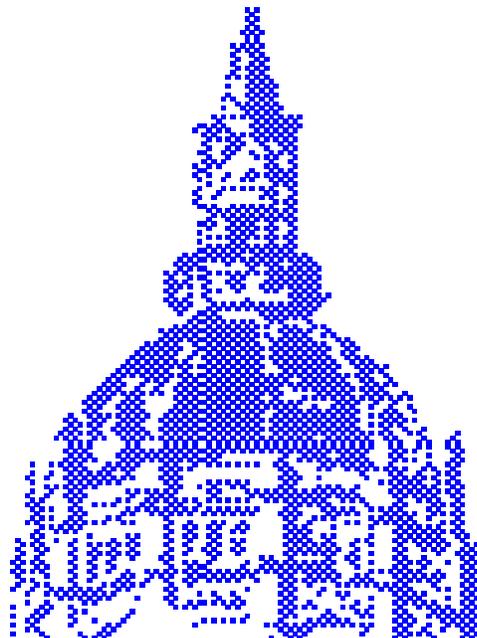


Office of Legislative Research
Connecticut General Assembly



TAXES



2013-R-0287

By: Rute Pinho, Associate Analyst

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NOTICE TO READERS

This report provides highlights of new laws affecting taxes enacted during the 2013 regular legislative session.

Not all provisions of the acts are included here. Complete summaries of all 2013 public acts passed will be available when OLR's Public Act Summary book is published; some are already available on OLR's webpage: <http://www.cga.ct.gov/olr/OLRPASums.asp>

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, the House Clerk's Office, or the General Assembly's website: <http://www.cga.ct.gov>.

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PROPERTY TAX

Abatement for Surviving Spouses of Emergency Medical Technicians Killed in the Line of Duty

[PA 13-204](#) allows municipalities to extend the property tax abatement program for surviving spouses of police officers or firefighters killed in the line of duty to surviving spouses of emergency medical technicians killed in the line of duty. By law, municipalities may establish the program, by ordinance, to abate all or part of property taxes due on an eligible spouse's principal residence.

EFFECTIVE DATE: October 1, 2013

Assessment of Apartments in Capital City Economic Development District

[PA 13-184](#) (§ 96) requires Hartford to assess all apartments with four or more units that the Capital Region Development Authority constructs or converts in the statutorily designated Capital City Economic Development District the same way it assesses residential property with three or fewer units throughout the city. In doing so, it lowers the apartment property's assessment ratio. For the 2013 assessment year, it lowers the assessment ratio from 60% to 29.2% (with an additional

adjustment of between 0% and 5% to reflect the growth in property tax revenue).

EFFECTIVE DATE: July 1, 2013, and applicable to assessment years starting on or after October 1, 2013.

Exemptions and Abatements for Renewable Energy Sources

[PA 13-61](#) (1) exempts from the property tax certain renewable energy sources installed on or after January 1, 2014 and (2) allows municipalities to abate the property taxes for renewable energy sources installed between January 1, 2010 and December 31, 2013.

EFFECTIVE DATE: Upon passage, and applicable to assessment years starting on or after October 1, 2013.

Exemption for 100% Disabled Veterans

[PA 13-224](#) allows municipalities to increase the additional property tax exemption for "100% disabled" veterans with limited income from two to three times the veteran's base exemption.

EFFECTIVE DATE: October 1, 2013, and applicable to tax assessment years on or after October 1, 2013.

Exemption for Recycling Machinery and Equipment

PA 13-285 (§ 6) allows municipalities to adopt ordinances exempting from the property tax recycling machinery or equipment installed on or after October 1, 2013. The exemption applies only to the (1) increased value of the commercial or industrial property attributable to the machinery or equipment and (2) first 15 assessment years after installation.

EFFECTIVE DATE: October 1, 2013, and applicable to assessment years starting on or after that date.

Extended Deadlines for Claiming Property Tax Exemptions

PA 13-247 (§§ 11-13 & 381) gives manufacturers in Bloomfield and Seymour more time to file the necessary documents for claiming the statutory property tax exemption for manufacturing machinery and equipment. It also gives Danbury taxpayers more time to ask the Office of Policy and Management (OPM) secretary to reconsider his modification or denial of a state-reimbursed property tax exemption for manufacturing machinery and equipment included on the city's 2006 grand list.

EFFECTIVE DATE: Upon passage

Land Value Tax Pilot Program

PA 13-247 (§ 329) expands, from one to three, the number of municipalities that, under an OPM pilot program, can develop a plan for taxing land at a higher rate than buildings (i.e., land value tax). It also modifies the program's requirements and extends the deadline for submitting final plans to the legislature.

EFFECTIVE DATE: October 1, 2013

Notice of Community-Based Resources

PA 13-247 (§ 346) eliminates a requirement that municipalities include the Judicial Branch's form on community-based resources for people involved in foreclosure mediation with any statement sent to a homeowner about a public sewer, water service, or property tax arrearage.

EFFECTIVE DATE: July 1, 2013

Property Tax Collection

PA 13-276 makes numerous changes in the municipal tax collection statutes, including (1) allowing tax collectors to deny a refund if a taxpayer is delinquent in other taxes or has other debt, (2) modifying the time limit for municipalities to give property tax refunds under certain circumstances, and (3) modifying

the order in which tax collectors must apply property tax payments.

EFFECTIVE DATE: October 1, 2013

Property Tax Incentives for Certain Development Projects

[PA 13-246](#) expands a municipality's authority to fix or defer property tax assessments on certain development projects.

The law allows municipalities to fix the tax assessment for a range of real estate development projects and bases the period for doing so on the value of the improvements. The act decreases, from \$25,000 to \$10,000, the minimum cost of projects eligible for a three year fixed assessment. It also expands the uses for which municipalities may fix assessments to include mixed-use developments.

Other statutes allow municipalities to defer an increased property tax assessment on property located in a designated rehabilitation area if the property is being rehabilitated or constructed for certain uses. Under prior law, the rehabilitation area could include all or part of a municipality that is deteriorated; deteriorating; substandard; or detrimental to the safety, health, welfare, or general economic well-being of the community. The act specifies that only one or more properties in a rehabilitation area need to

meet these criteria to be considered a rehabilitation area.

EFFECTIVE DATE: October 1, 2013

Registering Vehicles of Delinquent Taxpayers

[PA 13-271](#) (§§ 9-10) bars the Department of Motor Vehicles (DMV) commissioner from registering any all-terrain vehicle (ATV) or vessel belonging to a delinquent taxpayer. It allows the commissioner to cancel, as well as suspend, all motor vehicle and snowmobile registrations in the delinquent taxpayer's name in certain cases and similarly allows her to suspend or cancel any ATV or vessel registrations in the taxpayer's name in those cases.

The act also modifies procedures tax collectors use to notify DMV of payment of a delinquent tax.

EFFECTIVE DATE: October 1, 2013

Revaluation of Certain Tribal Land

[PA 13-291](#) requires certain Mohegan and Mashantucket Pequot property to be revalued every five years. It applies to real property (1) designated within the 1983 settlement boundary and taken into trust by the federal government for the Mashantucket Pequots before June 8, 1999 and (2) taken into trust by the federal government for the Mohegans at any time.

EFFECTIVE DATE: July 1, 2013, and applicable to assessment years starting on or after October 1, 2013.

Revaluation Phase-In

[PA 13-204](#) eliminates a municipality's authority to phase in all or part of the decreases in real property assessments after a property revaluation. A 2012 law (PA 12-2, June 12 Special Session) gave municipalities the option to do so, using methods comparable to those the law allows for phasing in increases in property values.

EFFECTIVE DATE: July 1, 2013, and applicable to assessment years beginning on or after October 1, 2013.

Stormwater Control Systems

[PA 13-27](#) (§§ 85-86) allows an ordinance establishing a water pollution control authority (WPCA) in Bridgeport to give the WPCA the power to recommend a levy on taxable real property in the authority's area for stormwater control systems. The levy may be for system planning, lay out, acquisition, construction, reconstruction, repair, maintenance, supervision, and management.

The act permits the municipality, when imposing the levy, to consider the (1) amount of impervious surfaces making stormwater runoff, (2) land use types that make higher

stormwater pollution concentrations, and (3) property's grand list valuation.

EFFECTIVE DATE: October 1, 2013

STATE TAXES

Corporation Income Tax Surcharge

[PA 13-184](#) (§§ 73-74) extends the temporary 20% corporation income tax surcharge for two additional years, to the 2014 and 2015 income years. As under existing law, the surcharge for 2014 and 2015 applies to companies that have more than \$250 in corporation tax liability and either (1) have at least \$100 million in annual gross income in those years or (2) file combined or unitary returns, regardless of the amount of annual gross income.

EFFECTIVE DATE: Upon passage

Electric Generation Tax

[PA 13-184](#) (§ 76) extends the temporary tax on electric generation facilities for an additional three months, from July 1, 2013 to October 1, 2013. By law, the tax is 1/4 of one cent per net kilowatt hour (kwh) of electricity generated and uploaded into the regional bulk power grid at Connecticut facilities, with certain exceptions.

EFFECTIVE DATE: Upon passage

Insurance Premium Tax Credit Limit

[PA 13-184](#) (§ 72) extends, to 2013 and 2014, the temporary cap on the maximum insurance premium tax liability that an insurer may offset through tax credits. In doing so, it reimposes the insurance premium tax credit classification that applied under existing law in 2011.

EFFECTIVE DATE: Upon passage and applicable to calendar years starting on or after January 1, 2013.

Occupational Tax

[PA 13-112](#) increases, from \$450 to \$1,000, the maximum amount a Connecticut licensed attorney who does not practice law as his or her primary occupation can earn per year in legal fees or other compensation for legal services without being required to (1) file an annual return and (2) pay a \$565 occupational tax.

EFFECTIVE DATE: October 1, 2013

Petroleum Products Gross Earnings Tax Exemptions and Credits

[PA 13-232](#) (§ 3) exempts from the petroleum products gross earnings tax the first sale of cosmetic grade mineral oil sold on or after July 1, 2013. Another act, [PA 13-247](#) (§ 66), exempts propane gas used for school bus fuel from the tax.

[PA 13-232](#) (§ 4) also extends a tax credit against the tax to the first sale of petroleum products sold to a purchaser who then incorporates them into paint, coating, or adhesive material for sale or use outside Connecticut.

EFFECTIVE DATE: July 1, 2013, except for the tax credit provisions, which take effect July 1, 2015 and are applicable to quarterly periods beginning on or after that date.

Sales and Use Tax Exemption for Clothing and Footwear

Starting June 1, 2015, [PA 13-184](#) (§ 79) exempts clothing and footwear costing less than \$50 from the sales and use tax.

EFFECTIVE DATE: July 1, 2013

Sales and Use Tax on Boats

[PA 13-184](#) (§§ 77-78) (1) exempts from the sales and use tax boats docked in Connecticut for 60 days or less and (2) reduces, from 7% to 6.35%, the sales and use tax rate on boats costing more than \$100,000.

[PA 13-151](#) extends the length of time that boats stored during the winter are exempt from the sales and use tax. The act also extends the use tax exemption for boats brought into Connecticut only to be stored, maintained, or repaired, by ending the period one month later.

EFFECTIVE DATE: July 1, 2013, and applicable to sales occurring on or after that date, except for the winter boat storage provisions, which are effective upon passage.

Tax on Mixed Martial Arts (MMA) Promoters and Sponsors

[PA 13-259](#) imposes a 5% tax on the gross receipts from MMA admissions, after federal taxes have been deducted, payable by MMA match promoters and sponsors.

EFFECTIVE DATE: October 1, 2013

TAX ADMINISTRATION AND ENFORCEMENT

Captive Insurance Company Premium Tax Payments

[PA 13-232](#) (§ 15) requires captive insurance companies to pay premium taxes on assumed reinsurance premiums by March 1 annually, rather than in March. Under existing law, unchanged by the act, captive insurers must pay premium taxes on direct-written premiums by March 1 annually.

EFFECTIVE DATE: July 1, 2013

Civil Penalty for Failing to Get or Renew a Sales Tax Permit

[PA 13-150](#) (§ 4) imposes, on anyone conducting business without a sales tax permit, a civil penalty of \$250 for the first day,

and \$100 for each subsequent day. It allows the DRS commissioner to waive all or part of the penalty if he finds that the person's failure to get or renew a permit has a reasonable cause and is not intentional or due to neglect.

EFFECTIVE DATE: July 1, 2013

Disclosure of Certain Tax Information in Personnel Proceedings

[PA 13-150](#) (§§ 2-3) allows the Department of Revenue Services (DRS) commissioner to disclose certain tax information in connection with personnel proceedings involving current or former DRS employees. It prohibits anyone involved in the proceeding from further disclosing the information and subjects violators to a fine of up to \$1,000, up to one year in prison, or both.

EFFECTIVE DATE: Upon passage

Estate Tax Credit for Resident Estates with Property Located in Other States

[PA 13-247](#) (§ 120) conforms law to DRS practice by modifying how estate taxes are calculated for Connecticut residents who have estate property in other states.

EFFECTIVE DATE: Upon passage, and applicable to deaths on or after January 1, 2013.

Income Tax Withholding

[PA 13-8](#) allows a Connecticut employer to withhold or divert a portion of an employee's wages as required by another state's income tax laws if the employee (1) works for the employer in the other state or (2) resides in the other state. Under prior law, Connecticut employers could withhold state income tax for another state only if the other state had a reciprocal agreement with Connecticut.

EFFECTIVE DATE: October 1, 2013

Insurance Premium Tax Overpayments

[PA 13-232](#) (§ 16) allows domestic insurers who have timely filed their tax returns to (1) apply tax overpayments to the following year's estimated tax or (2) receive a refund as existing law provides.

EFFECTIVE DATE: July 1, 2013, and applicable to estimated tax payments for calendar years starting on or after January 1, 2014.

Municipal Revenue Sharing Account

[PA 13-184](#) (§§ 77-78 & 123) eliminates laws requiring the DRS commissioner to deposit certain portions of sales and use and real estate conveyance tax revenue into the municipal

revenue sharing account, thus requiring these funds to go the General Fund instead.

EFFECTIVE DATE: July 1, 2013

Order for Claiming Insurance Premium Tax Credits

[PA 13-232](#) (§ 7) establishes the order in which insurers must claim multiple credits in a calendar year. A similar order applies under existing law to businesses eligible to claim more than one corporation business tax credit.

EFFECTIVE DATE: Upon passage, and applicable to calendar years beginning on and after January 1, 2013.

Period for Paying Interest on Tax Overpayments

[PA 13-232](#) (§§ 1-2 & 5-6) shortens the period for which the state pays interest on overpayments of gift, estate, and gross earnings taxes.

EFFECTIVE DATE: July 1, 2013, and applicable to refunds issued on or after that date.

Sales and Use Tax Collection and Remittance

[PA 13-184](#) (§§ 80-81) authorizes the DRS commissioner, from October 1, 2013 to April 1, 2014, to require taxpayers (i.e., retailers) who are delinquent in paying sales taxes to electronically remit the sales tax due on sales made by credit

or debit card or electronic transfer during the applicable tax period. It also requires the DRS commissioner to analyze methods to enhance sales and use tax collection and remittance by retailers and, by February 1, 2014, report his findings and recommendations to the Finance, Revenue and Bonding Committee.

EFFECTIVE DATE: July 1, 2013

Sales Tax on Cigarette Sales

[**PA 13-184**](#) (§ 82) changes the point at which the sales tax on cigarettes is collected and remitted to the state.

EFFECTIVE DATE: July 1, 2013, and applicable to sales occurring on or after that date.

State Tax Payment as a Condition of Issuing a License

[**PA 13-150**](#) (§ 5) bars the DRS commissioner from issuing or renewing a (1) cigarette dealer, distributor, or manufacturer license; (2) tobacco product distributor or unclassified importer license; and (3) sales tax seller's permit, for anyone who he determines owes any state taxes for which all administrative or judicial remedies have expired or been exhausted.

EFFECTIVE DATE: July 1, 2013

Tax Amnesty Program

[**PA 13-184**](#) (§ 70) requires the DRS commissioner to establish a tax amnesty program for individuals, businesses, or other taxpayers that owe Connecticut state taxes (other than motor carrier road taxes) to DRS. The amnesty runs from September 16, 2013 to November 15, 2013 and covers any taxable period ending on or before November 30, 2012.

EFFECTIVE DATE: July 1, 2013

Tax and Lottery Sales Agent Penalty Waivers

[**PA 13-150**](#) (§ 1) increases, from \$500 to \$1,000, the threshold for penalty waivers requiring Penalty Review Committee review and approval. By law, the Penalty Review Committee must review and approve (1) tax penalty waivers granted by the DRS commissioner and (2) lottery sales agent penalty waivers granted by the consumer protection commissioner, if they exceed a minimum threshold.

EFFECTIVE DATE: July 1, 2013

TAX CREDITS AND INCENTIVES

Carry Forward for Film Infrastructure Investment Tax Credit

[**PA 13-232**](#) (§ 10) allows taxpayers to whom film infrastructure investment tax credits have been assigned (i.e., assignees) to claim the credits during the year in which the expenditures were made or in the three immediately succeeding income years, rather than only in the income year in which the expenditures were made.

EFFECTIVE DATE: Upon passage

Earned Income Tax Credit (EITC)

[**PA 13-184**](#) (§ 83) (1) reduces the EITC from 30% to 25% for the 2013 tax year, (2) increases it to 27.5% in the 2014 tax year, and (2) restores it to 30% for the subsequent tax years.

EFFECTIVE DATE: Upon passage, and applicable to tax years beginning on or after January 1, 2013.

Film Production Tax Credit Moratorium

[**PA 13-247**](#) (§ 129) establishes a two-year moratorium on film production tax credits for FYs 14 and 15 by barring the issuance of tax credit vouchers during those years for motion pictures that have not been designated as

state-certified productions prior to July 1, 2013.

The act creates an exception for FY 15 for a motion picture that conducts at least 25% of its principal photography days in a Connecticut facility that (1) receives at least \$25 million in private investment and (2) opens for business on or after July 1, 2013.

EFFECTIVE DATE: July 1, 2013, and applicable to tax credits issued on or after that date.

Historic Home Tax Credit

[**PA 13-266**](#) expands the business tax credit for rehabilitating historic homes by (1) making the credit available statewide, not just in statutorily designated areas; (2) reducing, from more than \$25,000 to more than \$15,000, the minimum amount of money that must be spent rehabilitating a historic home; and (3) increasing, from \$30,000 to \$50,000 per unit, the maximum amount of credit businesses can claim when contributing funds to nonprofit corporations rehabilitating historic homes.

EFFECTIVE DATE: July 1, 2015, and applicable to income years beginning on or after January 1, 2015.

Job Expansion Tax (JET) Credit

PA 13-232 (§ 11) allows the Department of Economic and Community Development (DECD) commissioner to reduce the time during which businesses may claim the JET credit for hiring certain types of employees from three years to one year.

It also changes the cap on the JET credits by making it \$40 million over the JET program's duration, rather than \$20 million per year.

EFFECTIVE DATE: July 1, 2013

Manufacturing Apprenticeship Tax Credit

PA 13-265 increases the corporation business tax credit for hiring manufacturing trades apprentices and raises the annual cap on the amount of credits businesses can claim per apprentice. It increases the credit from \$4 to \$6 per hour and raises the cap from \$4,800 or 50% of the actual apprentice wages, whichever is less, to \$7,500 or 50% of such wages, whichever is less.

EFFECTIVE DATE: July 1, 2015, and applicable to income years beginning on or after January 1, 2015.

Repealed Tax Credit Programs

PA 13-232 (§§ 13-14 & 18) repeals obsolete or rarely used tax credit programs for (1) hiring Temporary Family Assistance (TFA) program recipients (CGS § 12-217y), (2) research and development grants businesses make to colleges and universities in Connecticut (CGS § 12-217l), (3) electricity suppliers who hire workers displaced by electrical industry restructuring (CGS § 12-217bb), and (4) hiring certain workers whose jobs were eliminated because of business restructuring (CGS § 12-217hh). (**PA 13-140** (§ 22) also repeals the tax credit program for hiring TFA program recipients.)

EFFECTIVE DATE: July 1, 2013

Tax Credits for Donating Land for Educational Use

PA 13-232 (§§ 8-9) extends, from 15 to 25 years, the maximum time during which taxpayers may carry forward the corporation business tax credit for donating land for educational uses. The 25-year carry forward period applies to credits allowed in any tax year starting on or after January 1, 2013. The 15-year carry forward period continues to apply to credits allowed during prior tax years.

EFFECTIVE DATE: July 1, 2013, and applicable to income years beginning on and after January 1, 2013.

Transferability of Insurance Premium Tax Credits

[PA 13-232](#) (§ 17) allows insurance companies and HMOs to transfer to their affiliates an insurance premium tax credit that, under existing law, may not be transferred or assigned.

EFFECTIVE DATE: July 1, 2015, and applicable to calendar years beginning on or after January 1, 2015.

Urban and Industrial Sites Reinvestment Tax Credits

[PA 13-184](#) (§ 95) (1) allows the DECD commissioner to pay taxpayers holding urban and industrial sites reinvestment tax credits for their credit eligibility certificates and (2) authorizes up to \$40 million in bonds for this purpose, \$20 million of which is available on July 1, 2014.

EFFECTIVE DATE: July 1, 2013

MISCELLANEOUS

Income Tax Study

[PA 13-232](#) (§ 12) requires the DRS commissioner to study the state's personal income tax structure and how its rates and credits affect taxpayers, grouped according to their state tax filing status. He must report his findings by January 15, 2014 to the Finance, Revenue and Bonding Committee, along with

any recommendations for legislative changes to ensure an equitable income tax structure.

EFFECTIVE DATE: Upon passage

Rentschler Field Improvement District

[PA 13-246](#) provides a procedure through which voters and nonresident property owners in East Hartford may form a special taxing district in the area around Rentschler Field to provide services and finance infrastructure improvements there.

EFFECTIVE DATE: July 1, 2013

Tax Incidence Study

[PA 13-247](#) (§ 330) requires the DRS commissioner, by December 31, 2014, to biennially submit to the Finance, Revenue and Bonding Committee, and post on the DRS website, a report on the overall incidence of the income tax, sales and excise taxes, the corporation business tax, and property tax.

EFFECTIVE DATE: July 1, 2013

RP:ro