



Senate

General Assembly

File No. 607

February Session, 2010

Substitute Senate Bill No. 478

Senate, April 21, 2010

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING CHANGES TO THE ESTATE AND GIFT TAX,
THE HOSPITAL TAX AND THE ATTORNEYS' OCCUPATIONAL TAX.***

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

1 Section 1. Subsection (g) of section 12-391 of the 2010 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage and applicable to estates of decedents who die*
4 *on or after January 1, 2010*):

5 (g) (1) With respect to the estates of decedents dying on or after
6 January 1, 2005, but prior to January 1, 2010, the tax based on the
7 Connecticut taxable estate shall be as provided in the following
8 schedule:

T1	Amount of Connecticut	
T2	Taxable Estate	Rate of Tax
T3		
T4	Not over \$2,000,000	None

T5	Over \$2,000,000	
T6	but not over \$2,100,000	5.085% of the excess over \$0
T7	Over \$2,100,000	\$106,800 plus 8% of the excess
T8	but not over \$2,600,000	over \$2,100,000
T9	Over \$2,600,000	\$146,800 plus 8.8% of the excess
T10	but not over \$3,100,000	over \$2,600,000
T11	Over \$3,100,000	\$190,800 plus 9.6% of the excess
T12	but not over \$3,600,000	over \$3,100,000
T13	Over \$3,600,000	\$238,800 plus 10.4% of the excess
T14	but not over \$4,100,000	over \$3,600,000
T15	Over \$4,100,000	\$290,800 plus 11.2% of the excess
T16	but not over \$5,100,000	over \$4,100,000
T17	Over \$5,100,000	\$402,800 plus 12% of the excess
T18	but not over \$6,100,000	over \$5,100,000
T19	Over \$6,100,000	\$522,800 plus 12.8% of the excess
T20	but not over \$7,100,000	over \$6,100,000
T21	Over \$7,100,000	\$650,800 plus 13.6% of the excess
T22	but not over \$8,100,000	over \$7,100,000
T23	Over \$8,100,000	\$786,800 plus 14.4% of the excess
T24	but not over \$9,100,000	over \$8,100,000
T25	Over \$9,100,000	\$930,800 plus 15.2% of the excess
T26	but not over \$10,100,000	over \$9,100,000
T27	Over \$10,100,000	\$1,082,800 plus 16% of the excess
T28		over \$10,100,000

9 (2) With respect to the estates of decedents dying on or after January
10 1, 2010, but prior to January 1, 2012, the tax based on the Connecticut
11 taxable estate shall be as provided in the following schedule:

T29	<u>Amount of Connecticut</u>	
T30	<u>Taxable Estate</u>	<u>Rate of Tax</u>
T31		
T32	<u>Not over \$3,500,000</u>	<u>None</u>
T33	<u>Over \$3,500,000</u>	<u>14.8% of the excess over</u>
T34	<u>but not over \$3,600,000</u>	<u>\$3,500,000</u>
T35	<u>Over \$3,600,000</u>	<u>\$14,800 plus 15.6% of the excess</u>

T36	<u>but not over \$4,100,000</u>	<u>over \$3,600,000</u>
T37	<u>Over \$4,100,000</u>	<u>\$92,800 plus 16.4% of the excess</u>
T38	<u>but not over \$5,100,000</u>	<u>over \$4,100,000</u>
T39	<u>Over \$5,100,000</u>	<u>\$256,800 plus 17.2% of the excess</u>
T40	<u>but not over \$6,100,000</u>	<u>over \$5,100,000</u>
T41	<u>Over \$6,100,000</u>	<u>\$428,800 plus 18.0% of the excess</u>
T42	<u>but not over \$7,100,000</u>	<u>over \$6,100,000</u>
T43	<u>Over \$7,100,000</u>	<u>\$608,800 plus 18.8% of the excess</u>
T44	<u>but not over \$8,100,000</u>	<u>over \$7,100,000</u>
T45	<u>Over \$8,100,000</u>	<u>\$796,800 plus 19.2% of the excess</u>
T46	<u>but not over \$9,100,000</u>	<u>over \$8,100,000</u>
T47	<u>Over \$9,100,000</u>	<u>\$988,880 plus 19.6% of the excess</u>
T48	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T49	<u>Over \$10,100,000</u>	<u>\$1,184,800 plus 20.0% of the excess</u>
T50		<u>over \$10,100,000</u>

12 [(2)] (3) With respect to the estates of decedents dying on or after
 13 January 1, [2010] 2012, the tax based on the Connecticut taxable estate
 14 shall be as provided in the following schedule:

T51	Amount of Connecticut	
T52	Taxable Estate	Rate of Tax
T53		
T54	Not over \$3,500,000	None
T55	Over \$3,500,000	7.2% of the excess
T56	but not over \$3,600,000	over \$3,500,000
T57	Over \$3,600,000	\$7,200 plus 7.8% of the excess
T58	but not over \$4,100,000	over \$3,600,000
T59	Over \$4,100,000	\$46,200 plus 8.4% of the excess
T60	but not over \$5,100,000	over \$4,100,000
T61	Over \$5,100,000	\$130,200 plus 9.0% of the excess
T62	but not over \$6,100,000	over \$5,100,000
T63	Over \$6,100,000	\$220,200 plus 9.6% of the excess
T64	but not over \$7,100,000	over \$6,100,000
T65	Over \$7,100,000	\$316,200 plus 10.2% of the excess

T66	but not over \$8,100,000	over \$7,100,000
T67	Over \$8,100,000	\$418,200 plus 10.8% of the excess
T68	but not over \$9,100,000	over \$8,100,000
T69	Over \$9,100,000	\$526,200 plus 11.4% of the excess
T70	but not over \$10,100,000	over \$9,100,000
T71	Over \$10,100,000	\$640,200 plus 12% of the excess
T72		over \$10,100,000

15 Sec. 2. Subsection (a) of section 12-642 of the 2010 supplement to the
 16 general statutes is repealed and the following is substituted in lieu
 17 thereof (*Effective from passage and applicable to gifts made during calendar*
 18 *years commencing on or after January 1, 2010*):

19 (a) (1) With respect to calendar years commencing prior to January
 20 1, 2001, the tax imposed by section 12-640 for the calendar year shall be
 21 at a rate of the taxable gifts made by the donor during the calendar
 22 year set forth in the following schedule:

T73	Amount of Taxable Gifts	Rate of Tax
T74		
T75	Not over \$25,000	1%
T76	Over \$25,000	\$250, plus 2% of the excess
T77	but not over \$50,000	over \$25,000
T78	Over \$50,000	\$750, plus 3% of the excess
T79	but not over \$75,000	over \$50,000
T80	Over \$75,000	\$1,500, plus 4% of the excess
T81	but not over \$100,000	over \$75,000
T82	Over \$100,000	\$2,500, plus 5% of the excess
T83	but not over \$200,000	over \$100,000
T84	Over \$200,000	\$7,500, plus 6% of the excess
T85		over \$200,000

23 (2) With respect to the calendar years commencing January 1, 2001,
 24 January 1, 2002, January 1, 2003, and January 1, 2004, the tax imposed
 25 by section 12-640 for each such calendar year shall be at a rate of the
 26 taxable gifts made by the donor during the calendar year set forth in

27 the following schedule:

T86	Amount of Taxable Gifts	Rate of Tax
T87		
T88	Over \$25,000	\$250, plus 2% of the excess
T89	but not over \$50,000	over \$25,000
T90	Over \$50,000	\$750, plus 3% of the excess
T91	but not over \$75,000	over \$50,000
T92	Over \$75,000	\$1,500, plus 4% of the excess
T93	but not over \$100,000	over \$75,000
T94	Over \$100,000	\$2,500, plus 5% of the excess
T95	but not over \$675,000	over \$100,000
T96	Over \$675,000	\$31,250, plus 6% of the excess
T97		over \$675,000

28 (3) With respect to Connecticut taxable gifts, as defined in section
 29 12-643, made by a donor during a calendar year commencing on or
 30 after January 1, 2005, but prior to January 1, 2010, including the
 31 aggregate amount of all Connecticut taxable gifts made by the donor
 32 during all calendar years commencing on or after January 1, 2005, but
 33 prior to January 1, 2010, the tax imposed by section 12-640 for the
 34 calendar year shall be at the rate set forth in the following schedule,
 35 with a credit allowed against such tax for any tax previously paid to
 36 this state pursuant to this subdivision:

T98	Amount of Taxable Gifts	Rate of Tax
T99		
T100	Not over \$2,000,000	None
T101	Over \$2,000,000	
T102	but not over \$2,100,000	5.085% of the excess over \$0
T103	Over \$2,100,000	\$106,800 plus 8% of the excess
T104	but not over \$2,600,000	over \$2,100,000
T105	Over \$2,600,000	\$146,800 plus 8.8% of the excess
T106	but not over \$3,100,000	over \$2,600,000
T107	Over \$3,100,000	\$190,800 plus 9.6% of the excess
T108	but not over \$3,600,000	over \$3,100,000

T109	Over \$3,600,000	\$238,800 plus 10.4% of the excess
T110	but not over \$4,100,000	over \$3,600,000
T111	Over \$4,100,000	\$290,800 plus 11.2% of the excess
T112	but not over \$5,100,000	over \$4,100,000
T113	Over \$5,100,000	\$402,800 plus 12% of the excess
T114	but not over \$6,100,000	over \$5,100,000
T115	Over \$6,100,000	\$522,800 plus 12.8% of the excess
T116	but not over \$7,100,000	over \$6,100,000
T117	Over \$7,100,000	\$650,800 plus 13.6% of the excess
T118	but not over \$8,100,000	over \$7,100,000
T119	Over \$8,100,000	\$786,800 plus 14.4% of the excess
T120	but not over \$9,100,000	over \$8,100,000
T121	Over \$9,100,000	\$930,800 plus 15.2% of the excess
T122	but not over \$10,100,000	over \$9,100,000
T123	Over \$10,100,000	\$1,082,800 plus 16% of the excess
T124		over \$10,100,000

37 (4) With respect to Connecticut taxable gifts, as defined in section
38 12-643, made by a donor during a calendar year commencing on or
39 after January 1, 2010, but prior to January 1, 2012, including the
40 aggregate amount of all Connecticut taxable gifts made by the donor
41 during all calendar years commencing on or after January 1, 2005, the
42 tax imposed by section 12-640 for the calendar year shall be at the rate
43 set forth in the following schedule, with a credit allowed against such
44 tax for any tax previously paid to this state pursuant to this
45 subdivision or pursuant to subdivision (3) of this subsection, provided
46 such credit shall not exceed the amount of tax imposed by this section:

T125	<u>Amount of Connecticut</u>	
T126	<u>Taxable Estate</u>	<u>Rate of Tax</u>
T127		
T128	<u>Not over \$3,500,000</u>	<u>None</u>
T129	<u>Over \$3,500,000</u>	<u>14.8% of the excess over</u>
T130	<u>but not over \$3,600,000</u>	<u>\$3,500,000</u>
T131	<u>Over \$3,600,000</u>	<u>\$14,800 plus 15.6% of the excess</u>
T132	<u>but not over \$4,100,000</u>	<u>over \$3,600,000</u>

T133	<u>Over \$4,100,000</u>	<u>\$92,800 plus 16.4% of the excess</u>
T134	<u>but not over \$5,100,000</u>	<u>over \$4,100,000</u>
T135	<u>Over \$5,100,000</u>	<u>\$256,800 plus 17.2% of the excess</u>
T136	<u>but not over \$6,100,000</u>	<u>over \$5,100,000</u>
T137	<u>Over \$6,100,000</u>	<u>\$428,800 plus 18.0% of the excess</u>
T138	<u>but not over \$7,100,000</u>	<u>over \$6,100,000</u>
T139	<u>Over \$7,100,000</u>	<u>\$608,800 plus 18.8% of the excess</u>
T140	<u>but not over \$8,100,000</u>	<u>over \$7,100,000</u>
T141	<u>Over \$8,100,000</u>	<u>\$796,800 plus 19.2% of the excess</u>
T142	<u>but not over \$9,100,000</u>	<u>over \$8,100,000</u>
T143	<u>Over \$9,100,000</u>	<u>\$988,880 plus 19.6% of the excess</u>
T144	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T145	<u>Over \$10,100,000</u>	<u>\$1,184,800 plus 20.0% of the excess</u>
T146		<u>over \$10,100,000</u>

47 [(4)] (5) With respect to Connecticut taxable gifts, as defined in
 48 section 12-643, made by a donor during a calendar year commencing
 49 on or after January 1, [2010] 2012, including the aggregate amount of
 50 all Connecticut taxable gifts made by the donor during all calendar
 51 years commencing on or after January 1, 2005, the tax imposed by
 52 section 12-640 for the calendar year shall be at the rate set forth in the
 53 following schedule, with a credit allowed against such tax for any tax
 54 previously paid to this state pursuant to this subdivision or pursuant
 55 to subdivision (3) or (4) of this subsection, provided such credit shall
 56 not exceed the amount of tax imposed by this section:

T147	Amount of Taxable Gifts	Rate of Tax
T148		
T149	Not over \$3,500,000	None
T150	Over \$3,500,000	7.2% of the excess
T151	but not over \$3,600,000	over \$3,500,000
T152	Over \$3,600,000	\$7,200 plus 7.8% of the excess
T153	but not over \$4,100,000	over \$3,600,000
T154	Over \$4,100,000	\$46,200 plus 8.4% of the excess
T155	but not over \$5,100,000	over \$4,100,000

T156	Over \$5,100,000	\$130,200 plus 9.0% of the excess
T157	but not over \$6,100,000	over \$5,100,000
T158	Over \$6,100,000	\$220,200 plus 9.6% of the excess
T159	but not over \$7,100,000	over \$6,100,000
T160	Over \$7,100,000	\$316,200 plus 10.2% of the excess
T161	but not over \$8,100,000	over \$7,100,000
T162	Over \$8,100,000	\$418,200 plus 10.8% of the excess
T163	but not over \$9,100,000	over \$8,100,000
T164	Over \$9,100,000	\$526,200 plus 11.4% of the excess
T165	but not over \$10,100,000	over \$9,100,000
T166	Over \$10,100,000	\$640,200 plus 12% of the excess
T167		over \$10,100,000

57 Sec. 3. Section 12-263b of the general statutes is repealed and the
 58 following is substituted in lieu thereof (*Effective May 1, 2010, and*
 59 *applicable to calendar quarters commencing on or after July 1, 2010*):

60 (a) There is hereby imposed on the hospital gross earnings of each
 61 hospital in this state a tax (1) at the rate of eleven per cent of its
 62 hospital gross earnings in each taxable quarter for taxable quarters
 63 commencing prior to October 1, 1996; (2) at the rate of nine and
 64 one-fourth per cent of its hospital gross earnings in each taxable
 65 quarter commencing on or after October 1, 1996, and prior to October
 66 1, 1997; (3) at the rate of eight and one-fourth per cent of its hospital
 67 gross earnings in each taxable quarter commencing on or after October
 68 1, 1997, and prior to October 1, 1998; (4) at the rate of seven and
 69 one-fourth per cent of its hospital gross earnings in each taxable
 70 quarter commencing on or after October 1, 1998, and prior to October
 71 1, 1999; [and] (5) at the rate of four and one-half per cent of its hospital
 72 gross earnings in each taxable quarter commencing on or after October
 73 1, 1999, and prior to April 1, 2000; and (6) at the rate of five and one-
 74 half per cent of its hospital gross earnings in each taxable quarter for
 75 taxable quarters commencing on or after July 1, 2010, and prior to July
 76 1, 2014. [The hospital gross earnings of each hospital in this state shall
 77 not be subject to the provisions of this chapter with respect to calendar
 78 quarters commencing on or after April 1, 2000.] Each hospital shall, on

79 or before the last day of January, April, July and October of each year,
80 render to the Commissioner of Revenue Services a return, on forms
81 prescribed or furnished by the Commissioner of Revenue Services and
82 signed by one of its principal officers, stating specifically the name and
83 location of such hospital, and the amounts of its hospital gross
84 earnings, its net revenue and its gross revenue for the calendar quarter
85 ending the last day of the preceding month. Payment shall be made
86 with such return.

87 (b) There is established an account to be known as the "hospital
88 equalization account" which shall be a separate, nonlapsing account
89 within the General Fund. The Commissioner of Revenue Services shall
90 annually segregate twenty million dollars of the revenues from the tax
91 imposed pursuant to this section from taxable quarters commencing
92 on or after July 1, 2010, and prior to July 1, 2014, and shall deposit such
93 revenues in the account. Moneys in the account shall be allocated to
94 hospitals by said commissioner according to a formula established by
95 the joint standing committee of the General Assembly having
96 cognizance of matters relating to appropriations for the purpose of
97 mitigating hospital losses.

98 Sec. 4. Section 17b-192 of the 2010 supplement to the general statutes
99 is repealed and the following is substituted in lieu thereof (*Effective*
100 *from passage*):

101 (a) The Commissioner of Social Services shall implement a state
102 medical assistance component of the state-administered general
103 assistance program for persons who do not meet the categorical
104 eligibility criteria for Medicaid on the basis of age, blindness,
105 disability, pregnancy, being a parent or other caretaker relative of a
106 dependent child, being a child under the age of twenty-one, or having
107 been screened for breast or cervical cancer under the Centers for
108 Disease Control and Prevention's National Breast and Cervical Cancer
109 Early Detection Program and are found to need treatment for either
110 breast or cervical cancer. Eligibility criteria concerning income shall be
111 the same as the medically needy component of the Medicaid program,

112 except that earned monthly gross income of up to one hundred fifty
113 dollars shall be disregarded. Unearned income shall not be
114 disregarded. No person who has family assets exceeding one thousand
115 dollars shall be eligible. No person shall be eligible for assistance
116 under this section if such person made, during the three months prior
117 to the month of application, an assignment or transfer or other
118 disposition of property for less than fair market value. The number of
119 months of ineligibility due to such disposition shall be determined by
120 dividing the fair market value of such property, less any consideration
121 received in exchange for its disposition, by five hundred dollars. Such
122 period of ineligibility shall commence in the month in which the
123 person is otherwise eligible for benefits. Any assignment, transfer or
124 other disposition of property, on the part of the transferor, shall be
125 presumed to have been made for the purpose of establishing eligibility
126 for benefits or services unless such person provides convincing
127 evidence to establish that the transaction was exclusively for some
128 other purpose.

129 (b) Each person eligible for state-administered general assistance
130 shall be entitled to receive medical care through a federally qualified
131 health center or other primary care provider as determined by the
132 commissioner. The Commissioner of Social Services shall determine
133 appropriate service areas and shall, in the commissioner's discretion,
134 contract with community health centers, other similar clinics, and
135 other primary care providers, if necessary, to assure access to primary
136 care services for recipients who live farther than a reasonable distance
137 from a federally qualified health center. The commissioner shall assign
138 and enroll eligible persons in federally qualified health centers and
139 with any other providers contracted for the program because of access
140 needs. Each person eligible for state-administered general assistance
141 shall be entitled to receive hospital services. Medical services under the
142 program shall be limited to the services provided by a federally
143 qualified health center, hospital, or other provider contracted for the
144 program at the commissioner's discretion because of access needs. The
145 commissioner shall ensure that ancillary services and specialty services
146 are provided by a federally qualified health center, hospital, or other

147 providers contracted for the program at the commissioner's discretion.
148 Ancillary services include, but are not limited to, radiology, laboratory,
149 and other diagnostic services not available from a recipient's assigned
150 primary care provider, and durable medical equipment. Specialty
151 services are services provided by a physician with a specialty that are
152 not included in ancillary services. Ancillary or specialty services
153 provided under the program shall not exceed such services provided
154 under the state-administered general assistance program on July 1,
155 2003, except for nonemergency medical transportation and vision care
156 services which may be provided on a limited basis within available
157 appropriations. Notwithstanding any provision of this subsection, the
158 commissioner may provide, or require a contractor to provide, home
159 health services or skilled nursing facility coverage for state-
160 administered general assistance recipients being discharged from a
161 chronic disease hospital when the provision of such services or
162 coverage is determined to be cost effective by the commissioner.

163 (c) Pharmacy services shall be provided to recipients of state-
164 administered general assistance through the federally qualified health
165 center to which they are assigned or through a pharmacy with which
166 the health center contracts. Recipients who are assigned to a
167 community health center or similar clinic or primary care provider
168 other than a federally qualified health center or to a federally qualified
169 health center that does not have a contract for pharmacy services shall
170 receive pharmacy services at pharmacies designated by the
171 commissioner. The Commissioner of Social Services or the managed
172 care organization or other entity performing administrative functions
173 for the program as permitted in subsection (d) of this section, shall
174 require prior authorization for coverage of drugs for the treatment of
175 erectile dysfunction. The commissioner or the managed care
176 organization or other entity performing administrative functions for
177 the program may limit or exclude coverage for drugs for the treatment
178 of erectile dysfunction for persons who have been convicted of a sexual
179 offense who are required to register with the Commissioner of Public
180 Safety pursuant to chapter 969.

181 (d) The Commissioner of Social Services shall contract with
182 federally qualified health centers or other primary care providers as
183 necessary to provide medical services to eligible state-administered
184 general assistance recipients pursuant to this section. The
185 commissioner shall, within available appropriations, make payments
186 to such centers based on their pro rata share of the cost of services
187 provided or the number of clients served, or both. The Commissioner
188 of Social Services shall, within available appropriations, make
189 payments to other providers based on a methodology determined by
190 the commissioner. The Commissioner of Social Services may reimburse
191 for extraordinary medical services, provided such services are
192 documented to the satisfaction of the commissioner. For purposes of
193 this section, the commissioner may contract with a managed care
194 organization or other entity to perform administrative functions,
195 including a grievance process for recipients to access review of a denial
196 of coverage for a specific medical service, and to operate the program
197 in whole or in part. Provisions of a contract for medical services
198 entered into by the commissioner pursuant to this section shall
199 supersede any inconsistent provision in the regulations of Connecticut
200 state agencies. A recipient who has exhausted the grievance process
201 established through such contract and wishes to seek further review of
202 the denial of coverage for a specific medical service may request a
203 hearing in accordance with the provisions of section 17b-60.

204 (e) Each federally qualified health center participating in the
205 program shall enroll in the federal Office of Pharmacy Affairs Section
206 340B drug discount program established pursuant to 42 USC 256b to
207 provide pharmacy services to recipients at Federal Supply Schedule
208 costs. Each such health center may establish an on-site pharmacy or
209 contract with a commercial pharmacy to provide such pharmacy
210 services.

211 (f) The Commissioner of Social Services shall, within available
212 appropriations, make payments to hospitals for inpatient services
213 based on their pro rata share of the cost of services provided or the
214 number of clients served, or both. The Commissioner of Social Services

215 shall, within available appropriations, make payments for any
216 ancillary or specialty services provided to state-administered general
217 assistance recipients under this section based on a methodology
218 determined by the commissioner.

219 (g) The Commissioner of Social Services shall [seek a waiver of
220 federal law] submit to the federal government a proposed amendment
221 to the Medicaid state plan for the purpose of extending health
222 insurance coverage under Medicaid to persons who otherwise qualify
223 for medical assistance under the state-administered general assistance
224 program. [The provisions of section 17b-8 shall apply to this section. If
225 the commissioner fails to submit the application for the waiver to the
226 joint standing committees of the General Assembly having cognizance
227 of matters relating to human services and appropriations by February
228 1, 2010, the commissioner shall submit a written report to said
229 committees not later than February 2, 2010. The report shall include,
230 but not be limited to: (1) An explanation of the reasons for failing to
231 seek the waiver; and (2) an estimate of the fiscal impact that would
232 result from the approval of the waiver in one calendar year.] If such
233 proposed amendment to the Medicaid state plan is approved by the
234 federal government, the commissioner shall, not later than June 1,
235 2010, implement the changes as provided in the proposed amendment.

236 [(h) Upon approval of the waiver submitted pursuant to subsection
237 (g) of this section, the commissioner may provide, or require a
238 contractor, federally qualified health center or other provider to
239 provide coverage for home care services, school-based services or
240 other outpatient community-based services for state-administered
241 general assistance recipients when the provision of such services or
242 coverage is determined to be cost effective by the commissioner. The
243 commissioner shall contract with federally qualified health centers or
244 other primary care providers as necessary to provide such services to
245 eligible state-administered general assistance recipients pursuant to
246 this section. The commissioner shall, within available appropriations,
247 make payments to such centers for any home based services, school-
248 based services or other outpatient community-based services provided

249 by such centers.]

250 [(i)] (h) The commissioner, pursuant to section 17b-10, may
251 implement policies and procedures to administer the provisions of this
252 section while in the process of adopting such policies and procedures
253 as regulation, provided the commissioner prints notice of the intent to
254 adopt the regulation in the Connecticut Law Journal not later than
255 twenty days after the date of implementation. Such policy shall be
256 valid until the time final regulations are adopted.

257 Sec. 5. (NEW) (*Effective from passage*) (a) For the fiscal year ending
258 June 30, 2010, and for each fiscal year thereafter, the funds
259 appropriated to hospitals in the accounts Disproportionate Share -
260 Medical Emergency Assistance, DSH - Urban Hospitals in Distressed
261 Municipalities and Connecticut Children's Medical Center shall be
262 transferred to the Medicaid Rates - Hospitals account for the purpose
263 of obtaining federal matching funds. Such funds shall be used to
264 increase each hospital's Medicaid rate to offset one hundred per cent of
265 the hospital's loss of disproportionate share funds resulting from the
266 transfer of such funds.

267 (b) The Commissioner of Social Services shall require each managed
268 care organization participating in the HUSKY Plan to pay to
269 contracting hospital providers no less than the rate established by the
270 commissioner for the Medicaid fee-for-service program.

271 Sec. 6. Subsection (h) of section 51-81b of the 2010 supplement to the
272 general statutes is repealed and the following is substituted in lieu
273 thereof (*Effective from passage and applicable to taxable years commencing*
274 *on or after January 1, 2010*):

275 (h) No person shall be liable for payment of the occupational tax
276 under this section solely by virtue of such person having engaged in
277 the practice of law while acting as an employee of [the state,] any
278 political subdivision of the state or any probate court.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to estates of decedents who die on or after January 1, 2010</i>	12-391(g)
Sec. 2	<i>from passage and applicable to gifts made during calendar years commencing on or after January 1, 2010</i>	12-642(a)
Sec. 3	<i>May 1, 2010, and applicable to calendar quarters commencing on or after July 1, 2010</i>	12-263b
Sec. 4	<i>from passage</i>	17b-192
Sec. 5	<i>from passage</i>	New section
Sec. 6	<i>from passage and applicable to taxable years commencing on or after January 1, 2010</i>	51-81b(h)

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	FY10\$	FY 11 \$
Dept of Social Services	GF - Potential Revenue Gain	Up to \$2.7 million	Up to \$10.8 million
Dept of Revenue Services	GF - Revenue Gain	\$5.9 million	\$278 million

Note: GF=General Fund

Municipal Impact: None

Explanation

Sections 1 and 2 of the bill make modifications to the Estate and Gift Tax and are anticipated to result in a General Fund revenue gain of approximately \$5.9 million in FY 10 and \$70.3 million in FY 12.

Section 3 implements a hospital gross earnings tax of 5.5%, effective July 1, 2010. Based on the definitions of gross earnings used in prior applications of this tax, it is anticipated that the tax will generate approximately \$207 million beginning in FY 11.

This section also establishes a non lapsing account into which the Commissioner of Revenue Services shall deposit \$20 million annually from the hospital tax. These funds shall be dispersed to the hospitals based on a formula to be developed by the Appropriations Committee.

Section 4 requires the Department of Social Services (DSS) to amend the state Medicaid plan to enroll current recipients of the State Administered General Assistance (SAGA) program. This language is substantially the same as section 23 of H.B. 5545 (AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2010), which has already been signed by the Governor. As this policy has already passed into law, this section implements current practice and therefore has no

additional fiscal impact.

Section 5 transfers funds from DSS's Disproportionate Share - Medical Emergency Assistance, DSH - Urban Hospitals in Distressed Municipalities and Connecticut Children's Medical Center accounts to the Medicaid account. The section further requires DSS to increase Medicaid hospital rates by a proportionate amount. Annual funding for these three accounts totals \$94,295,000.

Currently, the state is reimbursed by the federal government at a 50% level for expenditures under these accounts. However, through December 31, 2010 the state is receiving an enhanced match of 61.9% on Medicaid expenditures. Therefore, should the federal government approve the enhanced match on these new Medicaid rates, the state would realize a revenue gain in FY 10 of \$2.7 million and FY 11 of \$5.4 million. There have been several proposals at the federal level to extend the enhanced federal Medicaid match until June 30, 2011. Should this extension happen, the state would realize a total revenue gain in FY 11 of \$10.8 million.

The bill specifies that the HUSKY managed care hospital rates also be adjusted to reflect the higher Medicaid Hospital rates. This analysis assumes that the department would apportion the new \$94.3 million in Medicaid funds between Medicaid fee-for-service rates and Medicaid HUSKY managed care rates.

Section 6 eliminates the exemption to the Occupational Tax for attorneys who practice law only as state employees and is anticipated to result in a revenue gain of approximately \$700,000 beginning in FY 11. Approximately 1,280 individuals claimed the state employee exemption for 2008.

The Out Years

Agency Affected	Fund-Effect	FY12 \$	FY13 \$	FY14 \$
Dept of Revenue Services	GF -Revenue Gain	\$64.4 million	none	none

Note: GF=General Fund

Under current law, the tax changes would have resulted in a revenue loss of \$70.3 million in FY 12. The changes made by this bill will only result in a revenue loss of \$5.9 million, so the net result is a revenue increase of \$64.4 million.

OLR Bill Analysis**sSB 478****AN ACT CONCERNING CHANGES TO THE ESTATE AND GIFT TAX, THE HOSPITAL TAX AND THE ATTORNEYS' OCCUPATIONAL TAX.****SUMMARY:**

This bill:

1. increases marginal rates on estates and gifts over \$3.5 million for two years;
2. imposes a 5.5% tax on hospital gross earnings and, for four years, requires \$20 million of the annual revenue collected to be redistributed to hospitals to mitigate their losses;
3. requires the Department of Social Services (DSS) commissioner to seek an amendment to the state Medicaid plan to extend Medicaid coverage to those enrolled in the State Administered General Assistance (SAGA) program;
4. transfers hospital disproportionate share (DSH) funds within the DSS budget to increase each hospital's Medicaid rate to fully offset the DSH transfer; and
5. requires attorneys who practice law as state employees to pay the annual attorney occupational tax.

EFFECTIVE DATE: Various, see below.

§ 1 & 2 — ESTATE AND GIFT TAX

The following changes in the estate and gift taxes took effect starting with deaths occurring and gifts made on or after January 1, 2010: (1) an

increase, from \$2 million to \$3.5 million, in the threshold value of an estate or gift subject to the estate and gift tax; (2) elimination of the so-called tax “cliff” (see BACKGROUND); and (3) a 25% reduction in tax rates.

The bill retains the higher tax threshold and eliminates the cliff but, to compensate for the resulting revenue loss, it increases the marginal tax rates on estates and gifts over \$3.5 million from between 7.2% and 12% to between 16% and 19% for two years. These higher rates affect estates of those who die, and gifts made, on or after January 1, 2010 and before January 1, 2012, as shown in Table 1.

Table 1: Current and Proposed Estate and Gift Tax Rates

VALUE OF TAXABLE ESTATE OR GIFT		CURRENT LAW		THE BILL			
		On or After January 1, 2010 (Add cols. C & D)		On or After January 1, 2010 and Before January 1, 2012 (Add cols. E & F)		On or After January 1, 2012 (Same as Current Law) (Add cols. G & H)	
Col. A: Over	Col. B: But not over	Col. C: Tax on Col. A	Col. D: Tax rate on excess over Col. A	Col. E: Tax on Col. A	Col. F: Tax rate on excess over Col. A	Col. G: Tax on Col. A	Col. H: Tax rate on excess over Col. A
0	\$3,500,000	NO TAX		NO TAX		NO TAX	
\$3,500,000	3,600,000	0	7.2%	0	14.8%	0	7.2%
3,600,000	4,100,000	\$7,200	7.8%	\$14,800	15.6%	\$7,200	7.8%
4,100,000	5,100,000	46,200	8.4%	92,800	16.4%	46,200	8.4%
5,100,000	6,100,000	130,200	9.0%	256,800	17.2%	130,200	9.0%
6,100,000	7,100,000	220,200	9.6%	428,800	18.0%	220,200	9.6%
7,100,000	8,100,000	316,200	10.2%	608,800	18.8%	316,200	10.2%
8,100,000	9,100,000	418,200	10.8%	796,800	19.2%	418,200	10.8%
9,100,000	10,100,000	526,200	11.4%	998,880	19.6%	526,200	11.4%
Over \$10,100,000		640,200	12.0%	1,184,800	20.0%	640,200	12.0%

EFFECTIVE DATE: Upon passage and applicable to estates of those who die, and gifts made, on or after January 1, 2010.

HOSPITAL GROSS RECEIPTS TAX

Tax and Rate

The bill imposes a 5.5% tax on hospital gross earnings. The tax applies to short-term, acute care hospitals licensed by the Department

of Public Health. Hospitals licensed as children's general hospitals and those operated exclusively by the state are exempt, unless the state is operating the hospital as a receiver.

For tax purposes, a hospital's "gross earnings" are its net revenue minus the amount of federal payments it is projected to receive for Medicare patients and the amount it expects to receive from the DSS. In each case, the projections must be based on its budget authorization.

The tax is payable quarterly on the last day of January, April, July, and October, starting with calendar quarters beginning on and after July 1, 2010.

Hospital Equalization Account

The bill requires the revenue services commissioner to segregate \$20 million annually of the hospital tax revenue collected between July 1, 2010 and July 1, 2014 and to deposit it in a separate nonlapsing General Fund account the bill establishes. The commissioner must distribute the money in the account to hospitals according to a formula the Appropriations Committee establishes. The formula must mitigate hospital losses.

EFFECTIVE DATE: May 1, 2010 and applicable to calendar quarters starting on or after July 1, 2010.

§ 4 — SAGA POPULATION COVERED BY MEDICAID

The bill requires the DSS commissioner to submit a Medicaid state plan amendment to the federal Medicaid agency to extend Medicaid coverage to individuals currently enrolled in the state-funded SAGA medical assistance program. (The commissioner submitted a plan amendment on April 6, 2010.) If the federal government approves the amendment, the commissioner must implement the coverage expansion by June 1, 2010.

The federal Patient Protection and Affordable Health Care Act permits states to extend Medicaid coverage to childless adults with incomes up to 133% of the federal poverty level (FPL, \$14,403 annually

for a single person), and states may begin this coverage as early as April 1, 2010. Currently, the SAGA medical assistance program covers individuals with income up to about 70% of the FPL.

The bill permits DSS to implement policies and procedures to administer these changes while in the process of adopting them in regulations. It also repeals language related to DSS obtaining a federal waiver to cover the SAGA population under Medicaid.

EFFECTIVE DATE: Upon passage

§ 5 — DISPROPORTIONATE SHARE (DSH) PAYMENTS

Beginning in FY 10 and for each subsequent fiscal year, the bill requires that funds appropriated to hospitals in the DSH-Medical Emergency Assistance, DSH-Urban Hospitals in Distressed Municipalities, and the Connecticut Children's Medical Center (state match for drawing down federal DSH money) accounts be transferred to the Medicaid Rates-Hospitals account. (All of these are line items in DSS' budget.)

The purpose of the transfer is for the state to obtain federal matching funds (an enhanced federal match, 61.9% versus 50%, is available until December 30, 2010, under the American Recovery and Reinvestment Act). State DSH payments are eligible for only a 50% federal match. By moving these funds to the Medicaid Rate line item, the state qualifies for the enhanced match.

The bill requires that the transferred funds be used to increase hospital's Medicaid (presumably fee-for-service) rate by an amount that fully offsets the loss of DSH payments resulting from the transfer.

The bill also requires the DSS commissioner to require each managed care organizations (MCOs) participating in HUSKY to pay hospitals with which they contract at least the rate established by the DSS commissioner for hospitals participating in the Medicaid fee-for-service (FFS) program. Currently, the MCOs use the FFS rates as a base rate.

EFFECTIVE DATE: Upon passage

§ 6 — ATTORNEY OCCUPATIONAL TAX

The bill eliminates an exemption from the \$565 annual attorney occupational tax for attorneys who practice law only as state employees. Attorneys who practice only as employees of municipalities, quasi-public agencies, or probate courts continue to be exempt.

EFFECTIVE DATE: Upon passage and applicable to tax years starting on or after January 1, 2010.

BACKGROUND

The Estate Tax “Cliff”

Under prior law, in effect from January 1, 2005 to January 1, 2010, the estate and gift tax contained a so-called “cliff.” The cliff was produced because, under the pre-January 1, 2010 tax, an estate or gift valued at \$2 million or less was not taxed at all, while the full value of an estate or gift of more than \$2 million was taxed. Thus, a \$1 increase in value from \$2,000,000 to \$2,000,001 increased the tax liability for a gift or estate over \$2 million by \$101,700 (the “cliff”). The current law and the bill eliminate the cliff by applying the tax only to the portion of the estate or gift that exceeds the tax threshold.

Related Act

Section 4 of this bill concerning the Medicaid plan amendment to cover SAGA recipients is included in sHB 5545, as amended by House “A,” which is the deficit mitigation bill for FY 10. The bill passed both houses and was signed by the governor on April 14, 2010. The only difference is that the deficit mitigation bill requires the commissioner to implement the changes by April 1, 2010 instead of June 1, 2010 as this bill requires.

Related Bill

The estate tax, hospital tax, Medicaid Plan amendment, and DSH provisions included in this bill are also included in SB 492, “An Act

Concerning Deficit Mitigation for the Biennium Ending June 30, 2011," which passed the Senate on March 26, 2010. SB 492 is currently on the House calendar.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 38 Nay 18 (04/06/2010)