



Senate

General Assembly

File No. 392

February Session, 2010

Substitute Senate Bill No. 303

Senate, April 8, 2010

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT RETURNING A PORTION OF THE HOTEL SALES TAX TO MUNICIPALITIES.

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2 to the general statutes is repealed and the following is substituted in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 October 1, 2010, 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 October 1, 2010*) (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) "population" for
62 each municipality means that enumerated in the most recent federal
63 decennial census of population or that enumerated in the most recent
64 current population report series issued by the United States
65 Department of Commerce, Bureau of the Census available on January
66 first of the fiscal year prior to the fiscal year in which payment is to be
67 made pursuant to subsection (c) of this section, whichever is most
68 recent.

69 (b) The Commissioner of Revenue Services shall segregate three per
70 cent of the taxes collected from sales within the meaning of
71 subparagraph (H) of subdivision (2) of subsection (a) of section 12-407
72 of the general statutes by any hotel or lodging house. Funds
73 segregated under this subsection shall be allocated as follows: (1) The
74 commissioner shall return one-third of such taxes collected to the
75 municipality in which the hotel or lodging house paying such tax is
76 located; and (2) the commissioner shall deposit two-thirds of such
77 taxes collected into the municipal hotel tax account established in
78 section 3 of this act.

79 (c) On April 1, 2011, and annually thereafter, the Office of Policy
80 and Management shall distribute one-half of the moneys deposited in
81 the municipal hotel tax account to each municipality pro rata on the

82 basis of the ratio of the population of the municipality to the
83 population of the state.

84 (d) On April 1, 2011, and annually thereafter, the Office of Policy
85 and Management shall distribute one-half of the moneys deposited in
86 the municipal hotel tax account pro rata to each regional council of
87 governments organized under the provisions of sections 4-124i to 4-
88 124p, inclusive, of the general statutes, on the basis of the ratio of the
89 population of the municipalities within such regional council of
90 governments to the population of the state. If a municipality is not a
91 member of a regional council of governments, then its proportionate
92 share shall be distributed to the regional council of elected officials
93 organized under the provisions of sections 4-124c to 4-124h, inclusive,
94 of the general statutes, of which such municipality is a member, or if it
95 is not a member of a regional council of elected officials, then to the
96 regional planning agency organized under the provisions of chapter
97 127 of the general statutes of which it is a member. Moneys received by
98 a regional council of governments, a regional council of elected
99 officials or a regional planning agency under this section shall be used
100 to promote regionalism initiatives, including, but not limited to,
101 regional economic development and educational cooperative
102 programs and agreements.

103 Sec. 3. (NEW) (*Effective October 1, 2010*) There is established an
104 account to be known as the "municipal hotel tax account" which shall
105 be a separate, nonlapsing account within the General Fund. The
106 account shall contain any moneys required by section 2 of this act to be
107 deposited in the account. Moneys in the account shall be expended by
108 the Office of Policy and Management in accordance with section 2 of
109 this act.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2010, and applicable to sales occurring on or after said date</i>	12-408(1)
Sec. 2	<i>October 1, 2010</i>	New section
Sec. 3	<i>October 1, 2010</i>	New section

Statement of Legislative Commissioners:

Section 1 was redrafted to ensure accuracy of text; in subsections (c) and (d) of section 2, "On or before April 1, 2011" was changed to "On April 1, 2011" for clarity; and technical changes were made throughout section 2 for internal consistency and consistency with the general statutes.

PD *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 - Revenue Gain	12.0 million	16.0 million
Department of Revenue Services	GF - Cost	45,000	None

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 11 \$	FY 12 \$
All Municipalities	Revenue Gain	2.1 million	2.8 million

Explanation

The bill increases the hotel tax from 12% to 15% and distributes 3% of the total revenue collected from the tax to municipalities and regional municipal organizations. The table below shows the revenue gain as a result of the bill:

	FY 11	FY 12
	\$ -Millions	
General Fund	\$12.0	\$16.0
Municipalities ¹	<u>\$2.1</u>	<u>\$2.8</u>
Total	\$14.1	\$18.8

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

The Out Years

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

Sources: Department of Revenue Services

¹ One third is distributed to the towns in which the hotels reside, one third is distributed on a per capita basis to all towns, and one third is distributed to regional organizations on a per capita basis.

OLR Bill Analysis**sSB 303*****AN ACT RETURNING A PORTION OF THE HOTEL SALES TAX TO MUNICIPALITIES.*****SUMMARY:**

This bill increases the tax on charges for hotel stays from 12% to 15%. It requires the Department of Revenue Services (DRS) commissioner to segregate 3% of the taxes collected, distribute one-third to the municipality where the hotel collecting the tax is located, and deposit two-thirds into the municipal hotel tax account, which the bill creates. The account is a separate, nonlapsing account within the General Fund.

For example, under current law, the tax on a \$100 hotel bill is \$12. Under the bill, the tax would be \$15 and 3% of that, \$0.45, would be segregated by the DRS commissioner with 15 cents going to the municipality where the hotel is located and 30 cents would be deposited into the municipal hotel tax account.

Starting April 1, 2011, and annually thereafter, the bill requires the Office of Policy and Management to distribute half of the money in the municipal hotel tax account to each municipality based on the ratio of the municipality's population to the state's population. The other half is distributed to each regional council of governments on the basis of the ratio of member municipalities' population to the population of the state. If a municipality is not in a regional council of government, then its proportionate share is distributed to the regional council of elected officials which has the municipality as a member. If a municipality is not a member of a regional council of elected officials, then its share goes to the regional planning agency which has the municipality as a member. The bill contains no provision for a municipality does not belong to any of these.

The money given to the regional councils of government, regional councils of elected officials, and regional planning agencies must be used to promote regionalism initiatives including regional economic development and educational cooperative programs and agreements.

The bill defines “municipality” to mean town, city, borough, consolidated town and city, or consolidated town and borough. It defines “population” for each municipality as the number determined (1) by the most recent federal decennial census of population or (2) in the most recent current population report series issued by the United States Department of Commerce, Bureau of the Census available on January first of the fiscal year prior to the fiscal year in which payment is to be made.

EFFECTIVE DATE: October 1, 2010, with the increased hotel tax rate applying to sales occurring on or after that date.

BACKGROUND

Related Bill

HB 5483, favorably reported by the Finance, Revenue and Bonding Committee, allows regional planning organizations to impose a tax on hotel stays within their member towns.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 15 Nay 5 (03/22/2010)