and
942 location within this state of such business or system or, if it has no
943 location within this state, where such business or system is located; the
944 total amount of gross earnings subject to the tax imposed under this
945 section for the year ending the thirty-first day of December next
946 preceding or for each lesser period of consecutive time during such
947 year, each such year or period being in this chapter and chapter 212a
948 called a "tax year", in which business or operations were carried on in
949 this state; the total miles of railway routes which each of the persons
950 doing an express business was entitled to operate under contracts with
951 railroad companies and the number of miles of such railway routes
952 within this state on the first day and on the last day of the tax year; the
953 total miles of wires operated by each of the persons conducting a
954 telegraph or cable business and the total miles of such wires operated
955 within this state on the first day and on the last day of the tax year.]

956 [(b)] (a) For purposes of this [subsection] section, "quarterly period"
957 means a period of three calendar months commencing on the first day
958 of January, April, July or October and ending on the last day of March,
959 June, September or December, respectively.

960 (b) Each person operating a community antenna television system
961 under chapter 289 and each person operating a business that provides

962 one-way transmission to subscribers of video programming by satellite
963 shall pay a quarterly tax upon the gross earnings from (1) the lines,
964 facilities, apparatus and auxiliary equipment in this state used for
965 operating a community antenna television system, or (2) the
966 transmission to subscribers in this state of video programming by
967 satellite, as the case may be. No deduction shall be allowed from such
968 gross earnings for operations related to commissions, rebates or other
969 payments, except such refunds as arise from errors or overcharges. On
970 or before the last day of the month next succeeding each quarterly
971 period, each such person shall render to the commissioner a return on
972 forms prescribed or furnished by the commissioner, signed by the
973 person performing the duties of treasurer or an authorized agent or
974 officer of the system operated by such person, which return shall
975 include information regarding the name and location within this state
976 of such system and the total amount of gross earnings derived from
977 such operations and such other facts as the commissioner may require
978 for the purpose of making any computation required by this chapter.
979 [This section shall not affect returns and taxes due on April 1, 2003,
980 under the provisions of this section prior to February 28, 2003. For any
981 tax due for the period September 1, 2003, to January 1, 2004, in the case
982 of any person operating a business that provides one-way transmission
983 to subscribers of video programming by satellite, said period shall be
984 treated as a quarterly period for purposes of this subsection.]

985 Sec. 14. Section 12-258 of the general statutes is repealed and the
986 following is substituted in lieu thereof (*Effective October 1, 2006, and*
987 *applicable to quarterly periods commencing on and after said date*):

988 (a) Each person included in section 12-256, as amended by this act,
989 shall be taxed upon the amount of the gross earnings in each [tax year
990 or quarterly period, as the case may be, from the lines, routes, or]
991 quarterly period from the lines, facilities, apparatus and auxiliary
992 equipment operated by it in this state, or from the transmission of
993 video programming by satellite to this state, as the case may be, at the
994 rates provided in this section.

995 **(b)** Gross earnings for any [tax year or] quarterly period, for the
996 purposes of assessment and taxation, shall be as follows: In the case of
997 a person carrying on the business wholly within the limits of this state,
998 the entire amount of the gross earnings subject to the tax imposed
999 under section 12-256, as amended by this act; in the case of a person
1000 also carrying on the business outside of this state, a portion of the
1001 entire amount of the gross earnings subject to the tax imposed under
1002 section 12-256, as amended by this act, apportioned to this state as
1003 follows: [In the case of a person carrying on an express business on
1004 railroads, such portion of the gross earnings of such person from the
1005 railway routes operated by it as is represented by the ratio of the total
1006 number of miles of railway routes in this state which such person was
1007 entitled to operate under contracts with railroad companies on the first
1008 day and on the last day of such tax year to the total number of miles of
1009 such railway routes within and without this state on said dates; in the
1010 case of a person conducting telegraph or cable business, such portion
1011 of the total gross earnings from the lines operated by it as is
1012 represented by the ratio of the total number of miles of wires operated
1013 by such person within this state on the first day and on the last day of
1014 such tax year to the total number of miles of wires operated by such
1015 person both within and without this state on said dates; in] (1) In the
1016 case of a person operating a community antenna television system,
1017 such portion of the total gross earnings from the lines, facilities,
1018 apparatus and auxiliary equipment operated by it as is represented by
1019 the total number of miles of lines operated by such person within this
1020 state on the first day and on the last day of such quarterly period to the
1021 total number of miles of lines operated by such person both within and
1022 without the state on said dates; and (2) in the case of a person
1023 operating a business that provides one-way transmission to
1024 subscribers of video programming by satellite, such portion of the total
1025 gross earnings from the transmission to subscribers in this state as is
1026 represented by the total number of subscribers served by such person
1027 within this state on the first day and on the last day of such quarterly
1028 period to the total number of subscribers served by such person both
1029 within and without the state on said dates.

1030 (c) The rates of tax on the gross earnings as determined in this
1031 section shall be as follows: (1) Persons [carrying on an express
1032 business, two per cent of such gross earnings; (2) persons conducting a
1033 telegraph or cable business, four and one-half per cent of such gross
1034 earnings; (3) persons] operating a community antenna television
1035 system, [and persons operating a business that provides one-way
1036 transmission to subscribers of video programming by satellite,] five
1037 per cent of such gross earnings, reduced by any assessments made
1038 pursuant to section 16-49 which are attributable to the year in which
1039 such tax is assessed; and (2) persons operating a business that provides
1040 one-way transmission to subscribers of video programming by
1041 satellite, five per cent of such gross earnings.

1042 Sec. 15. Section 12-284b of the general statutes is repealed and the
1043 following is substituted in lieu thereof (*Effective from passage*):

1044 (a) As used in this section:

1045 (1) "S corporation" means any corporation which is an S corporation
1046 for federal income tax purposes and which is [required to file an
1047 annual report with the Secretary of the State as provided in section 33-
1048 617] either (A) a domestic S corporation, or (B) a foreign S corporation
1049 that is required to obtain a certificate of authority from the Secretary of
1050 the State before transacting business in this state, whether or not it has
1051 obtained such a certificate;

1052 (2) ["limited liability company" or "LLC"] "Limited liability
1053 company" means any limited liability company which is, for federal
1054 income tax purposes, either treated as a partnership, if it has two or
1055 more members, or disregarded as an entity separate from its owner, if
1056 it has a single member, and which is [required to file an annual report
1057 with the Secretary of the State as provided in section 34-112] either (A)
1058 a domestic limited liability company, or (B) a foreign limited liability
1059 company that is required to register with the Secretary of the State
1060 before transacting business in this state, whether or not it has so
1061 registered;

1062 (3) ["limited liability partnership" or "LLP"] "Limited liability
1063 partnership" means any limited liability partnership which is [required
1064 to file an annual report with the Secretary of the State as provided in
1065 section 34-413] either (A) a domestic limited liability partnership, or (B)
1066 a foreign limited liability partnership that is required to file a
1067 certificate of authority with the Secretary of the State before transacting
1068 business in this state, whether or not it has filed such certificate;

1069 (4) ["limited partnership" or "LP"] "Limited partnership" means any
1070 limited partnership which is [required to file an annual report with the
1071 Secretary of the State as provided in section 34-38n] either (A) a
1072 domestic limited partnership, or (B) a foreign limited partnership that
1073 is required under chapter 610 to register with the Secretary of the State
1074 before transacting business in this state, whether or not it has so
1075 registered; [and]

1076 (5) ["taxable year"] "Taxable year" means taxable year, for federal
1077 income tax purposes;

1078 (6) "Affected business entity" means any S corporation, limited
1079 liability company, limited liability partnership or limited partnership;

1080 (7) "Domestic S corporation", "domestic limited liability company",
1081 "domestic limited liability partnership" or "domestic limited
1082 partnership" means any such corporation, company or partnership that
1083 is formed under the laws of this state; and

1084 (8) "Foreign S corporation", "foreign limited liability company",
1085 "foreign limited liability partnership" or "foreign limited partnership"
1086 means any such corporation, company or partnership that is not a
1087 domestic corporation, company or partnership.

1088 (b) Each limited liability company, limited liability partnership,
1089 limited partnership and S corporation shall be liable for the tax
1090 imposed by this section for each taxable year or portion thereof that
1091 such company, partnership or corporation is an affected business
1092 entity. Each affected business entity shall annually, on or before the

1093 fifteenth day of the fourth month following the close of its taxable year,
1094 pay to the Commissioner of Revenue Services a tax in the amount of
1095 two hundred fifty dollars. [With respect to taxable years commencing
1096 on or after January 1, 2003, and prior to January 1, 2004, any company
1097 subject to the tax imposed in accordance with this subsection shall pay,
1098 for each such taxable year, an additional tax in an amount equal to
1099 twenty per cent of the tax imposed under this subsection for such
1100 taxable year. The additional amount of tax for the taxable year
1101 commencing on or after January 1, 2003, shall constitute a part of the
1102 tax imposed by the provisions of this subsection and shall become due
1103 and be paid, collected and enforced as provided by in this section.]

1104 (c) Upon failure of any [such limited liability company, limited
1105 liability partnership, limited partnership or S corporation] affected
1106 business entity to pay the tax due under this section within thirty days
1107 of the due date, the provisions of section 12-35 shall apply with respect
1108 to the enforcement of this section and the collection of such tax. The
1109 warrant therein provided for shall be signed by the commissioner or
1110 an authorized agent of the commissioner. The amount of any such tax,
1111 penalty and interest shall be a lien, from the thirty-first day of
1112 December next preceding the due date of such tax until discharged by
1113 payment, against all real estate of the taxpayer within the state, and a
1114 certificate of such lien signed by the commissioner may be filed for
1115 record in the office of the clerk of any town in which such real estate is
1116 situated, provided no such lien shall be effective as against any bona
1117 fide purchaser or qualified encumbrancer of any interest in any such
1118 property. When any tax with respect to which a lien has been recorded
1119 under the provisions of this section has been satisfied, the
1120 commissioner, upon request of any interested party, shall issue a
1121 certificate discharging such lien, which certificate shall be recorded in
1122 the same office in which the lien was recorded. Any action for the
1123 foreclosure of such lien shall be brought by the Attorney General in the
1124 name of the state in the superior court for the judicial district in which
1125 the property subject to such lien is situated, or, if such property is
1126 located in two or more judicial districts, in the superior court for any

1127 one such judicial district, and the court may limit the time for
1128 redemption or order the sale of such property or make such other or
1129 further decree as it judges equitable.

1130 (d) If any [limited liability company, limited liability partnership,
1131 limited partnership or S corporation] affected business entity fails to
1132 pay the amount of tax reported to be due on such entity's return
1133 within the time specified under the provisions of this section, there
1134 shall be imposed a penalty of fifty dollars, which penalty shall be
1135 payable to, and recoverable by, the commissioner in the same manner
1136 as the tax imposed under this section. Subject to the provisions of
1137 section 12-3a, the commissioner may waive all or part of the penalties
1138 provided under this section when it is proven to the commissioner's
1139 satisfaction that the failure to pay any tax was due to reasonable cause
1140 and was not intentional or due to neglect.

1141 (e) If any tax is not paid when due as provided in this section, there
1142 shall be added to the amount of the tax interest at the rate of one per
1143 cent per month or fraction thereof from the date the tax became due
1144 until it is paid.

1145 (f) If the commissioner is satisfied beyond a reasonable doubt that
1146 the failure to file a return or to pay the tax was due to reasonable cause
1147 and was not intentional or due to neglect, the commissioner may abate
1148 or remit the whole or any part of any penalty under this section.

1149 (g) The provisions of sections 12-548 to 12-554, inclusive, and section
1150 12-555a shall apply to the provisions of this section in the same manner
1151 and with the same force and effect as if the language of said sections
1152 12-548 to 12-554, inclusive, and section 12-555a had been incorporated
1153 in full into this section and had expressly referred to the tax under this
1154 section, except to the extent that any such provision is inconsistent
1155 with a provision of this section.

1156 Sec. 16. Subdivision (2) of subsection (b) of section 12-392 of the 2006
1157 supplement to the general statutes is repealed and the following is
1158 substituted in lieu thereof (*Effective from passage*):

1159 (2) Any tax return or other document, including any amended tax
1160 return [or affidavit] under section 12-398, as amended, that is required
1161 to be filed under this chapter shall be filed, and shall be treated as
1162 filed, only if filed with both the Commissioner of Revenue Services
1163 and the court of probate for the district within which the decedent
1164 resided at the date of his death or, if the decedent died a nonresident of
1165 this state, in the court of probate for the district within which real
1166 estate or tangible personal property of the decedent is situated. The
1167 return shall contain a statement, to be signed under penalty of false
1168 statement by the person who is required to make and file the return
1169 under this chapter, that the return has been filed with both the
1170 Commissioner of Revenue Services and said court of probate.

1171 Sec. 17. Subdivision (6) of subsection (b) of section 12-392 of the 2006
1172 supplement to the general statutes is repealed and the following is
1173 substituted in lieu thereof (*Effective from passage*):

1174 (6) The commissioner shall provide notice of any (A) deficiency
1175 assessment with respect to the payment of any tax under this chapter,
1176 (B) assessment with respect to any failure to make and file a return
1177 under this chapter by a person required to file, and (C) tax return or
1178 other document, including any amended tax return [or affidavit] under
1179 section 12-398, as amended, that is required to be filed under this
1180 chapter to the court of probate for the district within which the
1181 commissioner contends that the decedent resided at the date of his
1182 death or, if the decedent died a nonresident of this state, to the court of
1183 probate for the district within which the commissioner contends that
1184 real estate or tangible personal property of the decedent is situated.

1185 Sec. 18. Subsection (f) of section 12-436 of the 2006 supplement to
1186 the general statutes is repealed and the following is substituted in lieu
1187 thereof (*Effective from passage*):

1188 (f) Any distributor shipping any alcoholic beverages into any
1189 military reservation located within the territorial boundaries of this
1190 state shall, [file with the commissioner a duplicate] upon request by

1191 the commissioner, provide such commissioner with a copy of the
1192 invoice showing the quantities of alcoholic beverages shipped and the
1193 classification thereof within the provisions of this chapter.

1194 Sec. 19. Section 12-437 of the general statutes is repealed and the
1195 following is substituted in lieu thereof (*Effective October 1, 2006, and*
1196 *applicable to returns for calendar months commencing on or after said date*):

1197 Each distributor shall, on or before the last day of each month, file
1198 with the Commissioner of Revenue Services a return [under oath], on
1199 forms to be prescribed and furnished by [him] such commissioner and
1200 signed under penalty of false statement by its treasurer or an
1201 authorized agent or officer, showing, for the preceding calendar month
1202 or any portion thereof during which [he] such taxpayer was a
1203 distributor: (1) The total number of gallons of each kind of alcoholic
1204 beverage set forth in section 12-435 constituting the inventory of the
1205 distributor at the beginning of such calendar month or portion thereof;
1206 (2) the total number of gallons of each kind of such alcoholic beverage
1207 purchased by the distributor during such calendar month or portion
1208 thereof; (3) the total number of gallons of each kind of alcoholic
1209 beverage set forth in section 12-435 constituting the inventory of the
1210 distributor at the end of such calendar month or portion thereof; (4) the
1211 total number of gallons of alcoholic beverages disposed of by the
1212 distributor during such calendar month or portion thereof; (5) the total
1213 number of gallons of each kind of such alcoholic beverage sold by the
1214 distributor during such calendar month or portion thereof to another
1215 licensed distributor; (6) the total number of gallons of each kind of
1216 such alcoholic beverage sold by the distributor during such calendar
1217 month, or portion thereof, which, in the course of the sale, was
1218 transported outside of the state; (7) the amount of the tax payable for
1219 such calendar month or portion thereof, as provided in this chapter;
1220 and (8) such additional information as the commissioner requires for
1221 the proper administration of this chapter. The Commissioner of
1222 Revenue Services shall also prescribe and furnish a different type of
1223 form, to be used by brewers and manufacturers, on which returns shall
1224 be made to the Commissioner of Revenue Services on or before the last

1225 day of each month for the preceding calendar month or any portion
1226 thereof during which the taxpayer is engaged in business as a brewer
1227 or manufacturer.

1228 Sec. 20. Section 12-636 of the general statutes is repealed and the
1229 following is substituted in lieu thereof (*Effective from passage*):

1230 The decision of the Commissioner of Revenue Services to approve
1231 or disapprove a proposal pursuant to the provisions of section 12-632
1232 shall be in writing, and, if [he] said commissioner approves the
1233 proposal, [he] said commissioner shall state the maximum credit
1234 allowable to the business firm. [A copy of such decision shall be
1235 attached to the tax return of the business firm upon which the tax
1236 credit granted pursuant to this chapter is claimed.]

1237 Sec. 21. Subsection (k) of section 32-9t of the 2006 supplement to the
1238 general statutes is repealed and the following is substituted in lieu
1239 thereof (*Effective from passage*):

1240 (k) [Each taxpayer claiming the credit allowed under this section
1241 shall submit to the Commissioner of Revenue Services a copy of the
1242 eligibility certificate issued under subsection (h) of this section with its
1243 tax return for each taxable year for which a credit is claimed.] The
1244 commissioner shall, upon request, provide a copy of the eligibility
1245 certificate issued under subsection (h) of this section to the
1246 Commissioner of Revenue Services.

1247 Sec. 22. Subsection (h) of section 38a-88a of the general statutes is
1248 repealed and the following is substituted in lieu thereof (*Effective from*
1249 *passage*):

1250 (h) [Each taxpayer claiming the credit allowed under this section
1251 shall submit to the Commissioner of Revenue Services a copy of the
1252 eligibility certificate and the certification required under subsection (g)
1253 of this section with its tax return for each taxable year for which a
1254 credit is claimed.] The commissioner shall, upon request, provide a
1255 copy of the eligibility certificate and the certification required under

1256 subsection (g) of this section to the Commissioner of Revenue Services.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2006</i>	10-228b(c)
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2006</i>	10-416(j)
Sec. 3	<i>July 1, 2006</i>	12-7b(a)
Sec. 4	<i>July 1, 2006</i>	12-7b(f)
Sec. 5	<i>July 1, 2006</i>	12-15(b)
Sec. 6	<i>from passage and applicable to taxable years commencing on or after January 1, 2006</i>	12-719(b) and (c)
Sec. 7	<i>from passage and applicable to taxable years commencing on or after January 1, 2006</i>	12-726
Sec. 8	<i>from passage and applicable to income years commencing on or after January 1, 2006</i>	12-217e(f)
Sec. 9	<i>from passage and applicable to income years commencing on or after January 1, 2006</i>	12-217n(e) and (f)
Sec. 10	<i>from passage and applicable to taxable years commencing on or after January 1, 2006</i>	12-217p(d)
Sec. 11	<i>from passage and applicable to income years commencing on or after January 1, 2006</i>	12-217t(d)

Sec. 12	<i>from passage and applicable to income years commencing on or after January 1, 2006</i>	12-217u(j)
Sec. 13	<i>October 1, 2006, and applicable to quarterly periods commencing on and after said date</i>	12-256
Sec. 14	<i>October 1, 2006, and applicable to quarterly periods commencing on and after said date</i>	12-258
Sec. 15	<i>from passage</i>	12-284b
Sec. 16	<i>from passage</i>	12-392(b)(2)
Sec. 17	<i>from passage</i>	12-392(b)(6)
Sec. 18	<i>from passage</i>	12-436(f)
Sec. 19	<i>October 1, 2006, and applicable to returns for calendar months commencing on or after said date</i>	12-437
Sec. 20	<i>from passage</i>	12-636
Sec. 21	<i>from passage</i>	32-9t(k)
Sec. 22	<i>from passage</i>	38a-88a(h)

FIN *Joint Favorable Subst.*