



General Assembly

January Session, 2013

Raised Bill No. 1055

LCO No. 4092



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT CONCERNING VARIOUS TAX CREDITS AND AN EXEMPTION TO, AND A STUDY OF, THE INCOME TAX.

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

1 Section 1. (NEW) (*Effective from passage and applicable to calendar years*
2 *commencing on and after January 1, 2013*) (a) Whenever a company
3 subject to tax under the provisions of chapter 207 of the general
4 statutes is eligible to claim more than one tax credit, the credits shall be
5 claimed for the calendar year in the following order:

6 (1) Any credit that may be carried backward to a preceding calendar
7 year or years shall first be claimed (A) with any credit carry-back that
8 will expire first being claimed prior to any credit carry-back that will
9 expire later or will not expire at all, and (B) if the credit carry-backs
10 will expire at the same time, in the order in which the company may
11 receive the maximum benefit;

12 (2) Any credit that may not be carried backward to a preceding
13 calendar year or years and that may not be carried forward to a

14 succeeding calendar year or years shall next be claimed, in the order in
15 which the company may receive the maximum benefit; and

16 (3) Any credit that may be carried forward to a succeeding calendar
17 year or years shall next be claimed (A) with any credit carry-forward
18 that will expire first being claimed prior to any credit carry-forward
19 that will expire later or will not expire at all, and (B) if the credit carry-
20 forwards will expire at the same time, in the order in which the
21 company may receive the maximum benefit.

22 (b) In no event shall any credit be claimed more than once.

23 Sec. 2. Section 12-217dd of the general statutes is repealed and the
24 following is substituted in lieu thereof (*Effective July 1, 2013, and*
25 *applicable to income years commencing on or after January 1, 2013*):

26 (a) For purposes of this section: [.]

27 (1) ["donation"] "Donation of open space land" means the value of
28 any land or interest in land conveyed without financial consideration,
29 or the value of any discount of the sale price in any sale of land or
30 interest in land, to the state, a political subdivision of the state, a water
31 company, as defined in section 25-32a, or to any nonprofit land
32 conservation organization where such land is to be permanently
33 preserved as protected open space or used as a public water supply
34 source.

35 (2) "Donation of land for educational use" means the value of any
36 land or interest in land conveyed without financial consideration, or
37 the value of any discount of the sale price in any sale of land or interest
38 in land, to any town, city or borough, whether consolidated or
39 unconsolidated, or any school district or regional school district for
40 educational use, as defined in section 16-43b.

41 (b) There shall be allowed a credit for all taxpayers against the tax
42 imposed under [section 12-217] this chapter, in an amount equal to

43 fifty per cent of any donation of open space land [or as a public water
44 supply source] and fifty per cent of any donation of land for
45 educational use. For purposes of calculating the credit under this
46 section, the amount of donation shall be based on the use value of the
47 donated [open space] land and the amount received for such land. For
48 purposes of this subsection, "use value" means the fair market value of
49 land at its highest and best use, as determined by a certified real estate
50 appraiser.

51 (c) A credit for the donation of open space land that is allowed
52 under this section [,] with respect to any taxable year commencing on
53 or after January 1, 2000, but is not used by a taxpayer, may be carried
54 forward to each of the successive income years until such credit is fully
55 taken, [. In] but in no case shall a credit that is not used be carried
56 forward for a period of more than twenty-five years. A credit for the
57 donation of land for educational use that is allowed under this section
58 with respect to any taxable year commencing on or after January 1,
59 2013, but is not used by a taxpayer, may be carried forward to each of
60 the successive income years until such credit is fully taken, but in no
61 case shall a credit that is not used be carried forward for a period of
62 more than twenty-five years.

63 Sec. 3. Section 12-217ff of the general statutes is repealed and the
64 following is substituted in lieu thereof (*Effective July 1, 2013, and*
65 *applicable to income years commencing on or after January 1, 2013*):

66 (a) For purposes of this section, "donation of land for educational
67 use" means the value of any land or interest in land conveyed without
68 financial consideration, or the value of any discount of the sale price in
69 any sale of land or interest in land, to any municipality or political
70 subdivision of the state for educational use, as defined in section 16-
71 43b.

72 (b) There shall be allowed a credit for all taxpayers against the tax
73 imposed under section 12-217, in an amount equal to fifty per cent of

74 any donation of land for educational use. For purposes of calculating
75 the credit under this section the amount of donation shall be based on
76 the difference between the use value of the donated land and the
77 amount received for such land. For the purposes of this subsection,
78 "use value" means a fair market value of land at its highest and best
79 use, as determined by a certified real estate appraiser.

80 (c) A credit that is allowed under this section, with respect to any
81 taxable year commencing on or after January 1, 2004, but is not used by
82 a taxpayer may be carried forward to each of the successive income
83 years until such credit is fully taken. In no case shall a credit that is not
84 used be carried forward for a period of more than fifteen years.

85 (d) No tax credit shall be allowed under this section with respect to
86 any donation of land for educational use made on or after January 1,
87 2013.

88 Sec. 4. Subdivision (3) of subsection (b) of section 12-217kk of the
89 general statutes is repealed and the following is substituted in lieu
90 thereof (*Effective July 1, 2013, and applicable to income years commencing*
91 *on or after January 1, 2013*):

92 (3) Any credit allowed pursuant to this section may be sold,
93 assigned or otherwise transferred, in whole or in part, to one or more
94 taxpayers, and such taxpayers may sell, assign or otherwise transfer, in
95 whole or in part, such credit. [Any taxpayer holding such credit may
96 claim such credit only for the income year in which expenditures were
97 made by the taxpayer for the infrastructure project.]

98 Sec. 5. Subsection (a) of section 12-217g of the general statutes is
99 repealed and the following is substituted in lieu thereof (*Effective July*
100 *1, 2013*):

101 (a) There shall be allowed a credit for any taxpayer against the tax
102 imposed under this chapter for any income year with respect to each
103 apprenticeship in the manufacturing trades commenced by such

104 taxpayer in such year under a qualified apprenticeship training
105 program as described in this section, certified in accordance with
106 regulations adopted by the Labor Commissioner and registered with
107 the Connecticut State Apprenticeship Council established under
108 section 31-22n, in an amount equal to four dollars per hour multiplied
109 by the total number of hours worked during the income year by
110 apprentices in the first half of a two-year term of apprenticeship and
111 the first three-quarters of a four-year term of apprenticeship, provided
112 the amount of credit allowed for any income year with respect to each
113 such apprenticeship may not exceed (1) for income years commencing
114 prior to January 1, 2014, four thousand eight hundred dollars or fifty
115 per cent of actual wages paid in such income year to an apprentice in
116 the first half of a two-year term of apprenticeship or in the first three-
117 quarters of a four-year term of apprenticeship, whichever is less, and
118 (2) for income years commencing on or after January 1, 2014, six
119 thousand dollars or fifty per cent of actual wages paid in such income
120 year to an apprentice in the first half of a two-year term of
121 apprenticeship or in the first three-quarters of a four-year term of
122 apprenticeship, whichever is less.

123 Sec. 6. Subdivision (4) of subsection (d) of section 12-217n of the
124 general statutes is repealed and the following is substituted in lieu
125 thereof (*Effective July 1, 2013*):

126 (4) Credits that are allowed under this section but that exceed the
127 amount permitted to be taken in an income year by reason of
128 subdivision (1), (2) or (3) of this subsection, shall be carried forward to
129 each of the successive income years until such credits, or applicable
130 portion thereof, are fully taken, provided no such credits, or applicable
131 portion thereof, that first become allowable in an income year
132 commencing on or after January 1, 2014, shall be carried forward for a
133 period of more than fifteen years. No credit permitted under this
134 section shall be taken in any income year until the full amount of all
135 allowable credits carried forward to such year from any prior income
136 year, commencing with the earliest such prior year, that otherwise may

137 be taken under subdivision (2) of this subsection in that income year,
138 have been fully taken.

139 Sec. 7. Subsections (e) and (f) of section 12-217pp of the general
140 statutes are repealed and the following is substituted in lieu thereof
141 (*Effective July 1, 2013*):

142 (e) (1) To be eligible to claim the credit, a taxpayer shall apply to the
143 commissioner in accordance with the provisions of this section. The
144 application shall be on a form provided by the commissioner and shall
145 contain sufficient information as required by the commissioner,
146 including, but not limited to, the activities that the taxpayer primarily
147 engages in, the North American Industrial Classification System code
148 of the taxpayer, the current number of employees employed by the
149 taxpayer as of the application date, and if applicable, the name and
150 position or job title of the new, qualifying or veteran employee. The
151 commissioner shall consult with the Labor Commissioner, the
152 Commissioner of Rehabilitation Services or the Commissioner of
153 Veterans' Affairs, Mental Health and Addiction Services or
154 Developmental Services, as applicable, for any verification the
155 commissioner deems necessary of unemployment compensation or
156 vocational rehabilitation services received by a qualifying employee, or
157 of service in the armed forces of the United States by a veteran
158 employee. The commissioner may impose a fee for such application as
159 the commissioner deems appropriate.

160 (2) (A) Upon receipt of an application, the commissioner shall
161 render a decision, in writing, on each completed application not later
162 than thirty days after the date of its receipt by the commissioner. If the
163 commissioner approves such application, the commissioner shall issue
164 a certification letter to the taxpayer indicating that the credit will be
165 available to be claimed by the taxpayer if the taxpayer and new,
166 qualifying or veteran employee otherwise meets the requirements of
167 this section.

168 (B) On and after January 1, 2014, the commissioner shall act upon
169 such completed applications and issue such certification letters, as
170 provided in subparagraph (A) of this subdivision, that pertain to
171 qualifying or veteran employees who meet the requirements of this
172 section, and with respect to whom credits pursuant to this section have
173 previously been granted. The commissioner may, in his or her
174 discretion, consider applications that pertain to new employees, with
175 respect to whom credits pursuant to this section have previously been
176 granted, when such applications are consistent with the economic
177 development priorities of the state.

178 (f) (1) The total amount of credits granted under this section and
179 sections 12-217ii, 12-217nn and 12-217oo shall not exceed [twenty
180 million dollars in any one fiscal year] forty million dollars over the
181 duration of the job expansion tax credit program, including the two
182 immediately succeeding income years after such credits are granted.

183 (2) If a taxpayer was issued an eligibility certificate by the
184 commissioner prior to January 1, 2012, to receive a jobs creation tax
185 credit pursuant to section 12-217ii, the provisions of the tax credit
186 program pursuant to said section 12-217ii shall apply to such taxpayer
187 for the duration of the eligibility certificate.

188 (3) If a taxpayer is issued a certification letter by the commissioner
189 prior to January 1, 2013, to receive a qualified small business job
190 creation tax credit pursuant to section 12-217nn, the provisions of the
191 tax credit program pursuant to said section 12-217nn shall apply to
192 such taxpayer for the duration of such certification.

193 (4) If a taxpayer was issued a certification letter by the commissioner
194 prior to January 1, 2012, to receive a vocational rehabilitation job
195 creation tax credit pursuant to section 12-217oo, the provisions of the
196 tax credit program pursuant to said section 12-217oo shall apply to
197 such taxpayer for the duration of such certification.

198 Sec. 8. (NEW) *(Effective from passage and applicable to taxable years*

199 *commencing on or after January 1, 2013*) (a) For purposes of this section,
200 "first responder" means any peace officer or firefighter, as those terms
201 are defined in section 53a-3 of the general statutes, or any ambulance
202 driver, emergency medical responder, emergency medical technician
203 or paramedic, as those terms are defined in section 19a-175 of the
204 general statutes.

205 (b) Any resident of this state or part-year resident of this state shall
206 not be subject to tax under chapter 229 of the general statutes, when
207 the spouse of such resident or part-year resident was a first responder
208 who dies while in the performance of his or her duties as a first
209 responder. The exemption provided by this section shall be available
210 only for the taxable year in which such first responder dies, and shall
211 apply only to the tax liability incurred during such year.

212 (c) The Commissioner of Revenue Services shall make available a
213 form allowing a resident or part-year resident to apply for the
214 exemption provided by this section, and to claim as a refund of taxes
215 any amount of estimated taxes or withholding taxes paid by or on
216 behalf of such resident or part-year resident. Said commissioner may
217 request any supporting documentation necessary to process such
218 exemption and refund.

219 *Sec. 9. (Effective from passage)* (a) The Commissioner of Revenue
220 Services shall conduct a study of the personal income tax structure to
221 consider the impact upon taxpayers, by federal tax filing status, of the
222 various tax rates and credits established pursuant to chapter 229 of the
223 general statutes. Such study shall include (1) an analysis of the taxes
224 and credits based on adjusted gross income imposed on each group of
225 taxpayers at the same or equivalent income level, and whether such
226 taxes and credits are the same or equivalent, (2) a comparison of the
227 effect of basing the state personal income tax on federal adjusted gross
228 income versus federal net income, (3) consideration of how such tax
229 rates and credits might be restructured to require all taxpayers to pay
230 an equivalent amount while maintain the current state revenue levels.

231 (b) On or before January 15, 2014, the commissioner shall report, in
232 accordance with the provisions of section 11-4a of the general statutes,
233 to the joint standing committee of the General Assembly having
234 cognizance of matters relating to finance, revenue and bonding on the
235 results of the study required pursuant to subsection (a) of this section.
236 Such report shall include recommendations for legislative changes, if
237 such are found to be necessary to ensure an equitable personal income
238 tax structure.

239 Sec. 10. Subsection (h) of section 12-217n of the general statutes is
240 repealed and the following is substituted in lieu thereof (*Effective July*
241 *1, 2013*):

242 (h) Any taxpayer, or in the case of a combined return, any combined
243 group of taxpayers, that claims a credit under section 12-217j for any
244 income year shall reduce the amount of research and development
245 expenses that otherwise may be taken into account in computing the
246 allowable credit under subsection (c) of this section for such income
247 year by the amount of excess research and experimental expenditures,
248 as computed under said section 12-217j, for which the credit
249 thereunder is given. [Any taxpayer, or in the case of a combined
250 return, any combined group of taxpayers, that claims a credit under
251 section 12-217l for any income year shall reduce the amount of
252 research and development expenses that otherwise may be taken into
253 account in computing the allowable credit under subsection (c) of this
254 section for such income year by the amount of excess grants to
255 institutions of higher education in Connecticut, as computed under
256 said section 12-217l, for which the credit thereunder is given.]

257 Sec. 11. Subsection (a) of section 16-245l of the general statutes is
258 repealed and the following is substituted in lieu thereof (*Effective July*
259 *1, 2013*):

260 (a) The Public Utilities Regulatory Authority shall establish and
261 each electric distribution company shall collect a systems benefits

262 charge to be imposed against all end use customers of each electric
263 distribution company beginning January 1, 2000. The authority shall
264 hold a hearing that shall be conducted as a contested case in
265 accordance with chapter 54 to establish the amount of the systems
266 benefits charge. The authority may revise the systems benefits charge
267 or any element of said charge as the need arises. The systems benefits
268 charge shall be used to fund (1) the expenses of the public education
269 outreach program developed under subsections (a), (f) and (g) of
270 section 16-244d other than expenses for authority staff, (2) the
271 reasonable and proper expenses of the education outreach consultant
272 pursuant to subsection (d) of section 16-244d, (3) the cost of hardship
273 protection measures under sections 16-262c and 16-262d and other
274 hardship protections, including, but not limited to, electric service bill
275 payment programs, funding and technical support for energy
276 assistance, fuel bank and weatherization programs and weatherization
277 services, (4) the payment program to offset tax losses described in
278 section 12-94d, (5) any sums paid to a resource recovery authority
279 pursuant to subsection (b) of section 16-243e, (6) low income
280 conservation programs approved by the Public Utilities Regulatory
281 Authority, (7) displaced worker protection costs, (8) unfunded storage
282 and disposal costs for spent nuclear fuel generated before January 1,
283 2000, approved by the appropriate regulatory agencies, (9)
284 postretirement safe shutdown and site protection costs that are
285 incurred in preparation for decommissioning, (10) decommissioning
286 fund contributions, (11) the costs of temporary electric generation
287 facilities incurred pursuant to section 16-19ss, (12) operating expenses
288 for the Connecticut Energy Advisory Board, (13) costs associated with
289 the Connecticut electric efficiency partner program established
290 pursuant to section 16-243v, (14) reinvestments and investments in
291 energy efficiency programs and technologies pursuant to section 16a-
292 38l, costs associated with the electricity conservation incentive
293 program established pursuant to section 119 of public act 07-242, and
294 (15) legal, appraisal and purchase costs of a conservation or land use
295 restriction and other related costs as the authority in its discretion

296 deems appropriate, incurred by a municipality on or before January 1,
297 2000, to ensure the environmental, recreational and scenic preservation
298 of any reservoir located within this state created by a pump storage
299 hydroelectric generating facility. As used in this subsection, "displaced
300 worker protection costs" means the reasonable costs incurred, prior to
301 January 1, 2008, (A) by an electric supplier, exempt wholesale
302 generator, electric company, an operator of a nuclear power generating
303 facility in this state or a generation entity or affiliate arising from the
304 dislocation of any employee other than an officer, provided such
305 dislocation is a result of (i) restructuring of the electric generation
306 market and such dislocation occurs on or after July 1, 1998, or (ii) the
307 closing of a Title IV source or an exempt wholesale generator, as
308 defined in 15 USC 79z-5a, on or after January 1, 2004, as a result of
309 such source's failure to meet requirements imposed as a result of
310 sections 22a-197 and 22a-198 and this section or those Regulations of
311 Connecticut State Agencies adopted by the Department of Energy and
312 Environmental Protection, as amended from time to time, in
313 accordance with Executive Order Number 19, issued on May 17, 2000,
314 and provided further such costs result from either the execution of
315 agreements reached through collective bargaining for union
316 employees or from the company's or entity's or affiliate's programs
317 and policies for nonunion employees, and (B) by an electric
318 distribution company or an exempt wholesale generator arising from
319 the retraining of a former employee of an unaffiliated exempt
320 wholesale generator, which employee was involuntarily dislocated on
321 or after January 1, 2004, from such wholesale generator, except for
322 cause. "Displaced worker protection costs" includes costs incurred or
323 projected for severance, retraining, early retirement, outplacement,
324 coverage for surviving spouse insurance benefits and related expenses.
325 ["Displaced worker protection costs" does not include those costs
326 included in determining a tax credit pursuant to section 12-217bb.]

327 Sec. 12. Sections 12-217l, 12-217y, 12-217bb and 12-217hh of the
328 general statutes are repealed. (*Effective July 1, 2013*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to calendar years commencing on and after January 1, 2013</i>	New section
Sec. 2	<i>July 1, 2013, and applicable to income years commencing on or after January 1, 2013</i>	12-217dd
Sec. 3	<i>July 1, 2013, and applicable to income years commencing on or after January 1, 2013</i>	12-217ff
Sec. 4	<i>July 1, 2013, and applicable to income years commencing on or after January 1, 2013</i>	12-217kk(b)(3)
Sec. 5	<i>July 1, 2013</i>	12-217g(a)
Sec. 6	<i>July 1, 2013</i>	12-217n(d)(4)
Sec. 7	<i>July 1, 2013</i>	12-217pp(e) and (f)
Sec. 8	<i>from passage and applicable to taxable years commencing on or after January 1, 2013</i>	New section
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>July 1, 2013</i>	12-217n(h)
Sec. 11	<i>July 1, 2013</i>	16-245l(a)
Sec. 12	<i>July 1, 2013</i>	Repealer section

Statement of Purpose:

To provide for the ordering of tax credits for purposes of the insurance premiums tax; to consolidate two credits, section 12-217ff, donation of land for educational use, and section 12-217dd, donation of open space land; to make the period in which an assignee may claim the film infrastructure credit consistent with the allowable periods under the film production and digital animation credits; to increase the amount of the apprenticeship credit; to provide a fifteen-year carryforward for an R & D credit; to make changes to the JET credit; to permit an exemption from personal income tax in certain circumstances; and to

require a study of whether all taxpayers are treated equitably under the personal income tax.

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