



# OLR RESEARCH REPORT

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2011-R-0419

## STATE TAX CHANGES 2009-2011

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You asked for a list of state tax increases and decreases enacted in 2009 through 2011. This report updates our previous report listing state tax changes from 1990 through 2008 ([2008-R-0408](#)).

### SUMMARY

The General Assembly made many changes in state taxes in the past three years, enacting new taxes; increasing existing tax rates; extending existing taxes to new products, services, and entities; and eliminating, reducing, or limiting tax credits and deductions. It also enacted tax reductions, including phase-outs; reduced tax rates; and new and expanded tax exemptions, credits, and deductions. The table below lists these changes year by year for each tax. The list does not include minor definitional changes and clarifications. It covers only state taxes and excludes changes in the local property tax.

In addition to the tax increases and decreases listed below, the General Assembly also enacted a tax amnesty in late 2008, which ran from May 4 to June 25, 2009 (PA 08-1, November 24 Special Session).

## 2009-2011 TAX CHANGES

Tax increases enacted in 2009, 2010, and 2011 include new taxes; increases in tax rates; surcharges; expanded tax bases; and tax credits, exemptions, and deductions eliminated, reduced, or limited. Tax decreases include new and expanded tax exemptions, credits, and deductions; reductions in tax rates; and increases in taxable thresholds.

**Table 1: Tax Changes, 2009-2011**

<b>Admissions Tax</b>	
2009	Exempt interscholastic athletic events held at Rentschler Field.
2011	Eliminate exemptions for events at: <ul style="list-style-type: none"> <li>○ Hartford Civic Center</li> <li>○ New Haven Coliseum</li> <li>○ New Britain Beehive Stadium</li> <li>○ New Britain Veterans' Memorial Stadium</li> <li>○ Bridgeport Harbor Yard Stadium</li> <li>○ Stafford Motor Speedway</li> <li>○ Lime Rock Park</li> <li>○ Thompson Speedway</li> <li>○ Waterford Speedbowl</li> <li>○ Tennis Foundation of Connecticut facilities</li> <li>○ Nature's Art</li> <li>○ Connecticut Convention Center</li> <li>○ Dodd Stadium</li> <li>○ Arena at Harbor Yard</li> <li>○ New Britain Rock Cats games</li> <li>○ New Haven Ravens games</li> <li>○ Waterbury Spirit games</li> </ul>
<b>Alcoholic Beverages Tax</b>	
2011	Increase alcoholic beverages tax by 20%, effective 7/1/11.
<b>Business Entity Tax</b>	
2011	Make the \$250 business entity tax payable every other year rather than every year, effectively reducing the tax by 50% (Effective 1/1/13).
<b>Cigarette Tax</b>	
2009	Increase from \$2.00 to \$3.00 per pack as of 10/1/09.
2011	Increase from \$3.00 to \$3.40 per pack as of 7/1/11.

**Table 1 (continued)**

<b>Corporation Tax</b>	
2009	<ul style="list-style-type: none"> <li>• Impose 10% surcharge for income years 2009, 2010, and 2011 for companies (a) with \$100 million or more in annual gross revenue and (b) whose tax liability exceeds the \$250 minimum tax.</li> <li>• Double, from \$250,000 to \$500,000, the maximum preference tax for companies filing combined corporation tax returns.</li> <li>• Establish “economic nexus” as the basis for determining whether an out-of-state business is subject to Connecticut corporation tax (also applies to the personal income tax).</li> <li>• Require taxpayers to add back a federal tax deduction for qualified domestic production activities when calculating income for state corporation tax.</li> <li>• Tax Credits               <ul style="list-style-type: none"> <li>○ <i>Open Space Donation Credit</i>: Extend carryforward period from 15 to 25 years.</li> <li>○ <i>Film Production and Digital Animation Credits</i> (also applies to the insurance premium tax):                   <ul style="list-style-type: none"> <li>➢ Increase minimum expenditure needed to qualify for a credit to \$100,000.</li> <li>➢ Establish a tiered production credit of 10% for expenses between \$100,000 and \$500,000, 15% for expenses over \$500,000 up to \$1 million, and 30% for expenses over \$1 million to 30%.</li> <li>➢ Eliminate credit for out-of-state expenditures as of January 1, 2010.</li> <li>➢ Require 50% of principal photography days to occur, or 50% of post-production costs to be spent, in Connecticut.</li> <li>➢ Cap aggregate eligible expenditures for star talent at \$20 million and require qualifying star compensation to be subject to Connecticut income tax.</li> </ul> </li> <li>○ <i>Film Infrastructure Credit</i>:                   <ul style="list-style-type: none"> <li>➢ Change credit from tiered percentages depending on the qualifying investment amount to a flat 20%.</li> <li>➢ Increase minimum qualifying expenditure from \$15,000 to \$3 million.</li> <li>➢ Require a project to be 100%, rather than at least 60%, complete before it can receive a tax credit voucher.</li> </ul> </li> </ul> </li> </ul>
2010	<ul style="list-style-type: none"> <li>• Eliminate deduction for federally deductible dividends companies receive from “captive” real estate investment trusts (REITs) unless the captive REIT is subject to the Connecticut corporation tax.</li> <li>• Tax Credits:               <ul style="list-style-type: none"> <li>○ <i>Film Production Credit</i>:                   <ul style="list-style-type: none"> <li>➢ Narrow the range of qualifying production expenses by (1) excluding expenses for developing the idea for the production and (2) restricting eligible compensation expenses to base salaries and wages.</li> <li>➢ Decrease minimum share of principal photography days in Connecticut from 50% to 25%.</li> <li>➢ Allow production to incur either a minimum of 50% or \$1 million of its post-production expenses here in lieu of meeting the principal photography minimum.</li> </ul> </li> <li>○ <i>Film Infrastructure Credit</i>: Grant credits for leased facilities only if leased under a capital lease.</li> <li>○ <i>Small Business Job Creation Tax Credit</i>: Establish insurance premium, corporation business, utility company, and personal income tax credits for businesses with fewer than 50 employees in Connecticut that create new, full-time jobs between May 6, 2010 and December 31, 2012 filled by new employees living in Connecticut. Maximum credit is \$200 per month per new employee.</li> <li>○ <i>Vocational Rehabilitation Job Creation Tax Credit</i>: Establish insurance premium, corporation business, and personal income tax credits for businesses that hire Connecticut residents after May 6, 2010 who have physical or mental impairments that make it hard for them to find work. The maximum credit is \$200 per month for each new employee.</li> <li>○ <i>Neighborhood Assistance Act Credits</i>: Increase credits for business investments in community-based alcoholism prevention or treatment programs from 40% to 60% of the investment.</li> </ul> </li> <li>• Corporation Tax Credits Eliminated (Effective with income years on or after 1/1/14):               <ul style="list-style-type: none"> <li>○ 50% credit for donating new or used computers to public or private schools.</li> <li>○ 10-year, 50% credit for financial institutions developing facilities and creating jobs and a 25% credit for an additional five years.</li> <li>○ 100% credit for Small Business Administration guaranty fees.</li> </ul> </li> </ul>

**Table 1 (continued)**

2011	<ul style="list-style-type: none"> <li>• Impose 20% surcharge for the 2012 and 2013 income years for companies that (a) have more than \$250 in tax liability and (b) have at least \$100 million in annual gross revenue or file combined or unitary returns.</li> <li>• For the 2011 and 2012 income years, allow companies that add new employees to use tax credits to reduce their annual corporation tax liability beyond the 70% limit set in law. The additional offset equals \$6,000 times the company's average net monthly increase in employees, up to 100% of its total tax liability.</li> <li>• <i>Film Production Credit</i> (also applicable to insurance premium tax):             <ul style="list-style-type: none"> <li>○ Limit the percentage of a credit companies may transfer in one income year to (a) 50% of any credit allowed for the 2011 income year and (b) 25% of any credit allowed for 2012 and any subsequent year.</li> <li>○ Exempt the following from the transfer limit:                 <ul style="list-style-type: none"> <li>➤ Companies subject to corporation or insurance premium tax.</li> <li>➤ Companies not subject to corporation or insurance premium tax that own at least 50% of another entity subject to the business entity tax.</li> <li>➤ Credits for productions created wholly or in a significant part in a "qualified production facility."</li> </ul> </li> <li>○ Extend the credit to "relocated television productions" that feature certain kinds of current events.</li> <li>○ Reinstate qualification that a company spend at least 50% of principal photography days in Connecticut.</li> </ul> </li> <li>• Tax Credits:             <ul style="list-style-type: none"> <li>○ <i>Job Expansion Tax Credit</i>: Establish a job expansion tax credit program to provide corporation, insurance premium, utility company, and income tax credits to businesses for jobs created between 1/1/12 and 1/1/14. Three-year credit is \$500 per month per new employee or \$900 per month for each qualifying new employee who is (a) unemployed, (b) an armed forces member or honorably discharged veteran, or (c) is receiving vocational rehabilitation services from the state Bureau of Rehabilitation Services.</li> <li>○ <i>Existing Job Creation Tax Credits</i>: Phase out existing job creation and vocational rehabilitation credits by ending new applications for those credits as of 12/31/11.</li> <li>○ Allow taxpayers to transfer insurance reinvestment credits to affiliates.</li> <li>○ Extend various tax credits previously targeted to enterprise zones and targeted investment communities to a bigger range of business, including Department of Economic and Community Development-designated industry clusters and economic-base industries.</li> <li>○ Extend Neighborhood Assistance Act credits to companies subject to the business entity tax and increase the total amount of credits a company can claim in any year from \$75,000 to \$150,000.</li> <li>○ Expand the range of property types and reuses eligible for historic preservation tax credits.</li> </ul> </li> <li>• Allow up to 100 small manufacturing companies with 50 or fewer employees to establish Manufacturing Reinvestment accounts (MRAs), defer corporation taxes for up to five years on amounts deposited in an MRA, and pay a reduced tax of 3.5% on funds withdrawn for (a) workforce training, development, or expansion or (b) buying machinery, equipment, or facilities. The maximum MRA deposit is \$50,000 for 2011 and \$100,000 for subsequent income years.</li> <li>• Beginning with the 2014 tax year, allow qualifying graduates to segregate up to \$2,500 in annual income tax payments and withdraw the segregated amounts to buy a first home in the state within 10 years after graduation.</li> </ul>
<b>Electric Generation Tax</b>	
2011	<ul style="list-style-type: none"> <li>• Impose a temporary tax on electric generation facilities of ¼ of a cent per net kilowatt hour of electricity generated and uploaded into the regional bulk power grid at Connecticut facilities. Tax expires on June 30, 2013.</li> <li>• Exemptions:             <ul style="list-style-type: none"> <li>○ Fuel cells.</li> <li>○ Alternative energy systems, such as solar or wind.</li> <li>○ Resources recovery facilities.</li> <li>○ Customer-side distributed resources.</li> </ul> </li> </ul>
<b>Estate and Gift Taxes</b>	
2009	<ul style="list-style-type: none"> <li>• Increase taxable estate and gift threshold from \$2 million to \$3.5 million.</li> <li>• Reduce marginal rates by 25% to 7.2% to 12%.</li> <li>• Apply tax only to the portion of taxable estate or gift that exceeds the threshold, rather than to its entire value (i.e., eliminate the tax "cliff").</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Reduce the threshold for taxable estates and gifts to \$2 million from \$3.5 million.</li> <li>• Apply lowest marginal rate (7.2%) to estates and gifts valued between \$2 million and \$3.5 million.</li> </ul>
<b>Hospital Tax</b>	
2011	<ul style="list-style-type: none"> <li>• Establish a quarterly tax on hospital "net patient revenue," i.e., the amount of accrued payments a hospital earns for providing inpatient and outpatient services.</li> <li>• The tax rate is the maximum allowed by federal law (up to 5% through September 30, 2011 and 6% as of October 1, 2011).</li> </ul>

**Table 1 (continued)**

<b>Income Tax</b>	
2009	<ul style="list-style-type: none"> <li>• Increase marginal rates from 5% to 6.5% for taxable income over \$1 million for joint filers, \$800,000 for heads of household, and \$500,000 for single filers and married people filing separately (Effective 1/1/09).</li> <li>• Increase flat tax on estates and trusts from 5% to 6.5% (Effective 1/1/09).</li> <li>• Bar use of federal tax deduction for qualified domestic production activities when calculating taxable income.</li> <li>• Delay scheduled income tax reductions for single filers until 1/1/12.</li> </ul>
2010	<ul style="list-style-type: none"> <li>• Establish a credit for people who invest at least \$100,000 in start-up, technology-based businesses in Connecticut (“angel investors”) equal to 25% of the cash investment, up to \$250,000.</li> <li>• Aggregate credits are limited to \$6 million per year in FY 11 through FY 13 and \$3 million in FY 14. No new credits may be given after 7/1/14.</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Effective 1/1/11, increase taxes for those with taxable incomes over (1) \$100,000 for joint filers, (2) \$80,000 for heads of households, and (3) \$50,000 for single filers and married people filing separately by:               <ul style="list-style-type: none"> <li>○ Increasing the number of marginal rates and tax brackets from three (3%, 5%, and 6.5%) to six (3%, 5%, 5.5%, 6%, 6.5%, and 6.7%).</li> <li>○ Phasing in 5% as the lowest rate starting with taxpayers with Connecticut adjusted gross income (CT AGI) over \$100,500 for joint filers, \$56,500 for singles, \$78,500 for heads of household, and \$50,250 for married couples filing separately.</li> <li>○ Requiring “recapture” (add-back) of benefits higher-income taxpayers receive from having part of their taxable income taxed at lower marginal rates. Affects taxpayers with CT AGI over \$400,000 for married filing jointly, \$200,000 for singles and married couples filing separately, and \$320,000 for heads of household.</li> <li>○ Phasing in recapture amounts as CT AGI increases until 100% of a taxpayer’s taxable income is taxed at the highest marginal rate (6.7%). Maximum recapture amounts are: \$4,500 for joint filers, \$3,600 for heads of household, and \$2,250 for single filers and married couples filing separately.</li> <li>○ Reducing the maximum property tax credit from \$500 to \$300 and phasing out the credit at a steeper rate, thus reducing the number of eligible recipients.</li> </ul> </li> <li>• Increase the flat income tax rate for trusts and estates from 6.5% to 6.7%.</li> <li>• Establish a refundable earned income tax credit equal to 30% of the federal credit.</li> <li>• Reduce the minimum cash investment needed to qualify for an angel investor tax credit from \$100,000 to \$25,000.</li> </ul>
<b>Insurance Premium Tax</b>	
2010	<ul style="list-style-type: none"> <li>• Authorize a credit equal to 100% of certain investments in state-certified investment funds to be claimed over 10 years, beginning in the fourth year after the investment. Qualifying investments are those in businesses that (1) employ fewer than 250 people, (2) have netted no more than \$10 million in the previous year, and (3) have at least 80% of their workers living in the state or 80% of their payrolls going to Connecticut residents.</li> <li>• Eliminate new insurance reinvestment tax credits against the personal income, corporation, and insurance premium taxes as of 7/1/10 instead of 7/1/15.</li> <li>• Until 6/30/10, lift a ban on allocating credits to funds formed after July 1, 2000 and allow investors accessing credits through established funds to claim them only if the fund invests at least \$1 million by 7/1/11.</li> </ul>
2011	<ul style="list-style-type: none"> <li>• For 2011 and 2012, generally reduce, from 70% to 30%, the amount by which an insurer can offset its annual insurance premium tax liability through tax credits, but exempt insurance reinvestment fund credits and film production, infrastructure, and digital animation credits from the reduced offset limit.</li> <li>• Establish the maximum liability an insurer can offset in 2011 and 2012 through claiming one or more of these credit types and specify the order of claiming the credits.</li> <li>• For 2011 and 2012, allow companies that add new employees to use tax credits to offset additional tax liability beyond the limits in an amount equal to \$6,000 times the company’s average net monthly increase in employees, up to 100% of total tax liability.</li> <li>• Limit policies subject to the 4% tax on gross premiums charged by nonadmitted insurance companies on insurance policies procured independently or through licensed surplus lines brokers.</li> <li>• Establish a \$7,500 nonrefundable credit for the first year a captive insurance company is domiciled and licensed in Connecticut.</li> <li>• Require captive insurance companies to pay premium tax on assumed reinsurance premium.</li> </ul>
<b>Motor Fuels Tax</b>	
2011	Increase the base tax on diesel fuel from 26 to 29 cents per gallon.
<b>Real Estate Conveyance Tax</b>	
2009	Eliminate an exemption for property foreclosed by sale through a court order.
2010	<ul style="list-style-type: none"> <li>• Extend the expiration date of the 0.25% base municipal rate to 7/1/10.</li> <li>• Restore exemption for property transfers made pursuant to foreclosure by sale.</li> <li>• Exempt transfers of seller’s principal residence when transfer is (a) in lieu of foreclosure or (b) a “short sale.”</li> </ul>

**Table 1 (continued)**

2011	<ul style="list-style-type: none"> <li>• Increase the state tax rate by 0.25%.</li> <li>• Make the 0.25% base municipal rate permanent.</li> </ul>
<b>Sales and Use Taxes</b>	
2009	Make an asphalt manufacturer that uses its finished product to fulfill a paving contract eligible for manufacturers' sales tax exemptions on purchases of machinery, materials, tools, and fuel bought to make the product.
2010	Exempt items sold, stored, used, or consumed in renewable and clean energy technology industries. Exemption applies to machines; equipment; tools; materials; supplies; and fuel sold, stored, used, or consumed in these industries.
2011	<ul style="list-style-type: none"> <li>• Increase general tax rate from 6% to 6.35%.</li> <li>• Impose 7% "luxury tax" on: <ul style="list-style-type: none"> <li>○ Motor vehicles costing more than \$50,000, excluding ones that (a) are purchased by an active duty U.S. military member stationed in Connecticut; (b) weigh over 12,500 pounds; or (c) weigh 12,500 pounds or less, are designed or used for commercial purposes, and for which the Department of Motor Vehicles issued a commercial or more specific type of registration.</li> <li>○ Boats costing more than \$100,000.</li> <li>○ Jewelry (real or imitation) costing more than \$5,000.</li> <li>○ Clothing, footwear, handbags, luggage, umbrellas, wallets, and watches costing more than \$1,000.</li> </ul> </li> <li>• Increase tax on short-term car rentals from 6% to 9.35%.</li> <li>• Increase hotel tax from 12% to 15%.</li> <li>• Eliminate exemptions for: <ul style="list-style-type: none"> <li>○ Evaluation, prevention, treatment, containment, or removal of hazardous waste</li> <li>○ Valet parking at any airport</li> <li>○ Yoga instruction at a yoga studio</li> <li>○ Clothing and footwear costing less than \$50, excluding charges for selling such items on consignment</li> <li>○ Non-prescription drugs and medicine</li> <li>○ Cloth or fabric for non-commercial sewing</li> <li>○ Yarn</li> <li>○ Smoking cessation products</li> </ul> </li> <li>• Extend tax to the following services: <ul style="list-style-type: none"> <li>○ Motor vehicle storage, including storage for motor homes, campers, and camp trailers, but excluding self-storage units.</li> <li>○ Packing and crating, other than that provided by retailers in connection with the sale of tangible personal property.</li> <li>○ Motor vehicle towing and road services, other than repairs.</li> <li>○ Intrastate transportation via limousine, community car, or van with a driver, excluding taxis, buses, ambulances, scheduled public transportation, funerals, Medicaid nonemergency medical transportation, paratransit services provided under an agreement with the state or any political subdivision, and dial-a-ride services.</li> <li>○ Pet grooming, boarding, and obedience classes, other than grooming or boarding provided as an integral part of veterinarian services.</li> <li>○ Cosmetic medical procedures, defined as medical procedures aimed at improving appearance and that do not promote proper body functions or prevent or treat illness or disease. Reconstructive surgery remains exempt.</li> <li>○ Manicure, pedicure, and other nail services, regardless of where they are performed.</li> <li>○ Spa services, including body waxing and wraps, peels, scrubs, and facials, regardless of where they are performed.</li> </ul> </li> <li>• Require remote and online sellers to collect sales tax on sales of taxable items or services in Connecticut if they annually sell more than \$2,000 worth of such items or services here through commission agreements with people located in Connecticut (Effective 5/4/11).</li> <li>• Exempt any part of the sale price of any vehicle that has special equipment for the exclusive use of a person with physical disabilities already installed, if the vehicle is sold to such a person.</li> </ul>
<b>Tobacco Products Tax</b>	
2009	<p>Increase tax from:</p> <ul style="list-style-type: none"> <li>• 40 cents to 55 cents per ounce for snuff tobacco.</li> <li>• 20% to 27.5% of wholesale price for other tobacco products.</li> </ul>
2011	<ul style="list-style-type: none"> <li>• Increase tax from: <ul style="list-style-type: none"> <li>○ 55 cents to \$1 per ounce for snuff tobacco.</li> <li>○ 27.5% to 50% of wholesale price for other tobacco products.</li> </ul> </li> <li>• Cap the tax on cigars at 50 cents each.</li> </ul>

**Table 1 (continued)**

Miscellaneous Taxes	
2009	Increase the annual attorney occupational tax from \$450 to \$565 annually.

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