



General Assembly

January Session, 2007

Raised Bill No. 7385

LCO No. 5592

05592_____FIN

Referred to Committee on Finance, Revenue and Bonding

Introduced by:
(FIN)

**AN ACT CONCERNING SCHOOL CONSTRUCTION BOND MATURITY,
AND THE DEDUCTIBILITY OF PREMIUMS PAID ON OUT-OF-STATE
BONDS.**

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

1 Section 1. Section 7-380c of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2007*):

3 (a) Notwithstanding the provisions of sections 7-234, 7-236, 7-263
4 and 7-371 or any other public or special act or charter or ordinance or
5 resolution which limits or imposes conditions on the final maturity of,
6 or the due date of the last sinking fund payment for, bonds issued by
7 any municipality, as defined in section 7-369, for the purpose of
8 acquisition or construction of all or any part of a sewerage system, as
9 those terms are defined in section 7-245, or for the acquisition,
10 construction, extension, enlargement or maintenance of a municipal
11 water supply system or the extension of water mains, the last
12 installment of any series of such bonds shall mature, or the last sinking
13 fund payment for such series of bonds shall be due, not later than forty
14 years from the date of issue of such series, provided that such bonds
15 are issued in conjunction with a water or waste facility loan from the

16 United States Department of Agriculture pursuant to Subtitle A of the
17 Consolidated Farm and Rural Development Act, Title III of P.L. 87-128
18 (7 USC 1922 et seq.) or Section 2322 of the Food, Agriculture,
19 Conservation, and Trade Act of 1990, Title XXIII of P.L. 101-624 (7 USC
20 1926-1) as from time to time amended, and any regulations
21 promulgated thereunder.

22 (b) Notwithstanding the provisions of section 7-371, or any other
23 public or special act or charter or ordinance or resolution which limits
24 or imposes conditions on the final maturity of, or the due date of the
25 last sinking fund payment for, bonds issued by any municipality for a
26 school building project, the last installment of any series of such bonds
27 shall mature, or the last sinking fund payment for such series of bonds
28 shall be due, not later than thirty years from the date of issue of such
29 series. For purposes of this subsection, "school building project" means
30 the construction, purchase, extension, replacement, renovation or
31 major alteration of a building to be used for public school purposes,
32 including the equipping and furnishing of such construction,
33 purchase, extension, replacement, renovation or major alteration, the
34 improvement of land therefor the improvement of the site of an
35 existing building for public school purposes or the purchase cost of a
36 site for public school purposes. "School building project" does not
37 include the purchase of equipment or the minor alteration or
38 improvement of a building, land or site to be used for public school
39 purposes, unless such purchase, minor renovation, alteration or
40 improvement is in conjunction with a project that otherwise qualifies
41 as a school building project.

42 Sec. 2. Section 7-378a of the general statutes is repealed and the
43 following is substituted in lieu thereof (*Effective July 1, 2007*):

44 Notwithstanding the provisions of sections 7-264 and 7-378, and any
45 other public or special act or charter which limits the renewal of
46 temporary notes issued in anticipation of the receipt of the proceeds of
47 bond issues to two years or any lesser period of time from the date of

48 the original notes, any municipality, as defined in section 7-369, may
49 renew any temporary notes for a period of not more than eight years
50 from the date of the original issue of such temporary notes if the
51 municipality promptly applies all project grant payments toward
52 project costs or toward payment of such temporary notes as the same
53 shall become due and payable or deposits such grants in trust for such
54 purposes and if the legislative body of such municipality (1) authorizes
55 the inclusion in the annual budget for each year or otherwise
56 appropriates sufficient sums, from funds other than project grants or
57 note proceeds, to retire notes equal to at least one-twentieth of the
58 town's estimated net cost of the project no later than three years from
59 the date of the original issue of such temporary notes and again for
60 each subsequent year during which such temporary notes remain
61 outstanding; (2) reduces the principal amount of each bond issue when
62 sold by the amount spent under subdivision (1) of this section, and
63 provides for the payment or amortization of the principal of such
64 bonds in annual installments commencing no later than nine years
65 from the date of original issue of the temporary notes being
66 permanently financed by such bonds; (3) reduces the maximum
67 authorized term of the bonds when sold by not less than the number of
68 months by which the date of issue exceeds two years from the date of
69 the original notes. For sewer projects or school building projects, as
70 defined in section 7-380c, as amended by this act, the annual payments
71 required under said subdivision (1) shall be at least one-thirtieth of the
72 town's estimated net cost of [the] such sewer or school building
73 project. Any federal or state grants which are to be paid over a period
74 of years to reimburse the municipality for a portion of principal due on
75 bonds or notes may be used in computing the municipality's net cost of
76 the project. That portion of the proceeds of the issue of any such
77 temporary notes being issued as part of a common sale, which portion
78 is not used to refund outstanding temporary notes, shall be deemed a
79 separate loan and be considered to have a separate original issue date.
80 Each such portion of any such temporary notes may be renewed in
81 accordance with the provisions of this section.

82 Sec. 3. Subsection (a) of section 10-56 of the general statutes is
83 repealed and the following is substituted in lieu thereof (*Effective July*
84 *1, 2007*):

85 (a) A regional school district shall be a body politic and corporate
86 with power to sue and be sued; to purchase, receive, hold and convey
87 real and personal property for school purposes; and to build, equip,
88 purchase, rent, maintain or expand schools. Such district may issue
89 bonds, notes or other obligations in the name and upon the full faith
90 and credit of such district and the member towns to acquire land,
91 prepare sites, purchase or erect buildings and equip the same for
92 school purposes, if so authorized by referendum. Such referendum
93 shall be conducted in accordance with the procedure provided in
94 section 10-47c except that any person entitled to vote under section 7-6
95 may vote and the question shall be determined by the majority of those
96 persons voting in the regional school district as a whole. The exercise
97 of any or all of the powers set forth in this section shall not be
98 construed to be an amendment of a regional plan pursuant to said
99 section 10-47c. A regional board of education may expend any
100 premium in connection with such issue, interest on the proceeds of
101 such issue or unused portion of such issue to add to the land or
102 buildings erected or purchased and for the purchasing and installing
103 of equipment for the same. Such bonds, notes or other obligations shall
104 be issued as either serial or term bonds or both, in registered form or
105 with coupons attached, registrable as to principal and interest or as to
106 principal alone, shall be signed by the chairman and the treasurer of
107 the regional board of education and shall mature at such time or times,
108 or contain provisions for mandatory amortization of principal at such
109 time or times, be issued at such discount or bear interest at such rate or
110 rates payable at such time or times, or contain provisions for the
111 method or manner of determining such rate or rates or time or times at
112 which interest is payable, and contain such provisions for redemption
113 before maturity at the option of the issuer or at the option of the holder
114 thereof at such price or prices and under such terms and conditions as
115 shall be determined by such board, or by such officer or body to whom

116 the regional board of education delegates the authority to make such
117 determinations, provided that any serial bonds, notes or other
118 obligations shall be so arranged to mature in annual or semiannual
119 installments of principal that shall substantially equalize the aggregate
120 amount of principal and interest due in each annual period
121 commencing with the first annual period in which an installment of
122 principal is due or maturing in annual or semiannual installments of
123 principal no one of which shall exceed by more than fifty per cent the
124 amount of any prior installment, and any term bonds, notes or other
125 obligations, shall be issued with mandatory deposit of sinking fund
126 payments into a sinking fund of amounts sufficient to redeem or
127 amortize the principal of the bonds in annual or semiannual
128 installments that shall substantially equalize the aggregate amount of
129 principal redeemed or amortized and interest due in each annual
130 period commencing with the first annual period in which a mandatory
131 sinking fund payment becomes due, or sufficient to redeem or
132 amortize the principal of the bonds in annual or semiannual
133 installments no one of which shall exceed by more than fifty per cent
134 the amount of any installment. The first installment of any series of
135 bonds shall mature or the first sinking fund payment of any series of
136 bonds shall be due not later than three years from the date of issue of
137 such series and the last installment of such series shall mature or the
138 last sinking fund payment of such series shall be due not later than
139 [twenty] thirty years therefrom. Such bonds, notes or other obligations
140 when executed, issued and delivered, shall be general obligations of
141 such district and the member towns, according to their terms.

142 Sec. 4. Section 10-60a of the general statutes is repealed and the
143 following is substituted in lieu thereof (*Effective July 1, 2007*):

144 Any regional school district which has issued any bonds, notes or
145 other obligations pursuant to any general statute or special act may
146 issue refunding bonds for the purpose of paying, funding or refunding
147 prior to maturity all or any part of such district's bonds, notes or other
148 obligations, the redemption premium, if any, with respect thereto, the

149 interest thereon, the costs with respect to the issuance of such
150 refunding bonds and the payment of such refunded bonds, notes or
151 other obligations. Such refunding bonds shall mature not later than (1)
152 in the case of a single series of bonds, notes or other obligations being
153 refunded, the final maturity date thereof; and (2) in the case of
154 multiple series of bonds, notes or other obligations being refunded, the
155 final maturity date of any such series last to occur. Such refunding
156 bonds shall be authorized, and the proceeds thereof appropriated for
157 the purposes permitted under this section, by resolution of the regional
158 board of education and shall be issued in the same manner, and shall
159 be subject to the same limitations and requirements, other than those
160 requirements with respect to the manner of authorization of the bonds,
161 as bonds issued pursuant to section 10-56, as amended by this act,
162 provided the provisions of section 10-56, as amended by this act,
163 regarding limitations on the date of the first maturity, or on the
164 amount of any principal or on any principal and interest installments
165 on any bonds, shall not apply to refunding bonds issued under this
166 section that achieve net present value savings after comparing total
167 debt service payable on the refunding bonds to the total debt service
168 payable on the refunded bonds, after accounting for costs of issuance
169 and underwriters' discount. Upon placement in escrow of the proceeds
170 of such refunding bonds or other funds of the district in an amount
171 sufficient, together with such investment earnings thereon as are to be
172 retained in said escrow, to provide for the payment when due of the
173 principal of and interest on the bonds, notes or other obligations to be
174 paid, funded or refunded by such refunding bonds and other funds,
175 such bonds, notes or other obligations shall cease to be included in
176 computing the aggregate indebtedness of the district pursuant to
177 subsection (b) of section 10-56, as amended by this act.

178 Sec. 5. Subparagraph (B) of subdivision (20) of subsection (a) of
179 section 12-701 of the general statutes is repealed and the following is
180 substituted in lieu thereof (*Effective July 1, 2007, and applicable to taxable*
181 *years commencing on or after January 1, 2007*):

182 (B) There shall be subtracted therefrom (i) to the extent properly
183 includable in gross income for federal income tax purposes, any
184 income with respect to which taxation by any state is prohibited by
185 federal law, (ii) to the extent allowable under section 12-718, exempt
186 dividends paid by a regulated investment company, (iii) the amount of
187 any refund or credit for overpayment of income taxes imposed by this
188 state, or any other state of the United States or a political subdivision
189 thereof, or the District of Columbia, to the extent properly includable
190 in gross income for federal income tax purposes, (iv) to the extent
191 properly includable in gross income for federal income tax purposes
192 and not otherwise subtracted from federal adjusted gross income
193 pursuant to clause (x) of this subparagraph in computing Connecticut
194 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
195 extent any additional allowance for depreciation under Section 168(k)
196 of the Internal Revenue Code, as provided by Section 101 of the Job
197 Creation and Worker Assistance Act of 2002, for property placed in
198 service after December 31, 2001, but prior to September 10, 2004, was
199 added to federal adjusted gross income pursuant to subparagraph (A)
200 (ix) of this subdivision in computing Connecticut adjusted gross
201 income for a taxable year ending after December 31, 2001, twenty-five
202 per cent of such additional allowance for depreciation in each of the
203 four succeeding taxable years, (vi) to the extent properly includable in
204 gross income for federal income tax purposes, any interest income
205 from obligations issued by or on behalf of the state of Connecticut, any
206 political subdivision thereof, or public instrumentality, state or local
207 authority, district or similar public entity created under the laws of the
208 state of Connecticut, (vii) to the extent properly includable in
209 determining the net gain or loss from the sale or other disposition of
210 capital assets for federal income tax purposes, any gain from the sale
211 or exchange of obligations issued by or on behalf of the state of
212 Connecticut, any political subdivision thereof, or public
213 instrumentality, state or local authority, district or similar public entity
214 created under the laws of the state of Connecticut, in the income year
215 such gain was recognized, (viii) any interest on indebtedness incurred

216 or continued to purchase or carry obligations or securities the interest
217 on which is subject to tax under this chapter but exempt from federal
218 income tax, to the extent that such interest on indebtedness is not
219 deductible in determining federal adjusted gross income and is
220 attributable to a trade or business carried on by such individual, (ix)
221 ordinary and necessary expenses paid or incurred during the taxable
222 year for the production or collection of income which is subject to
223 taxation under this chapter but exempt from federal income tax, or the
224 management, conservation or maintenance of property held for the
225 production of such income, and the amortizable bond premium for the
226 taxable year on any bond the interest on which is subject to tax under
227 this chapter but exempt from federal income tax, to the extent that
228 such expenses and premiums are not deductible in determining federal
229 adjusted gross income, [and are attributable to a trade or business
230 carried on by such individual,] (x) (I) for a person who files a return
231 under the federal income tax as an unmarried individual whose
232 federal adjusted gross income for such taxable year is less than fifty
233 thousand dollars, or as a married individual filing separately whose
234 federal adjusted gross income for such taxable year is less than fifty
235 thousand dollars, or for a husband and wife who file a return under
236 the federal income tax as married individuals filing jointly whose
237 federal adjusted gross income for such taxable year is less than sixty
238 thousand dollars or a person who files a return under the federal
239 income tax as a head of household whose federal adjusted gross
240 income for such taxable year is less than sixty thousand dollars, an
241 amount equal to the Social Security benefits includable for federal
242 income tax purposes; and (II) for a person who files a return under the
243 federal income tax as an unmarried individual whose federal adjusted
244 gross income for such taxable year is fifty thousand dollars or more, or
245 as a married individual filing separately whose federal adjusted gross
246 income for such taxable year is fifty thousand dollars or more, or for a
247 husband and wife who file a return under the federal income tax as
248 married individuals filing jointly whose federal adjusted gross income
249 from such taxable year is sixty thousand dollars or more or for a

250 person who files a return under the federal income tax as a head of
251 household whose federal adjusted gross income for such taxable year
252 is sixty thousand dollars or more, an amount equal to the difference
253 between the amount of Social Security benefits includable for federal
254 income tax purposes and the lesser of twenty-five per cent of the Social
255 Security benefits received during the taxable year, or twenty-five per
256 cent of the excess described in Section 86(b)(1) of the Internal Revenue
257 Code, (xi) to the extent properly includable in gross income for federal
258 income tax purposes, any amount rebated to a taxpayer pursuant to
259 section 12-746, (xii) to the extent properly includable in the gross
260 income for federal income tax purposes of a designated beneficiary,
261 any distribution to such beneficiary from any qualified state tuition
262 program, as defined in Section 529(b) of the Internal Revenue Code,
263 established and maintained by this state or any official, agency or
264 instrumentality of the state, (xiii) to the extent allowable under section
265 12-701a, contributions to accounts established pursuant to any
266 qualified state tuition program, as defined in Section 529(b) of the
267 Internal Revenue Code, established and maintained by this state or
268 any official, agency or instrumentality of the state, (xiv) to the extent
269 properly includable in gross income for federal income tax purposes,
270 the amount of any Holocaust victims' settlement payment received in
271 the taxable year by a Holocaust victim, and (xv) to the extent properly
272 includable in gross income for federal income tax purposes of an
273 account holder, as defined in section 31-51ww, interest earned on
274 funds deposited in the individual development account, as defined in
275 section 31-51ww, of such account holder.

276 Sec. 6. Subparagraph (B) of subdivision (20) of subsection (a) of
277 section 12-701 of the general statutes, as amended by section 71 of
278 public act 05-251 and section 77 of public act 06-186, is repealed and
279 the following is substituted in lieu thereof (*Effective July 1, 2007, and*
280 *applicable to taxable years commencing on or after January 1, 2008*):

281 (B) There shall be subtracted therefrom (i) to the extent properly
282 includable in gross income for federal income tax purposes, any

283 income with respect to which taxation by any state is prohibited by
284 federal law, (ii) to the extent allowable under section 12-718, exempt
285 dividends paid by a regulated investment company, (iii) the amount of
286 any refund or credit for overpayment of income taxes imposed by this
287 state, or any other state of the United States or a political subdivision
288 thereof, or the District of Columbia, to the extent properly includable
289 in gross income for federal income tax purposes, (iv) to the extent
290 properly includable in gross income for federal income tax purposes
291 and not otherwise subtracted from federal adjusted gross income
292 pursuant to clause (x) of this subparagraph in computing Connecticut
293 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
294 extent any additional allowance for depreciation under Section 168(k)
295 of the Internal Revenue Code, as provided by Section 101 of the Job
296 Creation and Worker Assistance Act of 2002, for property placed in
297 service after December 31, 2001, but prior to September 10, 2004, was
298 added to federal adjusted gross income pursuant to subparagraph
299 (A)(ix) of this subdivision in computing Connecticut adjusted gross
300 income for a taxable year ending after December 31, 2001, twenty-five
301 per cent of such additional allowance for depreciation in each of the
302 four succeeding taxable years, (vi) to the extent properly includable in
303 gross income for federal income tax purposes, any interest income
304 from obligations issued by or on behalf of the state of Connecticut, any
305 political subdivision thereof, or public instrumentality, state or local
306 authority, district or similar public entity created under the laws of the
307 state of Connecticut, (vii) to the extent properly includable in
308 determining the net gain or loss from the sale or other disposition of
309 capital assets for federal income tax purposes, any gain from the sale
310 or exchange of obligations issued by or on behalf of the state of
311 Connecticut, any political subdivision thereof, or public
312 instrumentality, state or local authority, district or similar public entity
313 created under the laws of the state of Connecticut, in the income year
314 such gain was recognized, (viii) any interest on indebtedness incurred
315 or continued to purchase or carry obligations or securities the interest
316 on which is subject to tax under this chapter but exempt from federal

317 income tax, to the extent that such interest on indebtedness is not
318 deductible in determining federal adjusted gross income and is
319 attributable to a trade or business carried on by such individual, (ix)
320 ordinary and necessary expenses paid or incurred during the taxable
321 year for the production or collection of income which is subject to
322 taxation under this chapter but exempt from federal income tax, or the
323 management, conservation or maintenance of property held for the
324 production of such income, and the amortizable bond premium for the
325 taxable year on any bond the interest on which is subject to tax under
326 this chapter but exempt from federal income tax, to the extent that
327 such expenses and premiums are not deductible in determining federal
328 adjusted gross income, [and are attributable to a trade or business
329 carried on by such individual,] (x) (I) for a person who files a return
330 under the federal income tax as an unmarried individual whose
331 federal adjusted gross income for such taxable year is less than fifty
332 thousand dollars, or as a married individual filing separately whose
333 federal adjusted gross income for such taxable year is less than fifty
334 thousand dollars, or for a husband and wife who file a return under
335 the federal income tax as married individuals filing jointly whose
336 federal adjusted gross income for such taxable year is less than sixty
337 thousand dollars or a person who files a return under the federal
338 income tax as a head of household whose federal adjusted gross
339 income for such taxable year is less than sixty thousand dollars, an
340 amount equal to the Social Security benefits includable for federal
341 income tax purposes; and (II) for a person who files a return under the
342 federal income tax as an unmarried individual whose federal adjusted
343 gross income for such taxable year is fifty thousand dollars or more, or
344 as a married individual filing separately whose federal adjusted gross
345 income for such taxable year is fifty thousand dollars or more, or for a
346 husband and wife who file a return under the federal income tax as
347 married individuals filing jointly whose federal adjusted gross income
348 from such taxable year is sixty thousand dollars or more or for a
349 person who files a return under the federal income tax as a head of
350 household whose federal adjusted gross income for such taxable year

351 is sixty thousand dollars or more, an amount equal to the difference
352 between the amount of Social Security benefits includable for federal
353 income tax purposes and the lesser of twenty-five per cent of the Social
354 Security benefits received during the taxable year, or twenty-five per
355 cent of the excess described in Section 86(b)(1) of the Internal Revenue
356 Code, (xi) to the extent properly includable in gross income for federal
357 income tax purposes, any amount rebated to a taxpayer pursuant to
358 section 12-746, (xii) to the extent properly includable in the gross
359 income for federal income tax purposes of a designated beneficiary,
360 any distribution to such beneficiary from any qualified state tuition
361 program, as defined in Section 529(b) of the Internal Revenue Code,
362 established and maintained by this state or any official, agency or
363 instrumentality of the state, (xiii) to the extent allowable under section
364 12-701a, contributions to accounts established pursuant to any
365 qualified state tuition program, as defined in Section 529(b) of the
366 Internal Revenue Code, established and maintained by this state or
367 any official, agency or instrumentality of the state, (xiv) to the extent
368 properly includable in gross income for federal income tax purposes,
369 the amount of any Holocaust victims' settlement payment received in
370 the taxable year by a Holocaust victim, (xv) to the extent properly
371 includable in gross income for federal income tax purposes of an
372 account holder, as defined in section 31-51ww, interest earned on
373 funds deposited in the individual development account, as defined in
374 section 31-51ww, of such account holder, and (xvi) to the extent
375 properly included in gross income for federal income tax purposes,
376 fifty per cent of the income received from the United States
377 government as retirement pay for a retired member of (I) the Armed
378 Forces of the United States, as defined in Section 101 of Title 10 of the
379 United States Code, or (II) the National Guard, as defined in Section
380 101 of Title 10 of the United States Code.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2007	7-380c

Sec. 2	<i>July 1, 2007</i>	7-378a
Sec. 3	<i>July 1, 2007</i>	10-56(a)
Sec. 4	<i>July 1, 2007</i>	10-60a
Sec. 5	<i>July 1, 2007, and applicable to taxable years commencing on or after January 1, 2007</i>	12-701(a)(20)(B)
Sec. 6	<i>July 1, 2007, and applicable to taxable years commencing on or after January 1, 2008</i>	12-701(a)(20)(B)

Statement of Purpose:

To extend the maturity of school construction bonds issued by municipalities and regional school districts from twenty to thirty years, and to allow regional school districts to issue refunding bonds in the same manner as municipalities may.

[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.]