



General Assembly

January Session, 2011

**Raised Bill No. 6586**

LCO No. 4478

\*04478\_\_\_\_\_FIN\*

Referred to Committee on Finance, Revenue and Bonding

Introduced by:  
(FIN)

**AN ACT CONCERNING THE USE OF CERTAIN REVENUES TO  
PROVIDE FUNDS FOR THE BUDGET RESERVE FUND, CAPITAL  
DEBT PAYMENTS AND PENSION PAYMENTS.**

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

1 Section 1. (NEW) (*Effective July 1, 2011*) (a) For purposes of this  
2 section:

3 (1) "Capital gains" or "gains from the sale or exchange of capital  
4 assets" means (A) net gain as determined for federal income tax  
5 purposes, after due allowance for losses and holding periods, from (i)  
6 sales or exchanges of capital assets or assets treated as capital assets,  
7 other than notes, bonds or other obligations of the state or any of the  
8 political subdivisions thereof, or its or their respective agencies or  
9 instrumentalities, or (ii) transactions or events taxable to the taxpayer  
10 as such sales or exchanges, and being the net amount includable in the  
11 taxpayer's adjusted gross income, with respect to all such sales,  
12 exchanges, transactions or events, under the provisions of the internal  
13 revenue code in effect for the taxable year, exclusive of any gain or loss  
14 from the holding or trading of any dealer equity options, as defined in  
15 Section 1256 of the Internal Revenue Code, and exclusive of any gain

16 or loss of a nonresident taxpayer other than from the sale or exchange  
17 of real property located in the state, provided such property is a capital  
18 asset or an asset treated as a capital asset or such sale or exchange is a  
19 transaction or event taxable as a sale or exchange of a capital asset, and  
20 (B) net gains from sales or exchanges of certain property, as  
21 determined in accordance with Internal Revenue Service Form 4797,  
22 exclusive of any such net gain includable under subparagraph (A) in  
23 this definition of gains from the sale or exchange of capital assets;

24 (2) "Dividends" means those dividends taxable for federal income  
25 tax purposes without regard to the dividend exclusion, but exclusive  
26 of exempt dividends;

27 (3) "Exempt dividend" means any dividend or part thereof, other  
28 than a capital gain dividend, paid by a regulated investment company  
29 where at least fifty per cent of the value of such company's total assets  
30 consists of obligations with respect to which taxation by this state is  
31 prohibited by federal law, and such regulated investment company  
32 designates such dividend or part thereof as an exempt dividend in a  
33 written notice mailed to its shareholders not later than sixty days after  
34 the close of its taxable year;

35 (4) "Internal Revenue Code" or "code" means the Internal Revenue  
36 Code of 1986, or any subsequent corresponding internal revenue code  
37 of the United States, as amended from time to time;

38 (5) "Interest income" means (A) any interest income taxable for  
39 federal income tax purposes, exclusive of any such income with  
40 respect to which taxation by any state is prohibited by federal law, less  
41 any amounts forfeited to a bank, savings bank, savings and loan  
42 association, credit union or other depository institution, wherever  
43 located, as a penalty for premature withdrawal of funds from a time  
44 savings account, certificate of deposit or similar class of deposit, and  
45 (B) any interest income from obligations issued by or on behalf of any  
46 state, political subdivision thereof, or public instrumentality, state or  
47 local authority, district, or similar public entity, exclusive of such

48 income from obligations issued by or on behalf of the state, any  
49 political subdivision thereof, or public instrumentality, state or local  
50 authority, district, or similar public entity created under the laws of the  
51 state;

52 (6) "Resident" means an individual: (A) Who is domiciled in this  
53 state, provided, if the individual maintains no permanent place of  
54 abode in this state, maintains a permanent place of abode elsewhere  
55 and spends in the aggregate not more than thirty days of the taxable  
56 year in this state, the individual shall be deemed not a resident; or (B)  
57 who is not domiciled in this state but maintains a permanent place of  
58 abode in this state and is in this state for an aggregate of more than one  
59 hundred eighty-three days of the taxable year, unless the individual,  
60 not being domiciled in this state, is in the armed forces of the United  
61 States;

62 (7) "Taxpayer" means (A) a married couple, both of whom are  
63 residents in this state, whether or not they file for the taxable year a  
64 single federal income tax return jointly, and (B) every other individual  
65 who is a resident in this state, who has earnings received, credited or  
66 accrued in any taxable year from gains from the sale or exchange of  
67 capital assets, or from dividends or interest income subject to tax  
68 under the provisions of the Internal Revenue Code, and any husband  
69 and wife when either of such husband or wife, or both, are not  
70 residents in this state and who file for the taxable year a single federal  
71 income tax return jointly, and every other individual who is not a  
72 resident in this state, who has earnings received, credited or accrued in  
73 any taxable year from gains from the sale or exchange of real property  
74 located in the state, provided such property is a capital asset or an  
75 asset treated as a capital asset or such sale or exchange is a transaction  
76 or event taxable as a sale or exchange of a capital asset.

77 (b) Not later than July 1, 2012, the Department of Revenue Services  
78 shall calculate the amount of personal income tax paid to this state on  
79 that portion of Connecticut adjusted gross income equal to the capital

80 gains, dividend and interest income includable in gross income for  
81 federal tax purposes. The amount of Connecticut income tax applicable  
82 to a taxpayer's capital gains, dividend and interest income shall be  
83 based upon the ratio of such capital gains, dividend and interest  
84 income to such taxpayer's total Connecticut adjusted gross income.  
85 The department shall calculate the total amount of personal income tax  
86 paid on said portion of Connecticut adjusted gross income and  
87 collected during the fiscal year ending June 30, 2012, and during the  
88 fiscal year ending June 30, 2013. The average of the amount collected  
89 during the two fiscal years shall represent the base amount.

90 (c) On and after July 1, 2014, the Commissioner of Revenue Services  
91 shall segregate the amount of Connecticut income tax applicable to the  
92 total capital gains, dividend and interest income that is in excess of the  
93 base amount determined in accordance with subsection (b) of this  
94 section. In each succeeding fiscal year, the amount segregated shall be  
95 the amount that exceeds the amount segregated the previous fiscal  
96 year.

97 (d) Amounts segregated in accordance with subsection (c) of this  
98 section shall used as follows: (1) Fifty per cent of such amounts shall  
99 be deposited in the Budget Reserve Fund; (2) twenty-five per cent shall  
100 be used to make payments on outstanding debt in excess of the  
101 payments currently due; and (3) twenty-five per cent of such amounts  
102 shall be used to make payments into public pension funds in excess of  
103 the annual required contribution.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2011	New section

**Statement of Purpose:**

To establish a revenue stream dedicated to the use of the rainy day fund, debt payments and contributions to public pension plans, by segregating any increases in personal income tax attributable to

increases in capital gains, dividends and interest income received by taxpayers.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*