



House of Representatives

General Assembly

File No. 605

February Session, 2010

Substitute House Bill No. 5483

House of Representatives, April 20, 2010

The Committee on Finance, Revenue and Bonding reported through REP. STAPLES of the 96th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING A REGIONAL HOTEL TAX.

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

1 Section 1. Subdivision (1) of section 12-408 of the 2010 supplement
2 to the general statutes is repealed and the following is substituted in
3 lieu thereof (*Effective January 1, 2011, and applicable to sales occurring on*
4 *or after said date*):

5 (1) For the privilege of making any sales, as defined in subdivision
6 (2) of subsection (a) of section 12-407, at retail, in this state for a
7 consideration, a tax is hereby imposed on all retailers at the rate of six
8 per cent of the gross receipts of any retailer from the sale of all tangible
9 personal property sold at retail or from the rendering of any services
10 constituting a sale in accordance with subdivision (2) of subsection (a)
11 of section 12-407, except, in lieu of said rate of six per cent, (A) at a rate
12 of [twelve] fifteen per cent with respect to each transfer of occupancy,
13 from the total amount of rent received for such occupancy of any room
14 or rooms in a hotel or lodging house for the first period not exceeding

15 thirty consecutive calendar days, (B) with respect to the sale of a motor
16 vehicle to any individual who is a member of the armed forces of the
17 United States and is on full-time active duty in Connecticut and who is
18 considered, under 50 App USC 574, a resident of another state, or to
19 any such individual and the spouse thereof, at a rate of four and
20 one-half per cent of the gross receipts of any retailer from such sales,
21 provided such retailer requires and maintains a declaration by such
22 individual, prescribed as to form by the commissioner and bearing
23 notice to the effect that false statements made in such declaration are
24 punishable, or other evidence, satisfactory to the commissioner,
25 concerning the purchaser's state of residence under 50 App USC 574,
26 (C) (i) with respect to the sales of computer and data processing
27 services occurring on or after July 1, 1997, and prior to July 1, 1998, at
28 the rate of five per cent, on or after July 1, 1998, and prior to July 1,
29 1999, at the rate of four per cent, on or after July 1, 1999, and prior to
30 July 1, 2000, at the rate of three per cent, on or after July 1, 2000, and
31 prior to July 1, 2001, at the rate of two per cent, on or after July 1, 2001,
32 at the rate of one per cent, (ii) with respect to sales of Internet access
33 services, on and after July 1, 2001, such services shall be exempt from
34 such tax, (D) with respect to the sales of labor that is otherwise taxable
35 under subparagraph (C) or (G) of subdivision (2) of subsection (a) of
36 section 12-407 on existing vessels and repair or maintenance services
37 on vessels occurring on and after July 1, 1999, such services shall be
38 exempt from such tax, (E) with respect to patient care services for
39 which payment is received by the hospital on or after July 1, 1999, and
40 prior to July 1, 2001, at the rate of five and three-fourths per cent and
41 on and after July 1, 2001, such services shall be exempt from such tax.
42 The rate of tax imposed by this chapter shall be applicable to all retail
43 sales upon the effective date of such rate, except that a new rate which
44 represents an increase in the rate applicable to the sale shall not apply
45 to any sales transaction wherein a binding sales contract without an
46 escalator clause has been entered into prior to the effective date of the
47 new rate and delivery is made within ninety days after the effective
48 date of the new rate. For the purposes of payment of the tax imposed
49 under this section, any retailer of services taxable under subparagraph

50 (I) of subdivision (2) of subsection (a) of section 12-407, who computes
51 taxable income, for purposes of taxation under the Internal Revenue
52 Code of 1986, or any subsequent corresponding internal revenue code
53 of the United States, as from time to time amended, on an accounting
54 basis which recognizes only cash or other valuable consideration
55 actually received as income and who is liable for such tax only due to
56 the rendering of such services may make payments related to such tax
57 for the period during which such income is received, without penalty
58 or interest, without regard to when such service is rendered.

59 Sec. 2. (NEW) (*Effective January 1, 2011*) (a) As used in this section:
60 (1) "Municipality" means any town, city, borough, consolidated town
61 and city or consolidated town and borough; and (2) "regional planning
62 organization" has the same meaning as provided in section 4-124i of
63 the general statutes.

64 (b) The Commissioner of Revenue Services shall segregate twenty
65 per cent of the revenues collected from sales within the meaning of
66 subparagraph (H) of subdivision (2) of subsection (a) of section 12-407
67 of the general statutes by any hotel or lodging house. Funds
68 segregated under this subsection shall be allocated as follows: (1) The
69 commissioner shall return one-third of such segregated revenue to the
70 municipality in which the hotel or lodging house paying such tax is
71 located; and (2) the commissioner shall deposit two-thirds of such
72 segregated revenue into the regional hotel tax account established in
73 section 3 of this act, which shall be distributed as directed under
74 subsection (c) of this section.

75 (c) On or before April 1, 2011, and annually thereafter, the Office of
76 Policy and Management shall distribute the money deposited in the
77 regional hotel tax account on a pro rata basis to each regional planning
78 organization, based on the ratio of the population of the municipalities
79 within such regional planning organization to the population of the
80 state. Money received by a regional planning organization under this
81 section shall be used to promote property tax relief through
82 regionalism initiatives, including, but not limited to, regional economic

83 development and educational cooperative programs and agreements.

84 Sec. 3. (NEW) (*Effective January 1, 2011*) There is established an
 85 account to be known as the "regional hotel tax account" which shall be
 86 a separate, nonlapsing account within the General Fund. The account
 87 shall contain any moneys required by section 2 of this act to be
 88 deposited in the account. Moneys in the account shall be expended by
 89 the Office of Policy and Management in accordance with section 2 of
 90 this act.

| | | |
|---|---|-------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | <i>January 1, 2011, and applicable to sales occurring on or after said date</i> | 12-408(1) |
| Sec. 2 | <i>January 1, 2011</i> | New section |
| Sec. 3 | <i>January 1, 2011</i> | New section |

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

| Agency Affected | Fund-Effect | FY 11 \$ | FY 12 \$ |
|--------------------------------|-------------|----------|----------|
| Department of Revenue Services | GF - Cost | 45,000 | None |

Note: GF=General Fund

Municipal Impact:

| Municipalities | Effect | FY 11 \$ | FY 12 \$ |
|------------------------|--------------|-------------|--------------|
| Various Municipalities | Revenue Gain | 9.4 million | 18.8 million |

Explanation

The bill increases the hotel tax from 12% to 15% and provides redistribution of that tax revenue to municipalities and regional planning organizations (RPOs). This results in a revenue gain to municipalities and RPOs of \$9.4 million in FY 11 and \$18.8 million in FY 12.

The bill specifies that one-third of the increased hotel tax revenue (\$3.1 million in FY 11, \$6.3 million in FY 12) go to the municipalities where the hotels that collected the tax are located, and two-thirds (\$6.3 million in FY 11, \$12.5 million in FY 12) go to RPOs on a pro rata basis. Assuming the total revenue gain identified above, the two-thirds going to RPOs would be distributed as follows:¹

¹ The bill specifies that the revenue be distributed to RPOs in proportion to the combined populations of the member municipalities versus the state's population. This formula creates a discrepancy of approximately \$21,000 in FY 11 and \$42,000 in FY 12 due to the fact that Stafford is not a member of any RPO. It is unclear how this portion of the revenue would be treated under the bill.

| | <u>FY 11</u> | <u>FY 12</u> |
|----------------------------------|--------------|--------------|
| Capitol Region | \$1,327,000 | \$2,654,000 |
| Central Connecticut Region | 416,000 | 831,000 |
| Central Naugatuck Valley Region | 505,000 | 1,009,000 |
| Connecticut River Estuary Region | 111,000 | 222,000 |
| Greater Bridgeport Region | 545,000 | 1,091,000 |
| Housatonic Valley Region | 398,000 | 795,000 |
| Litchfield Hills Region | 146,000 | 292,000 |
| Midstate Region | 200,000 | 400,000 |
| Northeastern Connecticut Region | 149,000 | 298,000 |
| Northwestern Connecticut Region | 42,000 | 83,000 |
| South Central Region | 1,001,000 | 2,002,000 |
| Southeastern Connecticut Region | 448,000 | 897,000 |
| Southwestern Connecticut Region | 641,000 | 1,282,000 |
| Valley Region | 156,000 | 312,000 |
| Windham Region | 162,000 | 324,000 |
| Total: | \$6,247,000 | \$12,492,000 |

The bill also results in a one-time cost of \$45,000 to the Department of Revenue Services (DRS) in FY 11 to make changes to the Integrated Tax Administration System (ITAS) and the taxpayer service center (TSC).

The Out Years

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

Sources: *Department of Public Health 2007 population estimates*
Department of Revenue Services Fiscal Year 2008-2009 Annual Report

OLR Bill Analysis

sHB 5483

AN ACT CONCERNING A REGIONAL HOTEL TAX.

SUMMARY:

This bill raises the hotel tax from 12% to 15%. It requires the Department of Revenue Services (DRS) commissioner to segregate 20% of the tax revenue to be redistributed as follows: (1) one-third to the municipalities where the hotels that collected the tax are located and (2) two-thirds to regional planning organizations (RPOs) in proportion to the combined populations of their member municipalities versus the state's population. The RPOs must use the money they receive to promote property tax relief through regionalism initiatives, including regional economic development and educational cooperative programs and agreements.

Under the bill, a regional planning organization is any of the three statutorily specified types: a regional council of governments, a regional council of elected officials, or a regional planning agency (see BACKGROUND). A municipality is a town, city, borough, consolidated town and city, or consolidated town and borough.

The hotel tax applies to charges for renting hotel, motel, or lodging house rooms for stays of no more than 30 consecutive days.

EFFECTIVE DATE: January 1, 2011 and applicable to sales on or after that date.

REGIONAL HOTEL TAX ACCOUNT

The bill establishes a separate nonlapsing General Fund account and requires the DRS commissioner to deposit two-thirds of the segregated hotel tax revenue into it. Each year, starting by April 1, 2011, the Office of Policy and Management secretary must distribute the money in the

account to each regional planning organization according to the ratio of its member municipalities’ combined populations to the state’s population.

BACKGROUND

Regional Planning Organizations

By law, towns in the state’s 15 planning regions may create three types of regional planning organizations: regional councils of government, regional councils of elected officials, and regional planning agencies (CGS §§ 4-124i through 4-124r). All towns but one (Stafford) are in planning regions. Table 1 lists the type of organization serving each region.

Table 1: Regional Planning Organizations

| <i>Regional Councils of Government</i> | <i>Regional Planning Agencies</i> | <i>Regional Councils of Elected Officials</i> |
|--|--|--|
| Capitol Region Council of Governments | Central Connecticut Regional Planning Agency | Housatonic Valley Council of Elected Officials |
| Council of Governments of the Central Naugatuck Valley | Connecticut River Estuary Regional Planning Agency | Litchfield Council of Elected Officials |
| Northeastern Connecticut Council of Governments | Greater Bridgeport Regional Planning Agency | |
| Northwestern Connecticut Council of Governments | Midstate Regional Planning Agency | |
| South Central Regional Council of Governments | Southwestern Connecticut Regional Planning Agency | |
| Southeastern Connecticut Council of Governments | | |
| Valley Council of Governments | | |
| Windham Region Council of Governments | | |

Related Bill

sSB 303, File 392, favorably reported by the Planning and

Development Committee, also increases the hotel tax rate from 12% to 15% and redistributes a share of the revenue to municipalities and RPOs.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 40 Nay 15 (04/05/2010)