



General Assembly

Amendment

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LCO No. 6497

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Offered by:

SEN. DAILY, 33rd Dist.

REP. WIDLITZ, 98th Dist.

To: Subst. Senate Bill No. 1218

File No. 598

Cal. No. 365

"AN ACT CONCERNING THE DENIAL OF CERTAIN LICENSE APPLICATIONS WHEN STATE TAXES ARE OWING AND VARIOUS CHANGES TO TITLE 12."

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. Subsection (b) of section 12-35f of the general statutes is
4 repealed and the following is substituted in lieu thereof (*Effective from*
5 *passage*):

6 (b) (1) Upon the request and certification of the tax officer of a
7 claimant state to the Commissioner of Revenue Services that a
8 taxpayer owes taxes to such claimant state, the commissioner may
9 withhold all or a portion of any refund to which such taxpayer would
10 otherwise be entitled and pay over such withheld amount to the
11 claimant state in accordance with the provisions of this section. The
12 commissioner shall not withhold a refund unless the laws of the
13 claimant state allow the Commissioner of Revenue Services to certify

14 that a taxpayer owes taxes to this state and to request the tax officer of
15 the claimant state to withhold all or a portion of any refund to which
16 such taxpayer would otherwise be entitled, and provide for the
17 payment over of such withheld amount to this state.

18 (2) Such certification shall include the full name and address of the
19 taxpayer; the taxpayer's Social Security number or federal employer
20 identification number; the amount of taxes owed to such state; [,
21 including a detailed statement for each taxable period showing tax,
22 interest and penalty;] and a statement that any administrative or
23 judicial remedies, or both, have been exhausted or have lapsed and
24 that the amount of taxes is legally enforceable under the laws of such
25 state.

26 (3) Upon receipt by the commissioner of the required certification,
27 [he] the commissioner shall notify the taxpayer, if the taxpayer is
28 otherwise entitled to a tax refund from this state, that [he] the
29 commissioner has received a request from the claimant state to
30 withhold all or a portion of any refund, that the taxpayer has the right
31 to protest the withholding of the refund, that failure to file a protest in
32 accordance with subdivision (4) of this subsection shall constitute a
33 waiver of any demand against this state on account of such withheld
34 amount and that the withheld amount will be paid over to the claimant
35 state. [The notice shall include a copy of the certification by the tax
36 officer of such claimant state.] Thirty days after the date on which [it is
37 mailed, a notice under this subdivision] a notice under this subdivision
38 is mailed, such notice shall be final except only for such amounts as to
39 which the taxpayer has filed, as provided in subdivision (4) of this
40 subsection, a written protest with the Commissioner of Revenue
41 Services.

42 (4) Any taxpayer notified in accordance with subdivision (3) of this
43 subsection may, on or before the thirtieth day after the mailing of such
44 notice by the Commissioner of Revenue Services, protest the
45 withholding of all or a portion of a refund by filing with the
46 commissioner a written protest in which the taxpayer shall set forth

47 the grounds on which the protest is based. If a timely protest is filed,
48 the commissioner shall impound the claimed amount of the refund,
49 pay to the taxpayer the unclaimed amount, if any, of the refund, send a
50 copy of the protest to the claimant state for determination of the
51 protest on its merits in accordance with the laws of that state, and pay
52 over to the taxpayer the impounded amount if the claimant state shall
53 fail on or before the forty-fifth day after the sending of the copy of the
54 protest by the commissioner to such claimant state to recertify to the
55 commissioner that the claimant state has reviewed the stated grounds
56 on which the protest is based, and to recertify the amount of taxes
57 which is finally due and payable to the claimant state, which is legally
58 enforceable under the laws of the claimant state against the taxpayer,
59 and with respect to which any administrative or judicial remedies, or
60 both, have been exhausted or have lapsed.

61 (5) Where the amount withheld in accordance with this subsection is
62 a refund of any tax imposed upon the income of individuals and in
63 connection with which the taxpayer filed a joint return with his or her
64 spouse, and the spouse is not a taxpayer, the spouse shall have the
65 right to be paid his or her portion of the refund by establishing his or
66 her share of such refund. The amount of such spouse's share of such
67 refund shall be established by recomputing the spouse's share of the
68 joint liability and subtracting that amount from the taxpayer's
69 contribution toward the joint liability, provided the amount of the
70 overpayment refunded to the spouse shall not exceed the amount of
71 the joint overpayment.

72 (6) Subject to the provisions of subdivisions (3), (4) and (5) of this
73 subsection, the commissioner shall pay over to the claimant state the
74 entire amount withheld or the amount certified, whichever is less; pay
75 any refund in excess of the certified amount to the taxpayer; and, if the
76 amount certified exceeds the amount withheld, withhold amounts
77 from subsequent refunds due to the taxpayer, provided the claimant
78 state agrees to withhold subsequent refunds due to taxpayers certified
79 to the claimant state by the commissioner.

80 Sec. 2. Section 12-216a of the general statutes is repealed and the
81 following is substituted in lieu thereof (*Effective from passage and*
82 *applicable to income years commencing on or after January 1, 2011*):

83 (a) Any company that derives income from sources within this state
84 [, or] and that has a substantial economic presence within this state,
85 evidenced by a purposeful direction of business toward this state,
86 examined in light of the frequency, quantity and systematic nature of a
87 company's economic contacts with this state, without regard to
88 physical presence, and to the extent permitted by the Constitution of
89 the United States, shall be liable for the tax imposed under this
90 chapter. Such company shall apportion its net income under the
91 provisions of this chapter.

92 (b) The provisions of subsection (a) of this section shall not apply to
93 any company that is treated as a foreign corporation under the Internal
94 Revenue Code and has no income effectively connected with a United
95 States trade or business. To the extent that a company that is treated as
96 a foreign corporation under the Internal Revenue Code has income
97 effectively connected with a United States trade or business, such
98 company's gross income, notwithstanding any provision of this
99 chapter, shall be its income effectively connected with its United States
100 trade or business. For net income tax apportionment purposes, only
101 property used in, payroll attributable to and receipts effectively
102 connected with such company's United States trade or business shall
103 be considered for purposes of calculating such company's
104 apportionment fraction. "Income effectively connected with a United
105 States trade or business" shall be determined in accordance with the
106 provisions of the Internal Revenue Code.

107 Sec. 3. Section 12-242g of the general statutes is repealed and the
108 following is substituted in lieu thereof (*Effective October 1, 2011, and*
109 *applicable to estimated corporation business tax payments for income years*
110 *commencing on or after January 1, 2012*):

111 (a) If a company has paid as an installment of estimated tax an

112 amount in excess of the amount determined to be the correct amount
113 of such installment, such amount shall be credited against any unpaid
114 installment or against the tax. If the amount already paid, whether or
115 not on the basis of installments, exceeds the amount determined to be
116 the correct amount of the tax, the company shall be paid by the State
117 Treasurer, upon order of the Comptroller, the amount of such
118 overpayment. [The commissioner may prescribe regulations providing
119 for the crediting against the estimated tax for any taxable year of the
120 amount determined to be an overpayment of the corporation business
121 tax for a preceding taxable year.]

122 (b) If a company has filed its tax return under this chapter for the
123 income year on or before the due date of such return or, if an extension
124 of time to file has been requested and granted, the extended due date
125 of such return, any overpayment reported on such return, if the
126 company has elected to credit such overpayment against the
127 company's estimated tax for the succeeding income year, shall be
128 treated as if paid on the due date of the first required installment of
129 estimated tax for such succeeding income year. Such reported
130 overpayment shall be credited against otherwise unpaid required
131 installments in the order in which such installments are required to be
132 paid under section 12-242d.

133 Sec. 4. Subdivision (3) of subsection (a) of section 12-686 of the
134 general statutes is repealed and the following is substituted in lieu
135 thereof (*Effective July 1, 2011, and applicable to tax periods ending on or*
136 *after said date*):

137 (3) (A) Except as otherwise provided in subsections (b) and (c) of
138 this section, the commissioner may require every employer who is
139 deducting and withholding Connecticut income tax from employee
140 wages to pay such tax during the twelve-month period following a
141 determination of liability under this subdivision, by one of the means
142 of electronic funds transfer approved by the department, if the
143 commissioner determines that the amount of Connecticut income tax
144 deducted and withheld from employee wages by such employer was

145 more than two thousand dollars for the twelve-month period ending
146 on the June thirtieth immediately preceding the quarterly period with
147 respect to which the requirement to pay over tax by electronic funds
148 transfer is established. The commissioner, in determining whether tax
149 liability is more than two thousand dollars, shall base such
150 determination on the taxes reported to be due on the quarterly
151 withholding tax returns of such employer related to the period under
152 examination. If any such tax return of such [person] employer for such
153 period has not been filed, the commissioner may base such
154 determination on any information available to the commissioner.

155 (B) Except as otherwise provided in subsections (b) and (c) of this
156 section, the commissioner may require every payer, as defined in
157 section 12-707, as amended by this act, who is deducting and
158 withholding Connecticut income tax from nonpayroll amounts, as
159 defined in section 12-707, as amended by this act, to pay such tax for
160 the calendar year, following a determination of liability under this
161 subdivision, by one of the means of electronic funds transfer approved
162 by the department, if the commissioner determines that the amount of
163 Connecticut income tax deducted and withheld from nonpayroll
164 amounts by such payer for the look-back calendar year, as defined in
165 section 12-707, as amended by this act, was more than two thousand
166 dollars. The commissioner, in determining whether the amount of
167 Connecticut income tax deducted and withheld for the look-back
168 calendar year, is more than two thousand dollars, shall base such
169 determination on the tax reported to be due on the withholding tax
170 return of such payer for such look-back calendar year. If any such tax
171 return of such payer for such period has not been filed, the
172 commissioner may base such determination on any information
173 available to the commissioner.

174 Sec. 5. Section 12-707 of the general statutes is repealed and the
175 following is substituted in lieu thereof (*Effective July 1, 2011, and*
176 *applicable to sales of a business or stock of goods occurring on or after said*
177 *date*):

178 (a) (1) Each employer required to deduct and withhold tax under
179 this chapter from the wages of employees shall be liable for such tax
180 and shall file a withholding return as prescribed by the Commissioner
181 of Revenue Services and pay over to the commissioner, or to a
182 depository designated by the commissioner, the taxes so required to be
183 deducted and withheld at the times specified in subsection (b) of this
184 section.

185 (2) Each payer of nonpayroll amounts shall deduct and withhold tax
186 under this chapter from the nonpayroll amounts of payees, shall be
187 liable for such tax, and shall file a withholding return as prescribed by
188 the commissioner and pay over to the commissioner, or to a depository
189 designated by the commissioner, the taxes so required to be deducted
190 and withheld at the times specified in subsection (b) of this section.

191 (b) (1) (A) With respect to the tax required to be deducted and
192 withheld under this chapter from wages paid during any calendar year
193 beginning on or after January 1, 2005, and in accordance with an
194 annual determination described in subdivision (2) of this subsection,
195 each employer shall be either a weekly remitter, monthly remitter or
196 quarterly remitter for the calendar year. If an employer is a weekly
197 remitter, the employer shall pay over to the commissioner the tax
198 required to be deducted and withheld under this chapter in
199 accordance with subdivision (3) of this subsection. If an employer is a
200 monthly remitter, the employer shall pay over to the commissioner the
201 tax required to be deducted and withheld under this chapter in
202 accordance with subdivision (4) of this subsection. If an employer is a
203 quarterly remitter, the employer shall pay over to the commissioner
204 the tax required to be deducted and withheld under this chapter in
205 accordance with subdivision (5) of this subsection. Notwithstanding
206 any provision of this subsection, if an employer is a household
207 employer, the employer shall pay over to the commissioner the tax
208 required to be deducted and withheld under this chapter in
209 accordance with subdivision (6) of this subsection.

210 (B) With respect to the tax required to be deducted and withheld

211 under this chapter from nonpayroll amounts paid during any calendar
212 year beginning on or after January 1, 2005, and in accordance with an
213 annual determination described in subdivision (2) of this subsection,
214 each payer shall be either a weekly remitter, monthly remitter or
215 quarterly remitter for the calendar year. If a payer is a weekly remitter,
216 the payer shall pay over to the commissioner the tax required to be
217 deducted and withheld under this chapter in accordance with
218 subdivision (3) of this subsection. If a payer is a monthly remitter, the
219 payer shall pay over to the commissioner the tax required to be
220 deducted and withheld under this chapter in accordance with
221 subdivision (4) of this subsection. If a payer is a quarterly remitter, the
222 payer shall pay over to the commissioner the tax required to be
223 deducted and withheld under this chapter in accordance with
224 subdivision (5) of this subsection.

225 (2) (A) The annual determination for an employer required to
226 deduct and withhold tax under this chapter shall be based on the
227 employer's reported liability for the tax required to be deducted and
228 withheld under this chapter during the twelve-month look-back
229 period, provided, if any employer fails timely to file one or more
230 required withholding tax returns for the four quarterly periods within
231 the twelve-month look-back period, the commissioner may base the
232 annual determination for the employer on any information available to
233 the commissioner. If an employer's reported liability for the tax
234 required to be deducted and withheld under this chapter during the
235 twelve-month look-back period was more than ten thousand dollars,
236 the employer is a weekly remitter for the calendar year next
237 succeeding such twelve-month period. If an employer's reported
238 liability for the tax required to be deducted and withheld under this
239 chapter during the twelve-month look-back period was more than two
240 thousand dollars but not more than ten thousand dollars, the employer
241 is a monthly remitter for the calendar year next succeeding such
242 twelve-month period. If an employer's reported liability for the tax
243 required to be deducted and withheld under this chapter during the
244 twelve-month look-back period was two thousand dollars or less, the

245 employer is a quarterly remitter for the calendar year next succeeding
246 such twelve-month period. Notwithstanding any provision of this
247 section, if an employer is a seasonal employer, the annual
248 determination shall be based on the seasonal employer's reported
249 liability for the tax required to be deducted and withheld under this
250 chapter during the twelve-month look-back period multiplied by a
251 fraction, the numerator of which is four, and the denominator of which
252 is the number of quarterly periods during such twelve-month period
253 that the employer paid wages to employees.

254 (B) The annual determination for a payer required to deduct and
255 withhold tax under this chapter shall be based on the payer's reported
256 liability for the tax required to be deducted and withheld under this
257 chapter during the look-back calendar year, provided, if any payer
258 fails timely to file the required withholding tax return for the look-back
259 calendar year, the commissioner may base the annual determination
260 for the payer on any information available to the commissioner. If a
261 payer's reported liability for the tax required to be deducted and
262 withheld under this chapter during the look-back calendar year was
263 more than ten thousand dollars, the payer is a weekly remitter for the
264 calendar year for which the annual determination is being made. If a
265 payer's reported liability for the tax required to be deducted and
266 withheld under this chapter during the look-back calendar year was
267 more than two thousand dollars but not more than ten thousand
268 dollars, the payer is a monthly remitter for the calendar year for which
269 the annual determination is being made. If a payer's reported liability
270 for the tax required to be deducted and withheld under this chapter
271 during the look-back calendar year was two thousand dollars or less,
272 the payer is a quarterly remitter for the calendar year for which the
273 annual determination is being made.

274 (3) (A) An employer that is a weekly remitter shall pay over to the
275 department the tax required to be deducted and withheld from wages
276 under this chapter on or before the Wednesday next succeeding the
277 weekly period during which the wages from which the tax was
278 required to be deducted and withheld were paid to employees.

279 (B) A payer that is a weekly remitter shall pay over to the
280 department the tax required to be deducted and withheld from
281 nonpayroll amounts under this chapter on or before the Wednesday
282 next succeeding the weekly period during which the nonpayroll
283 amounts from which the tax was required to be deducted and
284 withheld were paid to payees.

285 (4) (A) An employer that is a monthly remitter shall pay over to the
286 department the tax required to be deducted and withheld from wages
287 under this chapter on or before the fifteenth day of the month next
288 succeeding the month during which the wages from which the tax was
289 required to be deducted and withheld were paid to employees.

290 (B) A payer that is a monthly remitter shall pay over to the
291 department the tax required to be deducted and withheld from
292 nonpayroll amounts under this chapter on or before the fifteenth day
293 of the month next succeeding the month during which the nonpayroll
294 amounts from which the tax was required to be deducted and
295 withheld were paid to payees.

296 (5) (A) An employer that is a quarterly remitter shall pay over to the
297 department the tax required to be deducted and withheld from wages
298 under this chapter on or before the last day of the month next
299 succeeding the quarterly period during which the wages from which
300 the tax was required to be deducted and withheld were paid to
301 employees.

302 (B) A payer that is a quarterly remitter shall pay over to the
303 department the tax required to be deducted and withheld from
304 nonpayroll amounts under this chapter on or before the last day of the
305 month next succeeding the quarterly period during which the
306 nonpayroll amounts from which the tax was required to be deducted
307 and withheld were paid to payees.

308 (6) An employer that is a household employer shall pay over to the
309 department the tax required to be deducted and withheld under this
310 chapter on or before the April fifteenth next succeeding the calendar

311 year during which the wages from which the tax was required to be
312 deducted and withheld were paid to household employees.

313 (c) In the case of an overpayment of tax under this chapter by an
314 employer, refund or credit shall be made to the employer only to the
315 extent that the amount of such overpayment was not deducted and
316 withheld by the employer.

317 (d) The amount of tax required to be deducted and withheld and
318 paid over to the commissioner under this chapter, when so deducted
319 and withheld, shall be held to be a special fund in trust for the state.
320 No employee or other person shall have any right of action against the
321 employer in respect to any moneys deducted and withheld from
322 wages and paid over to the commissioner in compliance or in intended
323 compliance with this chapter.

324 (e) (1) If an employer required to deduct and withhold tax under
325 this chapter from the wages of employees and to pay over to the
326 commissioner the taxes so required to be deducted and withheld sells
327 out the employer's business or stock of goods or quits the employer's
328 business, such employer's successors or assigns shall withhold a
329 sufficient portion of the purchase price to cover the amount of such
330 taxes, and any interest and penalties thereon, due and unpaid, as of the
331 time of such sale or quitting of the business, until the employer
332 produces a receipt from the commissioner showing that the taxes,
333 interest and penalties have been paid or a certificate indicating that no
334 such taxes are due.

335 (2) If the purchaser of a business or stock of goods fails to withhold
336 a portion of the purchase price as required, the purchaser shall be
337 personally liable for the payment of the amount required to be
338 withheld by the purchaser, to the extent of the purchase price, valued
339 in money. Not later than sixty days after the latest of the dates
340 specified in subdivision (3) of this subsection, the commissioner shall
341 either issue a certificate indicating that no taxes are due or mail notice
342 to the purchaser in the manner provided in section 12-728 of the

343 amount that must be paid as a condition of issuing the certificate.
344 Failure of the commissioner to mail the notice shall release the
345 purchaser from any further obligation to withhold a portion of the
346 purchase price as provided in this subsection. The period within which
347 the obligation of the successor may be enforced shall begin when the
348 employer sells out the employer's business or stock of goods or quits
349 the business or when the assessment against the employer becomes
350 final, whichever event occurs later.

351 (3) For purposes of subdivision (2) of this subsection, the latest of
352 the following dates shall apply:

353 (A) The date that the commissioner receives a written request from
354 the purchaser for a certificate;

355 (B) The date of the sale or quitting of the business; or

356 (C) The date that the employer's records are made available to the
357 commissioner for audit.

358 [(e)] (f) As used in this section:

359 (1) "Employer" means an employer, as defined in Section 3401 of the
360 Internal Revenue Code;

361 (2) "Payer" means a person making a payment of nonpayroll
362 amounts to one or more payees;

363 (3) "Payee" means a person receiving a payment of nonpayroll
364 amounts from a payer;

365 (4) "Nonpayroll amounts" includes (A) gambling winnings, other
366 than Connecticut lottery winnings, that are paid to a resident, or to a
367 person receiving payment on behalf of a resident, and that are subject
368 to federal income tax withholding; (B) Connecticut lottery winnings
369 that are required to be reported by the Connecticut Lottery
370 Corporation to the Internal Revenue Service, whether or not subject to
371 federal income tax withholding, whether paid to a resident,

372 nonresident or a part-year resident, and whether paid to an individual,
373 trust or estate; (C) pension and annuity distributions, where the
374 recipient is a resident individual and has requested that tax be
375 deducted and withheld under this chapter; (D) military retired pay,
376 where the payee is a resident individual and has requested that tax be
377 deducted and withheld under this chapter; (E) unemployment
378 compensation, where the recipient has requested that tax be deducted
379 and withheld under this chapter; and (F) payments made to an athlete
380 or entertainer, where the payments are not wages for federal income
381 tax withholding purposes and where the commissioner requires the
382 payer to deduct and withhold tax under this chapter;

383 (5) "Reported liability" means, in the case of an employer, the
384 liability for the tax required to be deducted and withheld under this
385 chapter, as shown on the employer's withholding tax returns for the
386 four quarterly periods within the twelve-month look-back period, and,
387 in the case of a payer, the liability for the tax required to be deducted
388 and withheld under this chapter, as shown on the payer's withholding
389 tax return for the look-back calendar year;

390 (6) "Twelve-month look-back period" means the twelve-month
391 period that ended on the June thirtieth next preceding the calendar
392 year for which the annual determination for an employer is made by
393 the commissioner;

394 (7) "Look-back calendar year" means the calendar year preceding by
395 two years the calendar year for which the annual determination for a
396 payer is made by the commissioner;

397 (8) "Seasonal employer" means an employer that regularly in the
398 same one or more quarterly periods of each calendar year pays no
399 wages to employees;

400 (9) "Household employee" means an employee whose services of a
401 household nature in or about a private home of an employer constitute
402 domestic service in a private home of the employer, as the phrase is
403 used in Section 3121(a)(7) of the Internal Revenue Code or in

404 regulations adopted thereunder;

405 (10) "Household employer" means an employer of a household
406 employee;

407 (11) "Weekly period" means the seven-day period beginning on a
408 Saturday and ending on the following Friday; and

409 (12) "Quarterly period" means the period of three full months
410 beginning on the first day of January, April, July or October.

411 Sec. 6. Subsection (b) of section 12-733 of the general statutes is
412 repealed and the following is substituted in lieu thereof (*Effective from*
413 *passage and applicable to taxable years commencing on or after January 1,*
414 *2011*):

415 (b) (1) If the taxpayer omits from Connecticut adjusted gross
416 income, in the case of an individual, or from Connecticut taxable
417 income, in the case of a trust or estate, an amount properly includable
418 therein which is in excess of twenty-five per cent of the amount of
419 Connecticut adjusted gross income or Connecticut taxable income, as
420 the case may be, stated in the return, a notice of a proposed deficiency
421 assessment may be mailed to the taxpayer [within] not later than six
422 years after the date on which the return is filed. For purposes of this
423 [subsection] subdivision, there shall not be taken into account any
424 amount which is omitted in the return if such amount is disclosed in
425 the return, or in a statement attached to the return, in a manner
426 adequate to apprise the Commissioner of Revenue Services of the
427 nature and the amount of such item.

428 (2) If the taxpayer omits from the Connecticut adjusted gross income
429 derived from or connected with sources within this state, in the case of
430 a nonresident individual or part-year resident individual, or from
431 Connecticut taxable income derived from or connected with sources
432 within this state, in the case of a nonresident trust or estate of part-year
433 resident trust, an amount properly includable therein which is in
434 excess of twenty-five per cent of the amount of Connecticut adjusted

435 gross income derived from or connected with sources within this state
436 or Connecticut taxable income derived from or connected with sources
437 within this state, as the case may be, stated in the return, a notice of a
438 proposed deficiency assessment may be mailed to the taxpayer
439 [within] not later than six years after the date on which the return is
440 filed. For purposes of this [subsection] subdivision, there shall not be
441 taken into account any amount which is omitted in the return if such
442 amount is disclosed in the return, or in a statement attached to the
443 return, in a manner adequate to apprise the [Commissioner of Revenue
444 Services] commissioner of the nature and the amount of such item.

445 (3) If an employer, as defined in section 12-707, as amended by this
446 act, omits from Connecticut wages an amount properly includable that
447 is in excess of twenty-five per cent of the amount of Connecticut wages
448 stated in the Connecticut withholding tax return required under
449 section 12-707, as amended by this act, a notice of a proposed
450 deficiency assessment may be mailed to the employer not later than six
451 years after the date on which the return is filed. For purposes of this
452 subdivision, there shall not be taken into account any amount which is
453 omitted in the return if such amount is disclosed in the return, or in a
454 statement attached to the return, in a manner adequate to apprise the
455 commissioner of the nature and the amount of such item.

456 (4) If a pass-through entity, as defined in subparagraph (D) of
457 subdivision (2) of subsection (b) of section 12-719, omits from the
458 Connecticut adjusted gross income derived from or connected with
459 sources within Connecticut of any nonresident individual who is a
460 member of such pass-through entity an amount properly includable
461 therein which is in excess of twenty-five per cent of the amount of
462 Connecticut adjusted gross income derived from or connected with
463 sources within Connecticut stated in the return, a notice of a proposed
464 deficiency assessment may be mailed to the taxpayer not later than six
465 years after the date on which the return is filed. For purposes of this
466 subdivision, there shall not be taken into account any amount which is
467 omitted in the return if such amount is disclosed in the return, or in a
468 statement attached to the return, in a manner adequate to apprise the

469 commissioner of the nature and the amount of such item.

470 Sec. 7. Subdivision (80) of section 12-412 of the general statutes is
471 repealed and the following is substituted in lieu thereof (*Effective from*
472 *passage and applicable to all open tax periods*):

473 (80) (A) Sales and the storage, use or other consumption of special
474 equipment installed in a motor vehicle for the exclusive use of a person
475 with physical disabilities and repair or replacement parts for such
476 equipment, whether such repair or replacement parts are purchased
477 separately or in conjunction with such equipment, and whether such
478 parts continue the original function or enhance the functionality of
479 such equipment.

480 (B) When a motor vehicle in which special equipment exclusively
481 for the use of a person with physical disabilities has previously been
482 installed is sold by a licensed motor vehicle dealer for use by a person
483 with physical disabilities, the taxes imposed by this chapter shall not
484 apply to the portion of the sales price attributable to such equipment.
485 Unless established otherwise, the portion of the sales price attributable
486 to the motor vehicle shall be deemed to be the value determined
487 pursuant to subsection (b) of section 12-431, as amended by this act.

488 Sec. 8. Section 12-431 of the general statutes is repealed and the
489 following is substituted in lieu thereof (*Effective from passage and*
490 *applicable to all open tax periods*):

491 (a) (1) Except as otherwise provided in subdivision (2) or (3) of this
492 subsection, in case of the purchase of any motor vehicle, snowmobile,
493 vessel or aircraft other than from a licensed motor vehicle dealer or
494 licensed motor vehicle lessor, a snowmobile dealer, a licensed marine
495 dealer or a retailer of aircraft, respectively, the receipts therefrom shall
496 not be included in the measure of the sales tax, but the purchaser
497 thereof shall pay a use tax on the total purchase price thereof to the
498 Commissioner of Revenue Services, as provided in section 12-411, in
499 the case of tangible personal property purchased from a retailer, and,
500 in the case of motor vehicles, vessels and snowmobiles, before

501 obtaining an original or transferal registration, in accordance with
502 regulations prescribed by the Commissioner of Revenue Services and
503 on forms approved by the Commissioner of Revenue Services and the
504 Commissioner of Motor Vehicles, and, in the case of aircraft, before
505 obtaining an original or transferal registration, in accordance with
506 regulations prescribed by the Commissioner of Revenue Services and
507 on forms approved by the Commissioner of Revenue Services and the
508 Commissioner of Transportation.

509 (2) No use tax shall be payable in cases of purchase (A) when the
510 purchaser is the spouse, mother, father, brother, sister or child of the
511 seller, (B) when a motor vehicle or vessel is sold in connection with the
512 organization, reorganization or liquidation of an incorporated
513 business, provided the last taxable sale or use of the motor vehicle or
514 vessel was subjected to a tax imposed by this chapter and the
515 purchaser is the incorporated business or a stockholder thereof, (C)
516 when a motor vehicle is sold in connection with the organization or
517 termination of a partnership or limited liability company, provided the
518 last taxable sale or use of the motor vehicle was subjected to a tax
519 imposed by this chapter and the purchaser is the partnership or
520 limited liability company, as the case may be, or a partner or member,
521 thereof, as the case may be, or (D) when a motor vehicle which has
522 been declared a total loss pursuant to the provisions of section 14-16c is
523 rebuilt for sale or use, provided the purchaser was subjected to the tax
524 imposed by this chapter for the last taxable sale of said vehicle.

525 (3) When a motor vehicle in which special equipment has
526 previously been installed exclusively for the use of a person with
527 physical disabilities is sold for use by a person with physical
528 disabilities, the purchaser shall pay a use tax on the total purchase
529 price of the vehicle, less the portion of such price attributable to such
530 special equipment. Unless established otherwise, the portion of the
531 purchase price attributable to the motor vehicle shall be deemed to be
532 the value determined pursuant to subsection (b) of this section.

533 (b) In order to determine the total purchase price of a motor vehicle

534 for the purposes of this section, the commissioner shall, by regulation,
535 adopt by reference a book of valuations, for various purposes, of motor
536 vehicles published by a nationally recognized organization. The
537 commissioner shall, by regulation, determine which of the various
538 valuations of motor vehicles contained in any such book is appropriate
539 for the purposes of this section and such value shall, regardless of the
540 value placed on the motor vehicle at the time of the purchase by the
541 parties to such transaction, be presumed to be the total purchase price
542 of such motor vehicle for the purposes of this section unless the
543 purchaser can prove to the satisfaction of the commissioner that such
544 value is incorrect.

545 Sec. 9. Subsection (e) of section 12-286 of the general statutes is
546 repealed and the following is substituted in lieu thereof (*Effective July*
547 *1, 2011*):

548 (e) (1) Any person who knowingly sells, offers for sale or possesses
549 with intent to sell any cigarettes, without a license as provided in this
550 chapter, shall be fined not more than five hundred dollars or
551 imprisoned for not more than three months, or both, for each offense.
552 Each day of such unauthorized operation may be deemed a separate
553 offense. The provisions of this subdivision shall not apply to any
554 person whose dealer's license has expired, provided the period of
555 operation without such license is not more than ninety days after the
556 date of expiration.

557 (2) Any person who knowingly sells at retail, offers for sale at retail
558 or possesses with intent to sell at retail any taxed tobacco products, as
559 defined in section 12-330a, without a dealer's license as provided in
560 this chapter, shall be fined not more than five hundred dollars or
561 imprisoned for not more than three months, or both, for each offense.
562 Each day of such unauthorized operation may be deemed a separate
563 offense. The provisions of this subdivision shall not apply to any
564 person whose dealer's license has expired, provided the period of
565 operation without such license is not more than ninety days from the
566 date of expiration.

567 (3) Any person whose dealer's license has expired and who
568 knowingly sells at retail, offers for sale at retail or possesses with intent
569 to sell at retail any cigarettes or taxed tobacco products, as defined in
570 section 12-330a, where such person's period of operation without such
571 license is not more than ninety days from the date of expiration of such
572 license, shall have committed an infraction and shall be fined ninety
573 dollars.

574 Sec. 10. Subsection (a) of section 12-304 of the general statutes is
575 repealed and the following is substituted in lieu thereof (*Effective July*
576 *1, 2011*):

577 (a) (1) No distributor shall sell, and no other person shall sell, offer
578 for sale, display for sale or possess with intent to sell, any cigarettes
579 [(1)] (A) which do not bear stamps evidencing the payment of the tax
580 imposed by this chapter, or [(2)] (B) the stamping of which is
581 prohibited by subsection (b) of section 12-302 or subsection (b) of
582 section 12-303, provided a licensed dealer may keep on hand, at the
583 location for which such dealer's license is issued, unstamped cigarettes,
584 other than cigarettes, the stamping of which is prohibited by
585 subsection (b) of section 12-303, for a period not exceeding twenty-four
586 hours. Any unstamped cigarettes in the possession of a dealer shall be
587 presumed to have been held by such dealer for more than twenty-four
588 hours unless proof is shown to the contrary.

589 (2) [Any] Except as provided in subdivision (3) of this subsection,
590 any person who knowingly violates any provision of subdivision (1) of
591 this subsection shall be fined not more than one thousand dollars or
592 imprisoned not more than one year or both.

593 (3) Any licensed dealer who knowingly violates any provision of
594 subdivision (1) of this subsection shall have committed an infraction
595 and shall be fined ninety dollars, provided (A) the quantity of
596 unstamped cigarettes in the possession of such dealer does not exceed
597 six hundred cigarettes, and (B) it is such dealer's first violation of the
598 provisions of this subsection.

599 Sec. 11. Section 12-487 of the general statutes is repealed and the
600 following is substituted in lieu thereof (*Effective July 1, 2011*):

601 (a) Each motor carrier operating or causing to be operated on any
602 highway in this state any qualified motor vehicle, as defined in section
603 12-478, solely and exclusively in intrastate commerce shall register
604 each such vehicle with the Commissioner of Revenue Services, for a fee
605 of ten dollars per vehicle, which registration shall be renewable
606 annually. On the registration of any such vehicle, said commissioner
607 shall provide identification markers for such vehicle to be affixed to
608 the lower rear portion of the exterior side of the vehicle's doors. Such
609 marker shall remain the property of the state and may be recalled for
610 any violation of the provisions of this chapter or of the regulations
611 promulgated hereunder.

612 (b) (1) Each motor carrier operating or causing to be operated on
613 any highway in this state any qualified motor vehicle, as defined in
614 section 12-478, in interstate commerce shall, if such carrier's base
615 jurisdiction is this state, for purposes of any agreement entered into by
616 the commissioner under subsection (c) of section 12-486, register each
617 such vehicle with the Commissioner of Revenue Services, for a fee of
618 ten dollars per vehicle, which registration shall be renewable annually.
619 On the registration of any such vehicle, the commissioner shall provide
620 identification markers for such vehicle to be affixed as required by
621 such agreement. Such marker shall remain the property of the state
622 and may be recalled for any violation of the provisions of this chapter
623 or of the regulations adopted thereunder.

624 (2) Each motor carrier operating or causing to be operated on any
625 highway in this state any qualified motor vehicle, as defined in section
626 12-478, in interstate commerce shall, if such carrier's base jurisdiction is
627 other than this state, for purposes of any agreement entered into by the
628 commissioner under subsection (c) of section 12-486, affix, in the
629 manner required by such agreement, identification markers to such
630 vehicle.

631 (c) No person shall operate or cause to be operated any such vehicle
632 in this state unless such vehicle bears the identification markers
633 required by this section, provided the commissioner by letter or
634 telegram may authorize the operation, for a period not to exceed ten
635 days as to any one motor carrier, of a vehicle or vehicles without such
636 identification marker when the enforcement of this section would
637 cause undue delay and hardship in the operation of such vehicle or
638 vehicles and when the enforcement of this chapter will not be
639 adversely affected. Any person operating or causing to be operated in
640 this state any qualified motor vehicle, as defined in section 12-478, to
641 which the identification markers required by this section or any
642 regulations adopted in accordance with the provisions of chapter 54
643 are not properly affixed shall have committed an infraction, the fine for
644 which shall be ninety dollars. Any [provision of the general statutes to
645 the contrary notwithstanding, any] person who is alleged to have
646 committed such an infraction shall follow the procedures set forth in
647 section 51-164n or section 51-164o, as applicable.

648 (d) (1) For purposes of this subsection, "dyed diesel fuel" means
649 diesel fuel that has been dyed in compliance with, or in intended
650 compliance with, regulations adopted under Section 4082 of the
651 Internal Revenue Code of 1986, or any subsequent corresponding
652 internal revenue code of the United States, as amended from time to
653 time; "highway" has the same meaning as provided in section 14-1; and
654 "motor vehicle" has the same meaning as provided in section 14-1, but
655 does not include any passenger motor vehicle, as defined in section 14-
656 1, or any passenger and commercial motor vehicle, as defined in
657 section 14-1.

658 (2) Any person operating or causing to be operated on any highway
659 any motor vehicle that contains dyed diesel fuel in the fuel supply tank
660 of the propulsion engine of such vehicle, unless permitted to do so
661 under a federal law or regulation relating to the use of dyed diesel fuel
662 on the public highways, shall be fined not more than one thousand
663 dollars.

664 (3) Any person who, upon request by an authorized official of the
665 Department of Revenue Services or another state agency, refuses to
666 allow an inspection of the fuel supply tank of the propulsion engine of
667 a motor vehicle shall be fined not more than one thousand dollars.

668 (4) Any person who is alleged to have violated a provision of this
669 subsection shall follow the procedures set forth in section 51-164n or
670 section 51-164o, as applicable.

671 Sec. 12. Section 12-687 of the general statutes is repealed and the
672 following is substituted in lieu thereof (*Effective from passage and*
673 *applicable to tax periods commencing on or after January 1, 2012*):

674 [(a) Any electronic funds transfer shall be initiated in a timely
675 fashion in order to ensure that the bank account designated by the
676 department is credited by electronic funds transfer for the amount of
677 the tax payment required to be made by such method on or before the
678 due date thereof, or, in the case of the payment over by an employer of
679 income tax deducted and withheld from employee wages, the next
680 succeeding day that is not a Saturday, Sunday or legal holiday, as
681 defined in section 12-39a.]

682 [(b) (1)] (a) Where a tax payment is required to be made by
683 electronic funds transfer, any payment made by other than electronic
684 funds transfer shall be treated as a tax payment not made in a timely
685 manner, and [any payment made by electronic funds transfer, where
686 the bank account designated by the department is not credited for the
687 amount of the tax payment on or before the due date thereof, or in the
688 case of the payment over by an employer of income tax deducted and
689 withheld from employee wages, the next succeeding day that is not a
690 Saturday, Sunday or legal holiday, as defined in section 12-39a, shall
691 be treated as a tax payment not made in a timely manner. Any tax
692 payment treated under this subsection as a tax payment not made in a
693 timely manner] shall be subject to penalty and interest in accordance
694 with the applicable provisions of the general statutes, except that (1)
695 for the first imposition of a penalty under this section relating to a tax

696 period beginning on or after January 1, 2012, the penalty shall be equal
697 to ten per cent of the tax payment required to be made by electronic
698 funds transfer or two thousand five hundred dollars, whichever is less;
699 (2) for the second imposition of a penalty under this section relating to
700 a tax period beginning on or after January 1, 2012, the penalty shall be
701 equal to ten per cent of the tax payment required to be made by
702 electronic funds transfer or ten thousand dollars, whichever is less; and
703 (3) for the third or any subsequent imposition of a penalty under this
704 section relating to a tax period beginning on or after January 1, 2012,
705 the penalty shall be equal to ten per cent of the tax payment required
706 to be made by electronic funds transfer.

707 [(2)] (b) Where any tax payment is required to be made by electronic
708 funds transfer, such payment shall be treated as a tax payment not
709 made in a timely manner if the electronic funds transfer for the amount
710 of the tax payment is not initiated on or before the due date thereof.
711 Any tax payment treated under this subsection as a tax payment not
712 made in a timely manner [because it is made by other than electronic
713 funds transfer, there shall be imposed a penalty equal to ten per cent of
714 the tax payment required to be made by electronic funds transfer.
715 Where any tax payment made by electronic funds transfer is treated
716 under this subsection as a tax payment not made in a timely manner
717 because the bank account designated by the department is not credited
718 by electronic funds transfer for the amount of the tax payment on or
719 before the due date thereof, there shall be imposed a penalty] shall be
720 subject to interest in accordance with the applicable provisions of the
721 general statutes, and a penalty that shall be equal to two per cent of the
722 tax payment required to be made by electronic funds transfer, if such
723 failure to pay by electronic funds transfer is for not more than five
724 days, five per cent of the tax payment required to be made by
725 electronic funds transfer, if such failure to pay by electronic funds
726 transfer is for more than five days but not more than fifteen days, and
727 ten per cent of the tax payment required to be made by electronic
728 funds transfer, if such failure to pay by electronic funds transfer is for
729 more than fifteen days.

730 Sec. 13. Subdivision (7) of section 12-430 of the general statutes is
731 repealed and the following is substituted in lieu thereof (*Effective*
732 *October 1, 2011*):

733 [(7) (A) As used in this section, (i) "nonresident contractor" means a
734 contractor who does not maintain a regular place of business in this
735 state; (ii) "regular place of business" means any bona fide office,
736 factory, warehouse or other space in this state at which a
737 contractor is doing business in its own name in a regular and
738 systematic manner, and which place is continuously maintained,
739 occupied, and used by the contractor in carrying on its business
740 through its employees regularly in attendance to carry on the
741 contractor's business in the contractor's own name, except that
742 "regular place of business" does not include a place of business for a
743 statutory agent for service of process, or a temporary office or
744 location used by the contractor only for the duration of the contract,
745 whether or not at the site of construction, or an office maintained,
746 occupied and used by a person affiliated with the contractor; (iii)
747 "contract price" means the total contract price, including deposits,
748 amounts held as retainage, costs for any change orders, or charges for
749 add-ons; and (iv) "person doing business with a nonresident
750 contractor" does not include an owner or tenant of real property used
751 exclusively for residential purposes and consisting of three or fewer
752 dwelling units, in one of which the owner or tenant resides, provided
753 each nonresident contractor doing business with such owner or
754 tenant shall be required to comply with the bond requirements under
755 subparagraph (F) of this subdivision.

756 (B) Any person doing business with a nonresident contractor and
757 making payments of the contract price to such nonresident contractor
758 shall deduct and withhold from such payments an amount of five per
759 cent of such payments, unless such nonresident contractor has
760 furnished a certificate of compliance as described in subparagraph (E)
761 of this subdivision. The amounts so required to be deducted and
762 withheld shall be paid over to the commissioner by the last day of the
763 month following the calendar quarter following the calendar quarter in

764 which the first payment to the nonresident contractor is made, and
765 every calendar quarter thereafter. Each such payment to the
766 commissioner shall be accompanied by a form prescribed by the
767 commissioner. The amount required to be deducted and withheld
768 from the nonresident contractor, when so deducted and withheld, shall
769 be held to be a special fund in trust for the state. No nonresident
770 contractor shall have any right of action against a person deducting
771 and withholding under this subdivision with respect to any moneys
772 deducted and withheld and paid over to the commissioner in
773 compliance with or intended compliance with this subdivision.

774 (C) A nonresident contractor shall request, in writing, that the
775 Commissioner of Revenue Services audit the records of such
776 contractor for a project for which amounts were deducted and
777 withheld from such contractor under subparagraph (B) of this
778 subdivision. If such request is not made within three years after the
779 date the final payment of such amounts was made to the
780 commissioner, such contractor waives the right to request such audit
781 and claim a refund of such amounts. The commissioner shall, after
782 receipt of such request, conduct an audit and issue to the nonresident
783 contractor a certificate of no tax due or a certificate of tax due from
784 the nonresident contractor. Not later than ninety days after the
785 issuance of a certificate of no tax due, the commissioner shall
786 return to the nonresident contractor the amounts deducted and
787 withheld from such contractor and paid over to the commissioner.
788 Upon issuance of a certificate of taxes due, the commissioner may
789 return to the nonresident contractor the amount by which the
790 amounts deducted and withheld and paid over to the
791 commissioner under subparagraph (B) of this subdivision exceed
792 the amount of taxes set forth in the certificate, together with the
793 interest and penalties then assessed.

794 (D) When a person doing business with the nonresident contractor
795 pays over to the Commissioner of Revenue Services amounts deducted
796 and withheld pursuant to subparagraph (B) of this subdivision, such
797 person shall not be liable for any claim of the nonresident contractor

798 for such amounts or for any claim of the commissioner for any taxes
799 of the nonresident contractor arising from the activities of the
800 nonresident contractor on the project for which the amounts were
801 paid over. Such payment shall not relieve the person doing business
802 with the nonresident contractor of such person's liability for use
803 taxes due on purchases of services from such nonresident contractor.

804 (E) When a nonresident contractor enters into a contract with the
805 state, said contractor shall provide the Labor Department with
806 evidence demonstrating compliance with the provisions of chapters
807 567 and 568, the prevailing wage requirements of chapter 557 and any
808 other provisions of the general statutes related to conditions of
809 employment.

810 (F) Not later than one hundred twenty days after the
811 commencement of the contract, or thirty days after the completion of
812 the contract, whichever is earlier, a nonresident contractor may (i)
813 furnish a guarantee bond in a sum equivalent to five per cent of the
814 contract price, or (ii) deposit with the commissioner a cash bond in a
815 sum equal to five per cent of the contract price, in lieu of the
816 requirements contained in subparagraph (B) of this subdivision. The
817 commissioner may accept such bond on such terms and conditions as
818 the commissioner may require, and upon acceptance of such bond,
819 shall issue a certificate of compliance to the contractor. The provisions
820 of subparagraph (C) of this subdivision shall apply to such bond, upon
821 completion of the contract, in the same manner as such provisions
822 apply to amounts paid over under subparagraph (B) of this
823 subdivision.

824 (G) Upon the furnishing of a certificate of compliance by the
825 nonresident contractor to the person doing business with a
826 nonresident contractor, such person shall not be liable for any claim of
827 the commissioner for any taxes of the nonresident contractor arising
828 from the activities of such contractor on the project for which the bond
829 was provided. Such certificate of compliance shall not relieve the
830 person doing business with the nonresident contractor of such person's

831 liability for use taxes due on purchases of services from such
832 nonresident contractor.

833 (H) If any person doing business with a nonresident contractor fails
834 to deduct and withhold and pay over to the commissioner amounts
835 under subparagraph (B) of this subdivision, or fails to obtain a
836 certificate of compliance from the nonresident contractor pursuant to
837 subparagraph (G) of this subdivision, such person shall be personally
838 liable for payment of any taxes of the nonresident contractor arising
839 from the activities of such contractor on the project for which such
840 amounts or certificate were required.]

841 (7) (A) As used in this subdivision:

842 (i) "Nonresident contractor" means a contractor or subcontractor
843 who does not maintain a regular place of business in this state;

844 (ii) "Resident contractor" means a contractor or subcontractor who
845 maintains a regular place of business in this state;

846 (iii) "Verified contractor" means a nonresident contractor or
847 subcontractor who (I) is registered for all applicable taxes with the
848 department, (II) has filed all required tax returns with the department,
849 (III) has no outstanding tax liabilities to the department, and (IV) is
850 treated as a verified contractor by the commissioner pursuant to
851 subparagraph (H) of this subdivision and whose status as such is
852 verified by the commissioner pursuant to subparagraph (I) of this
853 subdivision;

854 (iv) "Unverified contractor" means a nonresident contractor or
855 subcontractor who is not a verified contractor;

856 (v) "Subcontractor" means a person who is engaged in contracting
857 real property work and who contracts with a prime or general
858 contractor to perform all or any part of the contract of the prime or
859 general contractor, or who contracts with a subcontractor who has
860 contracted to perform any part of the contract entered into by the

861 prime or general contractor;

862 (vi) "Prime or general contractor" includes (I) any person who
863 contracts with the owner, lessee or other person having authority to
864 enter into a contract involving the premises or property that is the
865 subject matter of the contract, to perform services or furnish materials,
866 or both, for the construction, alteration or improvement of any real
867 property or project, or (II) any person who owns or leases real estate
868 for the purpose of developing the real estate other than for his or her
869 own occupancy, and who, in the development of the real estate,
870 contracts, alters or makes improvements on it;

871 (vii) "Regular place of business" means any bona fide office, factory,
872 warehouse or other space in this state at which a contractor is doing
873 business in its own name in a regular and systematic manner, and
874 which place is continuously maintained, occupied and used by the
875 contractor in carrying on its business through its employees regularly
876 in attendance to carry on the contractor's business in the contractor's
877 own name, except that "regular place of business" does not include a
878 place of business for a statutory agent for service of process, or a
879 temporary office or location used by the contractor only for the
880 duration of the contract, whether or not at the site of construction, or
881 an office maintained, occupied and used by a person affiliated with the
882 contractor;

883 (viii) "Contract price" means the total contract price, including
884 deposits, amounts held as retainage, costs for any change orders or
885 charges for add-ons;

886 (ix) "Person doing business with an unverified contractor" does not
887 include an owner or tenant of real property used exclusively for
888 residential purposes and consisting of three or fewer dwelling units, in
889 one of which the owner or tenant resides;

890 (x) "Commissioner" means the Commissioner of Revenue Services;

891 (xi) "Department" means the Department of Revenue Services; and

892 (xii) "Certificate of compliance" means a certificate issued to an
893 unverified subcontractor by the commissioner, exonerating such
894 subcontractor from sales or use taxes owed by such subcontractor
895 under this chapter and any income tax withholding owed by such
896 subcontractor pursuant to chapter 229, but only to the extent that such
897 taxes arise from the activities of such subcontractor on the project for
898 which such certificate was required.

899 (B) Any person doing business with a prime or general contractor
900 who is an unverified contractor shall obtain proof that such contractor
901 has posted with the commissioner a good and valid bond with a surety
902 company authorized to do business in this state in an amount equal to
903 five per cent of the contract price, to secure the payment of any sums
904 due under this chapter either from such contractor or from any
905 subcontractor who enters into a contract with such contractor or any
906 subcontractor thereto to perform any part of the contract entered into
907 by such contractor or subcontractor thereto.

908 (C) (i) Every prime or general contractor who is an unverified
909 contractor shall post with the commissioner a good and valid bond
910 with a surety company authorized to do business in this state in an
911 amount equal to five per cent of the contract price, to secure the
912 payment of any sums due under this chapter either from such
913 contractor or from any subcontractor who enters into a contract with
914 such contractor to perform any part of the contract entered into by
915 such contractor. The commissioner shall release such contractor from
916 its obligations under such bond if it has been established, to the
917 commissioner's satisfaction, that such contractor has met the
918 requirements of either clause (ii) or (iii) of this subparagraph.

919 (ii) If a prime or general contractor who is an unverified contractor
920 establishes, to the satisfaction of the commissioner by submitting such
921 documentation, including any forms prescribed by the commissioner,
922 as the commissioner deems necessary, that such contractor has paid all
923 of the taxes that it owes in connection with the contract and that its
924 subcontractors who are unverified contractors have paid all of the

925 taxes that they owe in connection with the contract, the commissioner
926 shall release such contractor from its obligations under the bond.

927 (iii) (I) If a prime or general contractor who is an unverified
928 contractor establishes, to the satisfaction of the commissioner by
929 submitting such documentation, including any forms prescribed by the
930 commissioner, as the commissioner deems necessary, that such
931 contractor has paid all of the taxes that it owes in connection with the
932 contract, has held back an amount equal to five per cent of the
933 payments being made by such contractor in connection with the
934 contract to its subcontractors who are unverified contractors, and has
935 complied with the provisions of either subclause (V) or (VI) of this
936 clause, as the case may be, the commissioner shall release such
937 contractor from its obligations under the bond.

938 (II) Every prime or general contractor who is an unverified
939 contractor and doing business with a subcontractor who is an
940 unverified contractor shall hold back an amount equal to five per cent
941 of such payments otherwise required to be made to such subcontractor
942 until such subcontractor furnishes such contractor with a certificate of
943 compliance, as described in this clause, authorizing the full or partial
944 release of the amount held back from such payments to such
945 subcontractor. Such contractor shall provide written notice of the
946 requirement to hold back to each subcontractor who is an unverified
947 contractor not later than the time of commencement of work under the
948 contract by such subcontractor.

949 (III) The amount required to be held back from a subcontractor who
950 is an unverified contractor, when so held back, shall be held to be a
951 special fund in trust for the state. No such subcontractor shall have any
952 right of action against a prime or general contractor holding back
953 under this clause with respect to any amount held back in compliance
954 with or intended compliance with this clause.

955 (IV) Any subcontractor who is an unverified contractor shall, upon
956 the completion of its work under the contract, request the

957 commissioner, in writing, for the issuance of a certificate of compliance
958 to such subcontractor. Such subcontractor shall submit, with such
959 request, such documentation, including any forms prescribed by the
960 commissioner, as the commissioner deems necessary. The
961 commissioner shall, after receipt of such request and such required
962 documentation, review the documentation in the context of generally
963 accepted construction industry cost guidelines for the scope and type
964 of construction project. Not later than one hundred twenty days after
965 the receipt by the commissioner of the required documentation, the
966 commissioner shall either issue a certificate of compliance authorizing
967 the full or partial release of an amount held back from payments being
968 made to such subcontractor, or shall be deemed to have issued such
969 certificate.

970 (V) If the commissioner issues a certificate of compliance
971 authorizing a full release of the amount held back from a subcontractor
972 who is an unverified contractor, the prime or general contractor
973 holding back such amount shall pay over such amount to such
974 subcontractor. Such contractor shall not be liable for any claim of the
975 commissioner for any taxes of such subcontractor arising from the
976 activities of such subcontractor on the project.

977 (VI) If the commissioner issues a certificate of compliance
978 authorizing a partial release of the amount held back from a
979 subcontractor who is an unverified contractor, the prime or general
980 contractor holding back such amount shall pay over the released
981 amount to such subcontractor and shall pay over the unreleased
982 amount to the commissioner. When such contractor pays over to the
983 commissioner an amount held back in accordance with this subclause,
984 such contractor shall not be liable for any claim of such subcontractor
985 for such amount or for any claim of the commissioner for any taxes of
986 such subcontractor arising from the activities of such subcontractor on
987 the project for which the amount was paid over. If the amount that
988 such contractor is required to pay over to the commissioner is not paid
989 over on or before the thirtieth day after the date of mailing of such
990 certificate of compliance, such contractor shall be liable for a penalty

991 equal to ten per cent of such amount. The amount that such contractor
992 is required to pay over to the commissioner, and the penalty thereon,
993 may be collected under the provisions of section 12-35.

994 (VII) The commissioner shall treat the issuance to a subcontractor
995 who is an unverified contractor of a certificate of compliance
996 authorizing a partial release of an amount held back in the same
997 manner as the issuance to such subcontractor of a notice of assessment
998 under section 12-415.

999 (VIII) The issuance to a subcontractor who is an unverified
1000 contractor of a certificate of compliance shall not preclude the
1001 commissioner, in the exercise of the commissioner's authority under
1002 this chapter, from examining the tax returns and books and records of
1003 such subcontractor and, if appropriate and other than in connection
1004 with the project for which the certificate of compliance was issued,
1005 from making an assessment against such subcontractor.

1006 (D) (i) Every prime or general contractor who is either a resident
1007 contractor or a verified contractor and doing business with a
1008 subcontractor who is an unverified contractor shall hold back an
1009 amount equal to five per cent of such payments otherwise required to
1010 be made to such subcontractor until such subcontractor furnishes such
1011 contractor with a certificate of compliance, as described in this
1012 subparagraph, authorizing the full or partial release of the amount
1013 held back from such payments to such subcontractor. Such contractor
1014 shall provide written notice of the requirement to hold back to each
1015 subcontractor who is an unverified contractor not later than the time of
1016 commencement of work under the contract by such subcontractor.

1017 (ii) The amount required to be held back from a subcontractor who
1018 is an unverified contractor, when so held back, shall be held to be a
1019 special fund in trust for the state. No such subcontractor shall have any
1020 right of action against a prime or general contractor holding back
1021 under this subparagraph with respect to any amount held back in
1022 compliance with or intended compliance with this subparagraph.

1023 (iii) A subcontractor who is an unverified contractor shall, upon the
1024 completion of its work under the contract, request the commissioner,
1025 in writing, for the issuance of a certificate of compliance to such
1026 subcontractor. Such subcontractor shall submit, with such request,
1027 such documentation, including any forms prescribed by the
1028 commissioner, as the commissioner deems necessary. The
1029 commissioner shall, after receipt of such request and such required
1030 documentation, review the documentation in the context of generally
1031 accepted construction industry cost guidelines for the scope and type
1032 of construction project. Not later than one hundred twenty days after
1033 the receipt by the commissioner of the required documentation, the
1034 commissioner shall either issue a certificate of compliance authorizing
1035 the full or partial release of an amount held back from payments being
1036 made to such subcontractor or shall be deemed to have issued such
1037 certificate.

1038 (iv) If the commissioner issues a certificate of compliance
1039 authorizing a full release of the amount held back from a subcontractor
1040 who is an unverified contractor, the prime or general contractor
1041 holding back such amount shall pay over such amount to such
1042 subcontractor. Such contractor shall not be liable for any claim of the
1043 commissioner for any taxes of such subcontractor arising from the
1044 activities of such subcontractor on the project.

1045 (v) If the commissioner issues a certificate of compliance authorizing
1046 a partial release of the amount held back from a subcontractor who is
1047 an unverified contractor, the prime or general contractor holding back
1048 such amount shall pay over the released amount to such subcontractor
1049 and shall pay over the unreleased amount to the commissioner. When
1050 such contractor pays over to the commissioner an amount held back in
1051 accordance with this clause, such contractor shall not be liable for any
1052 claim of such subcontractor for such amount or for any claim of the
1053 commissioner for any taxes of such subcontractor arising from the
1054 activities of such subcontractor on the project for which the amount
1055 was paid over. If the amount that such contractor is required to pay
1056 over to the commissioner is not paid over on or before the thirtieth day

1057 after the date of mailing of such certificate of compliance, such
1058 contractor shall be liable for a penalty equal to ten per cent of such
1059 amount. The amount that such contractor is required to pay over to the
1060 commissioner, and the penalty thereon, may be collected under the
1061 provisions of section 12-35.

1062 (vi) The commissioner shall treat the issuance to a subcontractor
1063 who is an unverified contractor of a certificate of compliance
1064 authorizing a partial release of an amount held back in the same
1065 manner as the issuance to such subcontractor of a notice of assessment
1066 under section 12-415.

1067 (vii) The issuance to a subcontractor who is an unverified contractor
1068 of a certificate of compliance shall not preclude the commissioner, in
1069 the exercise of the commissioner's authority under this chapter, from
1070 examining the tax returns and books and records of such subcontractor
1071 and, if appropriate and other than in connection with the project for
1072 which the certificate of compliance was issued, from making an
1073 assessment against such subcontractor.

1074 (E) When a nonresident contractor enters into a contract with the
1075 state, such contractor shall provide the Labor Department with
1076 evidence demonstrating compliance with the provisions of chapters
1077 567 and 568, the prevailing wage requirements of chapter 557 and any
1078 other provisions of the general statutes related to conditions of
1079 employment.

1080 (F) (i) If any person doing business with an unverified prime or
1081 general contractor fails to comply with the provisions of this
1082 subdivision, such person shall, except as otherwise provided by clause
1083 (ii) of this subparagraph, be personally liable for payment of any taxes
1084 of the unverified contractor arising from the activities of such
1085 contractor on the project. For purposes of this clause, "taxes of the
1086 unverified contractor" means any sales or use taxes owed by the
1087 unverified contractor under this chapter and any income tax
1088 withholding owed by the unverified contractor pursuant to chapter

1089 229.

1090 (ii) Except as otherwise provided in clause (iii) of this subparagraph,
1091 the personal liability of any person doing business with an unverified
1092 prime or general contractor for payment of any taxes of such
1093 unverified contractor arising from the activities of such contractor on
1094 the project shall not exceed an amount equal to five per cent of the
1095 contract price required to be paid to such unverified contractor.

1096 (iii) Notwithstanding the provisions of clause (ii) of this
1097 subparagraph, any person doing business with an unverified prime or
1098 general contractor shall, in addition to such person's personal liability
1099 under clause (ii) of this subparagraph, remain liable for use taxes due
1100 on purchases of services from such unverified contractor in connection
1101 with the project.

1102 (G) The provisions of this subdivision shall not apply to any
1103 contract in which the contract price for the entire project is less than
1104 two hundred fifty thousand dollars.

1105 (H) (i) The commissioner shall treat as a verified contractor or
1106 subcontractor every nonresident contractor or subcontractor who (I)
1107 has been registered for all applicable taxes with the department for at
1108 least three years preceding the contract; and (II) has filed all required
1109 tax returns with the department and has no outstanding tax liabilities
1110 to the department.

1111 (ii) The commissioner shall treat as a verified contractor or
1112 subcontractor every nonresident contractor or subcontractor not
1113 otherwise eligible to be treated as a verified contractor or
1114 subcontractor pursuant to clause (i) of this subparagraph who (I) is
1115 registered for all applicable taxes with the department; (II) has filed all
1116 required tax returns with the department and has no outstanding tax
1117 liabilities to the department; and (III) posts with the commissioner a
1118 good and valid bond with a surety company authorized to do business
1119 in this state in an amount determined by the commissioner, as
1120 provided in subdivision (1) of this section.

1121 (I) Notwithstanding the provisions of section 12-15, the
 1122 commissioner shall, upon request, verify whether or not a nonresident
 1123 contractor or subcontractor is a verified contractor.

1124 (J) Notwithstanding the provisions of section 12-15, the
 1125 commissioner shall, upon request, disclose to a person doing business
 1126 with a subcontractor who is an unverified contractor and otherwise
 1127 required by this subdivision to hold back an amount from payments
 1128 being made to such subcontractor, whether a certificate of compliance
 1129 has been requested by, or issued to, such subcontractor by the
 1130 commissioner, and the commissioner may disclose a copy of such
 1131 certificate to such person doing business with such subcontractor.

1132 (K) Notwithstanding the provisions of section 12-15, the
 1133 commissioner shall, upon request, disclose to a person doing business
 1134 with a prime or general contractor who is an unverified contractor
 1135 whether a good and valid bond with a surety company authorized to
 1136 do business in this state has been posted with the commissioner by
 1137 such prime or general contractor.

1138 (L) Notwithstanding the provisions of section 12-15, the
 1139 commissioner shall, upon request, verify whether or not any contractor
 1140 or subcontractor is a resident contractor."

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-35f(b)
Sec. 2	<i>from passage and applicable to income years commencing on or after January 1, 2011</i>	12-216a
Sec. 3	<i>October 1, 2011, and applicable to estimated corporation business tax payments for income years commencing on or after January 1, 2012</i>	12-242g

Sec. 4	<i>July 1, 2011, and applicable to tax periods ending on or after said date</i>	12-686(a)(3)
Sec. 5	<i>July 1, 2011, and applicable to sales of a business or stock of goods occurring on or after said date</i>	12-707
Sec. 6	<i>from passage and applicable to taxable years commencing on or after January 1, 2011</i>	12-733(b)
Sec. 7	<i>from passage and applicable to all open tax periods</i>	12-412(80)
Sec. 8	<i>from passage and applicable to all open tax periods</i>	12-431
Sec. 9	<i>July 1, 2011</i>	12-286(e)
Sec. 10	<i>July 1, 2011</i>	12-304(a)
Sec. 11	<i>July 1, 2011</i>	12-487
Sec. 12	<i>from passage and applicable to tax periods commencing on or after January 1, 2012</i>	12-687
Sec. 13	<i>October 1, 2011</i>	12-430(7)