



Senate

General Assembly

File No. 486

February Session, 2014

Substitute Senate Bill No. 449

Senate, April 10, 2014

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING COMPUTATION OF DATA RELATING TO REVENUE VOLATILITY.

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

1 Section 1. (NEW) (*Effective July 1, 2014*) (a) For purposes of this
2 section:

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

14 from the holding or trading of any dealer equity options, as defined in
15 Section 1256 of the Internal Revenue Code, and exclusive of any gain
16 or loss of a nonresident taxpayer other than from the sale or exchange
17 of real property located in the state, provided such property is a capital
18 asset or an asset treated as a capital asset or such sale or exchange is a
19 transaction or event taxable as a sale or exchange of a capital asset, and
20 (B) net gains from sales or exchanges of certain property, as
21 determined in accordance with Internal Revenue Service Form 4797,
22 exclusive of any such net gain includable under subparagraph (A) of
23 this subdivision;

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

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

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

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

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

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

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

77 (b) Not later than July 1, 2015, the Department of Revenue Services
78 shall calculate the amount of personal income tax paid to this state on
79 that portion of Connecticut adjusted gross income equal to the capital

80 gains, dividend and interest income includable in gross income for
81 federal tax purposes. The amount of Connecticut income tax
82 attributable to a taxpayer's capital gains, dividend and interest income
83 shall be based upon the ratio of such capital gains, dividend and
84 interest income to such taxpayer's total Connecticut adjusted gross
85 income. The department shall calculate the total amount of personal
86 income tax paid on said portion of Connecticut adjusted gross income
87 and collected during the calendar year ending December 31, 2015, and
88 during the calendar year ending December 31, 2016.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2014	New section

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

There is no fiscal impact to the Department of Revenue Services to perform the calculations that the bill requires.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**sSB 449*****AN ACT CONCERNING COMPUTATION OF DATA RELATING TO REVENUE VOLATILITY.*****SUMMARY:**

This bill requires the Department of Revenue Services (DRS) to calculate the amount of personal income tax paid to the state on federally taxable capital gains, dividends, and interest income.

DRS must, by July 1, 2015, calculate the amount of Connecticut personal income tax paid on such income, based on its proportion to total Connecticut adjusted gross income. The bill does not specify the period DRS must use for the calculation.

The bill also requires DRS to calculate the amount of the tax on such investment income paid and collected for the 2015 and 2016 calendar years. It does not specify a deadline for doing so.

EFFECTIVE DATE: July 1, 2014

CAPITAL GAINS, DIVIDENDS, AND INTEREST INCOME

The bill defines “capital gains” as the federally taxable net gain from the sale or exchange, or other taxable transaction, of certain capital assets and property. “Dividends” are federally taxable dividends, regardless of any exclusions for certain dividend income and excluding exempt dividends paid by a regulated investment company. “Interest income” is federally taxable interest income, excluding (1) income which federal law prohibits states from taxing; (2) any amounts forfeited to a financial institution as a penalty for premature withdrawal of funds; and (3) interest income from Connecticut state, municipal, or other public entity bonds.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (03/25/2014)