



General Assembly

January Session, 2007

**Raised Bill No. 1385**

LCO No. 5098

\* SB01385PD 032307 \*

Referred to Committee on Planning and Development

Introduced by:  
(PD)

**AN ACT CONCERNING PROPERTY TAX REFORM.**

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

1 Section 1. Subsection (a) of section 12-700 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2 repealed and the following is substituted in lieu thereof (*Effective from*  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 *2007*):

5 (a) There is hereby imposed on the Connecticut taxable income of  
6 each resident of this state a tax:

7 (1) At the rate of four and one-half per cent of such Connecticut  
8 taxable income for taxable years commencing on or after January 1,  
9 1992, and prior to January 1, 1996.

10 (2) For taxable years commencing on or after January 1, 1996, but  
11 prior to January 1, 1997, in accordance with the following schedule:

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

T1	Connecticut Taxable Income	Rate of Tax
T2	Not over \$2,250	3.0%
T3	Over \$2,250	\$67.50, plus 4.5% of the
T4		excess over \$2,250

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

T5	Connecticut Taxable Income	Rate of Tax
T6	Not over \$3,500	3.0%
T7	Over \$3,500	\$105.00, plus 4.5% of the
T8		excess over \$3,500

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

T9	Connecticut Taxable Income	Rate of Tax
T10	Not over \$4,500	3.0%
T11	Over \$4,500	\$135.00, plus 4.5% of the
T12		excess over \$4,500

22 (D) For trusts or estates, the rate of tax shall be 4.5% of their  
23 Connecticut taxable income.

24 (3) For taxable years commencing on or after January 1, 1997, but

25 prior to January 1, 1998, in accordance with the following schedule:

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

T13	Connecticut Taxable Income	Rate of Tax
T14	Not over \$6,250	3.0%
T15	Over \$6,250	\$187.50, plus 4.5% of the
T16		excess over \$6,250

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

T17	Connecticut Taxable Income	Rate of Tax
T18	Not over \$10,000	3.0%
T19	Over \$10,000	\$300.00, plus 4.5% of the
T20		excess over \$10,000

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

T21	Connecticut Taxable Income	Rate of Tax
T22	Not over \$12,500	3.0%
T23	Over \$12,500	\$375.00, plus 4.5% of the

T24 excess over \$12,500

37 (D) For trusts or estates, the rate of tax shall be 4.5% of their  
38 Connecticut taxable income.

39 (4) For taxable years commencing on or after January 1, 1998, but  
40 prior to January 1, 1999, in accordance with the following schedule:

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

T25	Connecticut Taxable Income	Rate of Tax
T26	Not over \$7,500	3.0%
T27	Over \$7,500	\$225.00, plus 4.5% of the
T28		excess over \$7,500

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

T29	Connecticut Taxable Income	Rate of Tax
T30	Not over \$12,000	3.0%
T31	Over \$12,000	\$360.00, plus 4.5% of the
T32		excess over \$12,000

47 (C) For any husband and wife who file a return under the federal  
48 income tax for such taxable year as married individuals filing jointly or  
49 any person who files a return under the federal income tax for such  
50 taxable year as a surviving spouse, as defined in Section 2(a) of the

51 Internal Revenue Code:

T33	Connecticut Taxable Income	Rate of Tax
T34	Not over \$15,000	3.0%
T35	Over \$15,000	\$450.00, plus 4.5% of the
T36		excess over \$15,000

52 (D) For trusts or estates, the rate of tax shall be 4.5% of their  
53 Connecticut taxable income.

54 (5) For taxable years commencing on or after January 1, 1999, but  
55 prior to January 1, 2003, in accordance with the following schedule:

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

T37	Connecticut Taxable Income	Rate of Tax
T38	Not over \$10,000	3.0%
T39	Over \$10,000	\$300.00, plus 4.5% of the
T40		excess over \$10,000

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

T41	Connecticut Taxable Income	Rate of Tax
T42	Not over \$16,000	3.0%
T43	Over \$16,000	\$480.00, plus 4.5% of the

T44 excess over \$16,000

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

T45	Connecticut Taxable Income	Rate of Tax
T46	Not over \$20,000	3.0%
T47	Over \$20,000	\$600.00, plus 4.5% of the
T48		excess over \$20,000

67 (D) For trusts or estates, the rate of tax shall be 4.5% of their  
68 Connecticut taxable income.

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

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

T49	Connecticut Taxable Income	Rate of Tax
T50	Not over \$10,000	3.0%
T51	Over \$10,000	\$300.00, plus 5.0% of the
T52		excess over \$10,000

74 (B) For any person who files a return under the federal income tax  
75 for such taxable year as a head of household, as defined in Section 2(b)

76 of the Internal Revenue Code:

T53	Connecticut Taxable Income	Rate of Tax
T54	Not over \$16,000	3.0%
T55	Over \$16,000	\$480.00, plus 5.0% of the
T56		excess over \$16,000

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

T57	Connecticut Taxable Income	Rate of Tax
T58	Not over \$20,000	3.0%
T59	Over \$20,000	\$600.00, plus 5.0% of the
T60		excess over \$20,000

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

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

86 (A) For any person who files a return under the federal income tax  
 87 for such taxable year as an unmarried individual:

T61	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T62	<u>Not over \$10,000</u>	<u>3.0%</u>

T63	<u>Over \$10,000 but not over</u>	<u>\$300, plus 5% of the excess</u>
T64	<u>\$133,000</u>	<u>over \$10,000</u>
T65	<u>Over \$133,000 but not over</u>	<u>\$6,450, plus 5.25% of the excess</u>
T66	<u>\$398,500</u>	<u>over \$133,000</u>
T67	<u>Over \$398,500</u>	<u>\$20,362.50, plus 5.5% of the</u>
T68		<u>excess over \$398,500</u>

88     (B) For any person who files a return under the federal income tax  
 89     for such taxable year as a married individual filing separately:

T69	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T70	<u>Not over \$16,000</u>	<u>3.0%</u>
T71	<u>Over \$16,000 but not over</u>	<u>\$300.00, plus 5.0% of the excess</u>
T72	<u>\$125,000</u>	<u>over \$16,000</u>
T73	<u>Over \$125,000 but not over</u>	<u>\$6,050.00, plus 5.25% of the</u>
T74	<u>\$375,000</u>	<u>excess over \$125,000</u>
T75	<u>Over \$375,000</u>	<u>\$19,175.00, plus 5.5% of the</u>
T76		<u>excess over \$375,000</u>

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

T77	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T78	<u>Not over \$16,000</u>	<u>3.0%</u>
T79	<u>Over \$16,000 but not</u>	<u>\$480.00, plus 5.0% of the</u>
T80	<u>over \$198,000</u>	<u>excess over \$16,000</u>
T81	<u>Over \$198,000 but not</u>	<u>\$9,100, plus 5.25% of the</u>
T82	<u>over \$594,000</u>	<u>excess over \$198,000</u>
T83	<u>Over \$594,000</u>	<u>\$20,790, plus 5.5% of the</u>

T84 excess over \$594,000

93 (D) For any husband and wife who file a return under the federal  
 94 income tax for such taxable year as married individuals filing jointly or  
 95 any person who files a return under the federal income tax for such  
 96 taxable year as a surviving spouse, as defined in Section 2(a) of the  
 97 Internal Revenue Code:

	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T85		
T86	<u>Not over \$20,000</u>	<u>3.0%</u>
T87	<u>Over \$20,000 but not</u>	<u>\$600.00, plus 5.0% of the</u>
T88	<u>over \$250,000</u>	<u>excess over \$20,000</u>
T89	<u>Over \$250,000 but not</u>	<u>\$12,100, plus 5.25% of the</u>
T90	<u>over \$750,000</u>	<u>excess over \$250,000</u>
T91	<u>Over \$750,000</u>	<u>\$38,350, plus 5.5% of the</u>
T92		<u>excess over \$750,000</u>

98 (E) For trusts or estates, the rate of tax shall be 5.5% of the  
 99 Connecticut taxable income.

100 [(7)] (8) The provisions of this subsection shall apply to resident  
 101 trusts and estates and, wherever reference is made in this subsection to  
 102 residents of this state, such reference shall be construed to include  
 103 resident trusts and estates, provided any reference to a resident's  
 104 Connecticut adjusted gross income derived from sources without this  
 105 state or to a resident's Connecticut adjusted gross income shall be  
 106 construed, in the case of a resident trust or estate, to mean the resident  
 107 trust or estate's Connecticut taxable income derived from sources  
 108 without this state and the resident trust or estate's Connecticut taxable  
 109 income, respectively.

110 Sec. 2. (NEW) (Effective from passage and applicable to taxable years  
 111 commencing on or after January 1, 2007) Any person who qualifies for and

112 claims the earned income credit allowable under Section 32 of the  
113 Internal Revenue Code of 1986, or any subsequent corresponding  
114 internal revenue code of the United States, as from time to time  
115 amended, for any taxable year shall be entitled to a credit in determining  
116 the amount of tax liability under chapter 229 of the general statutes for  
117 such taxable year. The credit allowed under this section shall equal  
118 twenty per cent of the credit allowed under Section 32 of said Internal  
119 Revenue Code for the taxable year. If the amount of the credit allowed  
120 under this section exceeds the taxpayer's liability, the Commissioner of  
121 Revenue Services shall treat such excess as an overpayment and shall  
122 pay the taxpayer the amount of such excess, without interest.

123       Sec. 3. Subsection (a) of section 12-219 of the general statutes is  
124 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
125 *2007, and applicable to income years commencing on or after January 1, 2007*):

126       (a) (1) Each company subject to the provisions of this part shall pay  
127 for the privilege of carrying on or doing business within the state, the  
128 larger of the tax, if any, imposed by section 12-214 and the tax  
129 calculated under this subsection. The tax calculated under this section  
130 shall be a tax of three and one-tenth mills per dollar for each income  
131 year of the amount derived (A) by adding (i) the average value of the  
132 issued and outstanding capital stock, including treasury stock at par or  
133 face value, fractional shares, scrip certificates convertible into shares of  
134 stock and amounts received on subscriptions to capital stock,  
135 computed on the balances at the beginning and end of the taxable year  
136 or period, the average value of surplus and undivided profit computed  
137 on the balances at the beginning and end of the taxable year or period,  
138 and (ii) the average value of all surplus reserves computed on the  
139 balances at the beginning and end of the taxable year or period, (B) by  
140 subtracting from the sum so calculated (i) the average value of any  
141 deficit carried on the balance sheet computed on the balances at the  
142 beginning and end of the taxable year or period, and (ii) the average  
143 value of any holdings of stock of private corporations including  
144 treasury stock shown on the balance sheet computed on the balances at  
145 the beginning and end of the taxable year or period, and (C) by

146 apportioning the remainder so derived between this and other states  
147 under the provisions of section 12-219a, provided in no event shall the  
148 tax so calculated exceed one million dollars or be less than [two  
149 hundred fifty] four hundred dollars.

150 (2) For purposes of this subsection, in the case of a new domestic  
151 company, the balances at the beginning of its first fiscal year or period  
152 shall be the balances immediately after its organization or immediately  
153 after it commences business operations, whichever is earlier; and in the  
154 case of a foreign company, the balances at the beginning of its first  
155 fiscal year or period in which it becomes liable for the filing of a return  
156 in this state shall be the balances as established at the beginning of the  
157 fiscal year or period for tax purposes. In the case of a domestic  
158 company dissolving or limiting its existence, the balances at the end of  
159 the fiscal year or period shall be the balances immediately prior to the  
160 final distribution of all its assets; and in the case of a foreign company  
161 filing a certificate of withdrawal, the balances at the end of the fiscal  
162 year or period shall be the balances immediately prior to the  
163 withdrawal of all of its assets. When a taxpayer has carried on or had  
164 the right to carry on business within the state for eleven months or less  
165 of the income year, the tax calculated under this subsection shall be  
166 reduced in proportion to the fractional part of the year during which  
167 business was carried on by such taxpayer. The tax calculated under  
168 this subsection shall, in no case, be less than [two hundred fifty] four  
169 hundred dollars for each income year. The taxpayer shall report the  
170 items set forth in this subsection at the amounts at which such items  
171 appear upon its books; provided, when, in the opinion of the  
172 Commissioner of Revenue Services, the books of the taxpayer do not  
173 disclose a reasonable valuation of such items, the commissioner may  
174 require any additional information which may be necessary for a  
175 reasonable determination of the tax calculated under this subsection  
176 and shall, on the basis of the best information available, calculate such  
177 tax and notify the taxpayer thereof.

178 (3) No tax credit allowed against the tax imposed by this chapter  
179 shall reduce a company's tax calculated under this subsection to an

180 amount less than [two hundred fifty] four hundred dollars.

181 Sec. 4. Subsection (d) of section 12-219 of the general statutes is  
182 repealed and the following is substituted in lieu thereof (*Effective July*  
183 *1, 2007, and applicable to income years commencing on or after January 1,*  
184 *2007*):

185 (d) Each financial service company, as defined in section 12-218b,  
186 shall pay for the privilege of carrying on or doing business within the  
187 state, the larger of the tax, if any, imposed by section 12-214 and the tax  
188 calculated under this subsection. For each such financial service  
189 company, the tax calculated under this subsection shall be [two  
190 hundred fifty] four hundred dollars for each income year. No tax  
191 credit allowed against the tax imposed by this chapter shall reduce a  
192 financial service company's tax calculated under this subsection to an  
193 amount less than [two hundred fifty] four hundred dollars.

194 Sec. 5. Section 12-223c of the general statutes is repealed and the  
195 following is substituted in lieu thereof (*Effective July 1, 2007, and*  
196 *applicable to income years commencing on or after January 1, 2007*):

197 Each corporation included in a combined return shall pay the  
198 minimum tax of [two hundred fifty] four hundred dollars prescribed  
199 under section 12-219, as amended by this act. No tax credit allowed  
200 against the tax imposed by this chapter shall reduce an included  
201 corporation's tax calculated under section 12-219, as amended by this  
202 act, to an amount less than [two hundred fifty] four hundred dollars.

203 Sec. 6. Subsection (a) of section 12-217ee of the general statutes is  
204 repealed and the following is substituted in lieu thereof (*Effective July*  
205 *1, 2007, and applicable to income years commencing on or after January 1,*  
206 *2007*):

207 (a) Any taxpayer that (1) is a qualified small business, (2) qualifies  
208 for a credit under section 12-217j or section 12-217n, and (3) cannot  
209 take such credit in the taxable year in which the credit could otherwise  
210 be taken as a result of having no tax liability under this chapter may

211 elect to carry such credit forward under this chapter or may apply to  
 212 the commissioner as provided in subsection (b) of this section to  
 213 exchange such credit with the state for a credit refund equal to sixty-  
 214 five per cent of the value of the credit. Any amount of credit refunded  
 215 under this section shall be refunded to the taxpayer under the  
 216 provisions of this chapter, except that such credit refund shall not be  
 217 subject to the provisions of section 12-227. Payment of the capital base  
 218 tax under section 12-219, as amended by this act, for an income year  
 219 commencing on or after January 1, 2002, in which year the taxpayer  
 220 reports no net income, as defined in section 12-213, or payment of the  
 221 minimum tax of [two hundred fifty] four hundred dollars under  
 222 section 12-219, as amended by this act, or 12-223c, as amended by this  
 223 act, for any income year, shall not be considered a tax liability for  
 224 purposes of this section.

225 Sec. 7. Subsection (g) of section 12-391 of the general statutes is  
 226 repealed and the following is substituted in lieu thereof (*Effective from*  
 227 *passage and applicable to estates of decedents who die on or after January 1,*  
 228 *2007*):

229 (g) (1) With respect to the estates of decedents dying on or after  
 230 January 1, 2005, but prior to January 1, 2007, the tax based on the  
 231 Connecticut taxable estate shall be as provided in the following  
 232 schedule:

T93	Amount of Connecticut	
T94	Taxable Estate	Rate of Tax
T95	Not over \$2,000,000	None
T96	Over \$2,000,000	
T97	but not over \$2,100,000	5.085% of the excess over \$0
T98	Over \$2,100,000	\$106,800 plus 8% of the excess
T99	but not over \$2,600,000	over \$2,100,000
T100	Over \$2,600,000	\$146,800 plus 8.8% of the excess

T101	but not over \$3,100,000	over \$2,600,000
T102	Over \$3,100,000	\$190,800 plus 9.6% of the excess
T103	but not over \$3,600,000	over \$3,100,000
T104	Over \$3,600,000	\$238,800 plus 10.4% of the excess
T105	but not over \$4,100,000	over \$3,600,000
T106	Over \$4,100,000	\$290,800 plus 11.2% of the excess
T107	but not over \$5,100,000	over \$4,100,000
T108	Over \$5,100,000	\$402,800 plus 12% of the excess
T109	but not over \$6,100,000	over \$5,100,000
T110	Over \$6,100,000	\$522,800 plus 12.8% of the excess
T111	but not over \$7,100,000	over \$6,100,000
T112	Over \$7,100,000	\$650,800 plus 13.6% of the excess
T113	but not over \$8,100,000	over \$7,100,000
T114	Over \$8,100,000	\$786,800 plus 14.4% of the excess
T115	but not over \$9,100,000	over \$8,100,000
T116	Over \$9,100,000	\$930,800 plus 15.2% of the excess
T117	but not over \$10,100,000	over \$9,100,000
T118	Over \$10,100,000	\$1,082,800 plus 16% of the excess
T119		over \$10,100,000

233        (2) With respect to the estates of decedents dying on or after January  
 234        1, 2007, the tax based on the Connecticut taxable estate shall be as  
 235        provided in the following schedule:

	<u>Amount of Connecticut Taxable</u>	<u>Rate of Tax</u>
T120	<u>Estate</u>	
T121	<u>Not over \$5,000,000</u>	<u>None</u>
T122	<u>Over \$5,000,000 but not over</u>	<u>12% of the excess over</u>
T123	<u>\$6,100,000</u>	<u>\$5,000,000</u>
T124	<u>Over \$6,100,000 but not over</u>	<u>\$132,000 plus 12.8% of the</u>
T125	<u>\$7,100,000</u>	<u>excess over \$6,100,000</u>
T126		

T127	<u>Over \$7,100,000 but not over</u>	<u>\$260,000 plus 13.6% of the</u>
T128	<u>\$8,100,000</u>	<u>excess over \$7,100,000</u>
T129	<u>Over \$8,100,000 but not over</u>	<u>\$396,000 plus 14.4% of the</u>
T130	<u>\$9,100,000</u>	<u>excess over \$8,100,000</u>
T131	<u>Over \$9,100,000 but not over</u>	<u>\$540,000 plus 15.2% of the</u>
T132	<u>\$10,100,000</u>	<u>excess over \$9,100,000</u>
T133	<u>Over \$10,100,000</u>	<u>\$692,000 plus 16.0% of the</u>
T134		<u>excess over \$10,100,000</u>

236        Sec. 8. Subsection (a) of section 12-642 of the general statutes is  
 237 repealed and the following is substituted in lieu thereof (*Effective from*  
 238 *passage and applicable to gifts made after January 1, 2007*):

239        (a) (1) With respect to calendar years commencing prior to January  
 240 1, 2001, the tax imposed by section 12-640 for the calendar year shall be  
 241 at a rate of the taxable gifts made by the donor during the calendar  
 242 year set forth in the following schedule:

T135	Amount of Taxable Gifts	Rate of Tax
T136	Not over \$25,000	1%
T137	Over \$25,000	\$250, plus 2% of the excess
T138	but not over \$50,000	over \$25,000
T139	Over \$50,000	\$750, plus 3% of the excess
T140	but not over \$75,000	over \$50,000
T141	Over \$75,000	\$1,500, plus 4% of the excess
T142	but not over \$100,000	over \$75,000
T143	Over \$100,000	\$2,500, plus 5% of the excess
T144	but not over \$200,000	over \$100,000
T145	Over \$200,000	\$7,500, plus 6% of the excess
T146		over \$200,000

243        (2) With respect to the calendar years commencing January 1, 2001,  
 244 January 1, 2002, January 1, 2003, and January 1, 2004, the tax imposed  
 245 by section 12-640 for each such calendar year shall be at a rate of the

246 taxable gifts made by the donor during the calendar year set forth in  
 247 the following schedule:

T147	Amount of Taxable Gifts	Rate of Tax
T148	Over \$25,000	\$250, plus 2% of the excess
T149	but not over \$50,000	over \$25,000
T150	Over \$50,000	\$750, plus 3% of the excess
T151	but not over \$75,000	over \$50,000
T152	Over \$75,000	\$1,500, plus 4% of the excess
T153	but not over \$100,000	over \$75,000
T154	Over \$100,000	\$2,500, plus 5% of the excess
T155	but not over \$675,000	over \$100,000
T156	Over \$675,000	\$31,250, plus 6% of the excess
T157		over \$675,000

248 (3) With respect to Connecticut taxable gifts, as defined in section  
 249 12-643, made by a donor during a calendar year commencing on or  
 250 after January 1, 2005, but prior to January 1, 2007, including the  
 251 aggregate amount of all Connecticut taxable gifts made by the donor  
 252 during all calendar years commencing on or after January 1, 2005, but  
 253 prior to January 1, 2007, the tax imposed by section 12-640 for the  
 254 calendar year shall be at the rate set forth in the following schedule,  
 255 with a credit allowed against such tax for any tax previously paid to  
 256 this state pursuant to this subdivision:

T158	Amount of Taxable Gifts	Rate of Tax
T159	Not over \$2,000,000	None
T160	Over \$2,000,000	
T161	but not over \$2,100,000	5.085% of the excess over \$0
T162	Over \$2,100,000	\$106,800 plus 8% of the excess

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T163	but not over \$2,600,000	over \$2,100,000
T164	Over \$2,600,000	\$146,800 plus 8.8% of the excess
T165	but not over \$3,100,000	over \$2,600,000
T166	Over \$3,100,000	\$190,800 plus 9.6% of the excess
T167	but not over \$3,600,000	over \$3,100,000
T168	Over \$3,600,000	\$238,800 plus 10.4% of the excess
T169	but not over \$4,100,000	over \$3,600,000
T170	Over \$4,100,000	\$290,800 plus 11.2% of the excess
T171	but not over \$5,100,000	over \$4,100,000
T172	Over \$5,100,000	\$402,800 plus 12% of the excess
T173	but not over \$6,100,000	over \$5,100,000
T174	Over \$6,100,000	\$522,800 plus 12.8% of the excess
T175	but not over \$7,100,000	over \$6,100,000
T176	Over \$7,100,000	\$650,800 plus 13.6% of the excess
T177	but not over \$8,100,000	over \$7,100,000
T178	Over \$8,100,000	\$786,800 plus 14.4% of the excess
T179	but not over \$9,100,000	over \$8,100,000
T180	Over \$9,100,000	\$930,800 plus 15.2% of the excess
T181	but not over \$10,100,000	over \$9,100,000
T182	Over \$10,100,000	\$1,082,800 plus 16% of the excess
T183		over \$10,100,000

257 (4) With respect to Connecticut taxable gifts, as defined in section  
 258 12-643, made by a donor during a calendar year commencing on or  
 259 after January 1, 2007, including the aggregate amount of all  
 260 Connecticut taxable gifts made by the donor during all calendar years  
 261 commencing on or after January 1, 2007, the tax imposed by section 12-  
 262 640 for the calendar year shall be at the rate set forth in the following  
 263 schedule, with a credit allowed against such tax for any tax previously  
 264 paid to this state pursuant to this subdivision or subdivision (3) of this  
 265 subsection:

	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T184	<u>Not over \$5,000,000</u>	<u>None</u>
T185	<u>Over \$5,000,000 but not over</u>	<u>12% of the excess over</u>
T186	<u>\$6,100,000</u>	<u>\$5,000,000</u>
T187	<u>Over \$6,100,000 but not over</u>	<u>\$132,000 plus 12.8% of the</u>
T188	<u>\$7,100,000</u>	<u>excess over \$6,100,000</u>
T189	<u>Over \$7,100,000 but not over</u>	<u>\$260,000 plus 13.6% of the</u>
T190	<u>\$8,100,000</u>	<u>excess over \$7,100,000</u>
T191	<u>Over \$8,100,000 but not over</u>	<u>\$396,000 plus 14.4% of the</u>
T192	<u>\$9,100,000</u>	<u>excess over \$8,100,000</u>
T193	<u>Over \$9,100,000 but not over</u>	<u>\$540,000 plus 15.2% of the</u>
T194	<u>\$10,100,000</u>	<u>excess over \$9,100,000</u>
T195	<u>Over \$10,100,000</u>	<u>\$692,000 plus 16.0% of the</u>
T196		<u>excess over \$10,100,000</u>
T197		

266 Sec. 9. Subdivision (1) of section 12-408 of the general statutes is  
 267 repealed and the following is substituted in lieu thereof (*Effective July*  
 268 *1, 2007*):

269 (1) For the privilege of making any sales, as defined in subdivision  
 270 (2) of subsection (a) of section 12-407, at retail, in this state for a  
 271 consideration, a tax is hereby imposed on all retailers at the rate of [six]  
 272 four and one-half per cent of the gross receipts of any retailer from  
 273 the sale of all tangible personal property sold at retail or from the  
 274 rendering of any services constituting a sale in accordance with  
 275 subdivision (2) of subsection (a) of section 12-407, except, in lieu of said  
 276 rate of six per cent, (A) at a rate of twelve per cent with respect to each  
 277 transfer of occupancy, from the total amount of rent received for such  
 278 occupancy of any room or rooms in a hotel or lodging house for the  
 279 first period not exceeding thirty consecutive calendar days, (B) with  
 280 respect to the sale of a motor vehicle to any individual who is a  
 281 member of the armed forces of the United States and is on full-time  
 282 active duty in Connecticut and who is considered, under 50 App USC  
 283 574, a resident of another state, or to any such individual and the  
 284 spouse thereof, at a rate of four and one-half per cent of the gross

285 receipts of any retailer from such sales, provided such retailer requires  
286 and maintains a declaration by such individual, prescribed as to form  
287 by the commissioner and bearing notice to the effect that false  
288 statements made in such declaration are punishable, or other evidence,  
289 satisfactory to the commissioner, concerning the purchaser's state of  
290 residence under 50 App USC 574, (C) (i) with respect to the sales of  
291 computer and data processing services occurring on or after July 1,  
292 1997, and prior to July 1, 1998, at the rate of five per cent, on or after  
293 July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or  
294 after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent,  
295 on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per  
296 cent, on or after July 1, 2001, at the rate of one per cent, (ii) with respect  
297 to sales of Internet access services, on and after July 1, 2001, such  
298 services shall be exempt from such tax, (D) with respect to the sales of  
299 labor that is otherwise taxable under subparagraph (C) or (G) of  
300 subdivision (2) of subsection (a) of section 12-407 on existing vessels  
301 and repair or maintenance services on vessels occurring on and after  
302 July 1, 1999, such services shall be exempt from such tax, (E) with  
303 respect to patient care services for which payment is received by the  
304 hospital on or after July 1, 1999, and prior to July 1, 2001, at the rate of  
305 five and three-fourths per cent and on and after July 1, 2001, such  
306 services shall be exempt from such tax. The rate of tax imposed by this  
307 chapter shall be applicable to all retail sales upon the effective date of  
308 such rate, except that a new rate which represents an increase in the  
309 rate applicable to the sale shall not apply to any sales transaction  
310 wherein a binding sales contract without an escalator clause has been  
311 entered into prior to the effective date of the new rate and delivery is  
312 made within ninety days after the effective date of the new rate. For  
313 the purposes of payment of the tax imposed under this section, any  
314 retailer of services taxable under subparagraph (I) of subdivision (2) of  
315 subsection (a) of section 12-407, who computes taxable income, for  
316 purposes of taxation under the Internal Revenue Code of 1986, or any  
317 subsequent corresponding internal revenue code of the United States,  
318 as from time to time amended, on an accounting basis which  
319 recognizes only cash or other valuable consideration actually received

320 as income and who is liable for such tax only due to the rendering of  
321 such services may make payments related to such tax for the period  
322 during which such income is received, without penalty or interest,  
323 without regard to when such service is rendered.

324 Sec. 10. Subdivision (3) of section 12-412 of the general statutes is  
325 repealed and the following is substituted in lieu thereof (*Effective July*  
326 *1, 2007*):

327 (3) (A) The sale, furnishing or service of gas, including bottled gas,  
328 and electricity when delivered to consumers through mains, lines,  
329 pipes or bottles for use [(i)] in any residential dwelling. [or (ii) directly  
330 in agricultural production, fabrication of a finished product to be sold  
331 or an industrial manufacturing plant, provided the exemption under  
332 this subdivision (ii) shall only be allowed with respect to a metered  
333 building, location or premise at which not less than seventy-five per  
334 cent of the gas, including bottled gas, or electricity consumed at such  
335 metered building, location or premise is used for the purpose of such  
336 production, fabrication or manufacturing.] Bottled gas as used in this  
337 subsection means L.P. (propane) gas.

338 (B) The sale or furnishing of telephone service and community  
339 antenna television and cable service, provided the exemption for  
340 services described in this subparagraph shall not be applicable to any  
341 such service rendered on or after January 1, 1990.

342 (C) The sale, furnishing or service of water, steam and telegraph  
343 when delivered to residential consumers through mains, lines, pipes or  
344 bottles.

345 (D) The sale or furnishing of electricity, not subject to the exemption  
346 under subparagraph (A) of this subsection, with respect to that portion  
347 of the charges applicable to such electricity for any month of service  
348 which is not in excess of one hundred fifty dollars.

349 (E) The sale, furnishing or service of gas, water, steam or electricity  
350 for use directly in the furnishing of gas, water, steam or electricity

351 delivered to residential consumers through mains, lines or pipes.

352       Sec. 11. (NEW) (*Effective from passage*) The Commissioner of Revenue  
353 Services shall enter into the Streamlined Sales and Use Tax Agreement  
354 with one or more states to simplify and modernize sales and use tax  
355 administration in order to substantially reduce the burden of tax  
356 compliance for all sellers and for all types of commerce. In furtherance  
357 of the agreement, the commissioner may act jointly with other states  
358 that are members of the agreement to establish standards for  
359 certification of a certified service provider and certified automated  
360 system and to establish performance standards for multistate sellers.  
361 Other actions authorized by this section include, but are not limited to,  
362 the adoption of regulations, in accordance with the provisions of  
363 chapter 54 of the general statutes, and the joint procurement, with  
364 other member states, of goods and services in furtherance of the  
365 cooperative agreement. The commissioner, or the commissioner's  
366 designee, may represent this state before the other states that are  
367 signatories to the agreement.

368       Sec. 12. (NEW) (*Effective from passage*) (a) The Commissioner of  
369 Revenue Services shall not enter into the Streamlined Sales and Use  
370 Tax Agreement unless the agreement requires each state to:

371       (1) Achieve over time more uniform state rates through limiting the  
372 number of state rates, the application of maximums on the amount of  
373 state tax that is due on a transaction and the application of thresholds  
374 on the application of state tax.

375       (2) Establish uniform standards for (A) the sourcing of transactions  
376 to taxing jurisdictions, (B) the administration of exempt sales, (C) the  
377 allowances a seller can take for bad debts, and (D) sales and use tax  
378 returns and remittances.

379       (3) Develop and adopt uniform definitions of sales and use tax  
380 terms.

381       (4) Participate in a central, electronic registration system that allows

382 a seller to register to collect and remit sales and use taxes for all  
383 signatory states.

384 (5) Agree that registration with the central registration system and  
385 the collection of sales and use taxes in the signatory states will not be  
386 used as a factor in determining whether the seller has nexus with a  
387 state for any tax.

388 (6) Reduce the burdens of complying with local sales and use taxes  
389 through the following: (A) Restricting variances between the state and  
390 local tax bases, (B) requiring states to administer any sales and use  
391 taxes levied by local jurisdictions within the state so that sellers  
392 collecting and remitting these taxes will not have to register or file  
393 returns with, remit funds to, or be subject to independent audits from  
394 local taxing jurisdictions, (C) restricting the frequency of changes in the  
395 local sales and use tax rates and setting effective dates for the  
396 application of local jurisdictional boundary changes to local sales and  
397 use taxes, and (D) providing notice of changes in local sales and use  
398 tax rates.

399 (7) Outline any monetary allowances that are to be provided by the  
400 states to sellers or certified service providers in exchange for collecting  
401 sales and use taxes.

402 (8) Certify compliance with the terms of the agreement prior to  
403 joining and to maintain compliance, under the laws of the member  
404 state, with all provisions of the agreement while a member.

405 (9) Require each state to adopt a uniform policy for certified service  
406 providers that protects the privacy of consumers and maintains the  
407 confidentiality of tax information.

408 (10) Appoint an advisory council of private sector representatives  
409 and an advisory council of nonmember state representatives to consult  
410 with the administration of the agreement.

411 (b) As used in this section, "certified service provider" means an

412 agent certified jointly by the states that are signatories to the  
413 agreement to perform all of the seller's sales tax functions.

414       Sec. 13. (NEW) (*Effective July 1, 2007, and applicable to sales occurring*  
415 *on or after July 1, 2007*) (a) The Commissioner of Revenue Services shall  
416 segregate one-half per cent of the sales tax revenue that accrues from  
417 sales within the meaning of subdivision (2) of subsection (a) of section  
418 12-407 of the general statutes, as amended by this act.

419       (b) The funds segregated under subsection (a) of this section shall be  
420 allocated to the State Treasurer for deposit in the General Fund. Upon  
421 deposit in the General Fund, such funds shall be credited to the  
422 municipal cooperation account established in section 14 of this act.

423       Sec. 14. (NEW) (*Effective July 1, 2007*) There is established, within the  
424 General Fund, a separate, nonlapsing account to be known as the  
425 "municipal cooperation account". The account shall contain any  
426 moneys required by law to be deposited in the account. The moneys in  
427 said account shall be available to the Secretary of the Office of Policy  
428 and Management for grants under section 15 of this act.

429       Sec. 15. (NEW) (*Effective July 1, 2007*) (a) As used in this section,  
430 "municipal intergovernmental agency" means a regional council of  
431 elected officials or regional council of governments pursuant to  
432 chapter 50 of the general statutes.

433       (b) There is established a state revenue sharing program which shall  
434 be administered by the Office of Policy and Management. On or before  
435 January 1, 2008, and June 1, 2008, and semiannually thereafter, each  
436 municipal intergovernmental agency shall be paid by the state a grant  
437 equal to one-half the amount determined in accordance with the  
438 provisions of subsection (c) of this section. Funds received pursuant to  
439 this section shall be expended by the municipal intergovernmental  
440 agency for purposes of general revenue sharing grants to member  
441 municipalities for specific initiatives undertaken jointly by two or more  
442 member municipalities to consolidate services and promote  
443 cooperation between municipalities to achieve economies of scale and

444 lower costs, except costs of education. Grants may be used for capital  
445 improvements or other costs incurred by municipalities in  
446 implementing joint initiatives. Such grants shall be disbursed in  
447 accordance with an annual allocation plan approved by the municipal  
448 intergovernmental agency after a public hearing.

449 (c) Grants made to municipal intergovernmental agencies pursuant  
450 to subsection (b) of this section shall be equal to the amount segregated  
451 pursuant to section 14 of this act, multiplied by the ratio that the total  
452 population, as defined in section 10-261 of the general statutes, of all  
453 member municipalities of a municipal intergovernmental agency bears  
454 to the total population of all municipalities in the state.

455 Sec. 16. (NEW) (*Effective October 1, 2007*) (a) As used in this section,  
456 "budget limit" means the amount that equals four per cent of the total  
457 value of taxable real and personal property in a municipality on  
458 October first in the preceding year.

459 (b) The budget authority of any municipality shall not authorize a  
460 total annual budget that exceeds the budget limit unless (1) the budget  
461 authority approves the budget by a two-thirds majority, and (2) the  
462 budget is approved by the electors of the municipality at a  
463 referendum.

464 Sec. 17. Subdivisions (5) and (6) of section 12-410 of the general  
465 statutes are repealed and the following is substituted in lieu thereof  
466 (*Effective July 1, 2007*):

467 (5) [(A)] For the purpose of the proper administration of this  
468 chapter and to prevent evasion of the sales tax, a sale of any service  
469 described in subparagraph (I) of subdivision (2) of subsection (a) of  
470 section 12-407 shall be considered a sale for resale only if the service to  
471 be resold is an integral, inseparable component part of a service  
472 described in said subparagraph (I) which is to be subsequently sold by  
473 the purchaser to an ultimate consumer. The purchaser of the service  
474 for resale shall maintain, in such form as the commissioner requires,  
475 records which substantiate: (i) From whom the service was purchased

476 and to whom the service was sold, (ii) the purchase price of the service,  
477 and (iii) the nature of the service to demonstrate that the services were  
478 an integral, inseparable component part of a service described in  
479 subparagraph (I) of subdivision (2) of subsection (a) of section 12-407  
480 which was subsequently sold to a consumer.

481 [(B) Notwithstanding the provisions of subparagraph (A) of this  
482 subdivision, no sale of a service described in subparagraph (I) of  
483 subdivision (2) of subsection (a) of section 12-407 by a seller shall be  
484 considered a sale for resale if such service is to be subsequently sold by  
485 the purchaser to an ultimate consumer that is affiliated with the  
486 purchaser in the manner described in subparagraph (A) of subdivision  
487 (62) of subsection (a) of section 12-412.]

488 [(6) For the purpose of the proper administration of this chapter and  
489 to prevent evasion of the sales tax, no sale of any service by a seller  
490 shall be considered a sale for resale if such service is to be  
491 subsequently sold by the purchaser, without change, to an ultimate  
492 consumer that is affiliated with the purchaser in the manner described  
493 in subparagraph (A) of subdivision (62) of subsection (a) of section 12-  
494 412.]

495 Sec. 18 Subdivisions (14) and (15) of section 12-411 of the general  
496 statutes are repealed and the following is substituted in lieu thereof  
497 (*Effective July 1, 2007*):

498 (14) [(A)] For the purpose of the proper administration of this  
499 chapter and to prevent evasion of the use tax, a purchase of any service  
500 described in subparagraph (I) of subdivision (2) of subsection (a) of  
501 section 12-407 shall be considered a purchase for resale only if the  
502 service to be resold is an integral, inseparable component part of a  
503 service described in said subparagraph (I) which is to be subsequently  
504 sold by the purchaser to an ultimate consumer. The purchaser of the  
505 service for resale shall maintain, in such form as the commissioner  
506 requires, records which substantiate: (i) From whom the service was  
507 purchased and to whom the service was sold; (ii) the purchase price of

508 the service; and (iii) the nature of the service to demonstrate that the  
509 service was an integral, inseparable component part of a service  
510 described in subparagraph (I) of subdivision (2) of subsection (a) of  
511 section 12-407 which was subsequently sold to a consumer.

512 [(B) Notwithstanding the provisions of subparagraph (A) of this  
513 subdivision, no purchase of a service described in subparagraph (I) of  
514 subdivision (2) of subsection (a) of section 12-407 by a purchaser shall  
515 be considered a purchase for resale if such service is to be  
516 subsequently sold by the purchaser to an ultimate consumer that is  
517 affiliated with the purchaser in the manner described in subparagraph  
518 (A) of subdivision (62) of subsection (a) of section 12-412.]

519 [(15) For the purpose of the proper administration of this chapter  
520 and to prevent evasion of the use tax, no purchase of any service by a  
521 purchaser shall be considered a purchase for resale if such service is to  
522 be subsequently sold by the purchaser, without change, to an ultimate  
523 consumer that is affiliated with the purchaser in the manner described  
524 in subparagraph (A) of subdivision (62) of subsection (a) of section 12-  
525 412.]

526 Sec. 19. Section 22a-9 of the general statutes is repealed and the  
527 following is substituted in lieu thereof (*Effective July 1, 2007*):

528 The commissioner shall act as the official agent of the state in all  
529 matters affecting the purposes of this title and sections 2-20a, 5-238a,  
530 subsection (c) of section 7-131a, sections 7-131e, 7-131f, subsection (a)  
531 of section 7-131g, sections 7-131i, 7-131l, subsection (a) of section 10-  
532 409, subdivisions (51) and (52) of section 12-81, [subdivisions (21) and  
533 (22) of section 12-412,] subsections (a) and (b) of section 13a-94,  
534 sections 13a-142a, 13b-56, 13b-57, 14-100b, 14-164c, chapter 268,  
535 sections 16a-103, 22-91c, 22-91e, subsections (b) and (c) of section 22a-  
536 148, section 22a-150, subdivisions (2) and (3) of section 22a-151,  
537 sections 22a-153, 22a-154, 22a-155, 22a-156, 22a-158, chapter 446c,  
538 sections 22a-295, 22a-300, 22a-308, 22a-416, chapters 446h to 446k,  
539 inclusive, chapters 447 and 448, sections 23-35, 23-37a, 23-41, chapter

540 462, section 25-34, chapter 477, subsection (b) of section 25-128,  
 541 subsection (a) of section 25-131, chapters 490 and 491 and sections 26-  
 542 257, 26-297, 26-303 and 47-46a, under any federal laws now or  
 543 hereafter to be enacted and as the official agent of any municipality,  
 544 district, region or authority or other recognized legal entity in  
 545 connection with the grant or advance of any federal or other funds or  
 546 credits to the state or through the state, to its political subdivisions.

547 Sec. 20. Subdivisions (9), (11), (14), (18), (20) to (23), inclusive, (27),  
 548 (29), (30), (31), (34), (36), (40), (41), (43) to (45), inclusive, (48) to (50),  
 549 inclusive, (52), (55), (58), (60), (62), (64) to (74), inclusive, (76) to (78),  
 550 inclusive, (81) to (84), inclusive, (86), (88) to (106), inclusive, and (108)  
 551 to (116), inclusive, of section 12-412 of the general statutes and sections  
 552 12-704c and 12-746 of the general statutes are repealed. (*Effective July 1,*  
 553 *2007*)

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, 2007</i>	12-700(a)
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-219(a)
Sec. 4	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-219(d)
Sec. 5	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-223c

Sec. 6	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-217ee(a)
Sec. 7	<i>from passage and applicable to estates of decedents who die on or after January 1, 2007</i>	12-391(g)
Sec. 8	<i>from passage and applicable to gifts made after January 1, 2007</i>	12-642(a)
Sec. 9	<i>July 1, 2007</i>	12-408(1)
Sec. 10	<i>July 1, 2007</i>	12-412(3)
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>July 1, 2007, and applicable to sales occurring on or after July 1, 2007</i>	New section
Sec. 14	<i>July 1, 2007</i>	New section
Sec. 15	<i>July 1, 2007</i>	New section
Sec. 16	<i>October 1, 2007</i>	New section
Sec. 17	<i>July 1, 2007</i>	12-410(5) and (6)
Sec. 18	<i>July 1, 2007</i>	New section
Sec. 19	<i>July 1, 2007</i>	22a-9
Sec. 20	<i>July 1, 2007</i>	Repealer section

**PD**      *Joint Favorable*