



General Assembly

February Session, 2014

Raised Bill No. 5545

LCO No. 2510



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT CONCERNING A COMPREHENSIVE STUDY OF THE STATE'S TAX STRUCTURE.

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

1 Section 1. (NEW) (*Effective July 1, 2014*) (a) The chairs and ranking
2 members of the joint standing committee of the General Assembly
3 having cognizance of matters relating to finance, revenue and bonding
4 shall convene a panel of experts to conduct a thorough study of the
5 state's tax structure. Such study shall endeavor to develop revenue-
6 neutral policy options to modernize the current tax system, with the
7 goals of increasing the system's simplicity, fairness, economic
8 competitiveness and affordability.

9 (b) Members of the panel shall be appointed by the chairs and
10 ranking members of the joint standing committee of the General
11 Assembly having cognizance of matters relating to finance, revenue
12 and bonding. All appointments to the panel shall be made not later
13 than thirty days after the effective date of this section. The chairs of the
14 joint standing committee of the General Assembly having cognizance

15 of matters relating to finance, revenue and bonding shall serve as
16 chairs of the panel and shall convene its first meeting.

17 (c) The panel shall consult with the Office of Policy and
18 Management and the Department of Revenue Services and such other
19 financial experts as members of the panel deem necessary. The panel
20 may organize itself into subcommittees for the purpose of focusing on
21 each tax to be studied.

22 (d) The panel shall examine all major state taxes, as well as the local
23 property tax, and shall include, but not be limited to, consideration of
24 the following:

25 (1) For each major tax: Whether it encourages economic growth, is
26 efficient, stable, simple and predictable, and fair and equitable;

27 (2) For the corporation business tax: (A) The effect of the tax on
28 operations of corporations; (B) the impact of the tax on the
29 competitiveness of state businesses and on prices paid for their goods
30 and services; (C) the applicability of a corporate-based business tax
31 structure, when alternative forms of business organizations are
32 increasingly being used; (D) the use of tax credits, including
33 consideration of (i) their efficacy in achieving policy goals, (ii) their
34 application to business entities other than corporations, and (iii) the
35 expansion of existing tax credits, such as the apprenticeship tax credit,
36 or adding new tax credits; and (E) the advantages and disadvantages
37 of alternative forms of corporate taxation, including combined
38 reporting;

39 (3) For sales and use taxes: (A) The impact on the state's revenues
40 and economy of the existing rate and exemptions, as compared to a
41 lower rate and a broader base; (B) the treatment of sales tax on
42 business-to-business sales; (C) whether luxury taxes raise sufficient
43 revenue to offset retail business lost; and (D) whether there is equity
44 within the existing tax structure, including whether bed and breakfast
45 inns should be taxed at the same rate as hotels;

46 (4) For the personal income tax: (A) The rate structure as related to
47 the tax's progressivity and equity between single or joint filers; (B) the
48 purposes and efficacy of existing deductions and exemptions; (C)
49 whether existing tax credits are meeting public policy goals, and
50 whether other credits should be allowed; (D) whether adjustments are
51 needed to the alternative minimum tax; and (E) the administration of
52 the tax, and whether it is fair and efficient, including the manner in
53 which tax refunds are made;

54 (5) For the local property tax: (A) The impact of the tax on
55 businesses; (B) the impact on residents; (C) the real or perceived
56 inequities in the varying levels of property tax throughout the state;
57 and (D) alternative sources of revenue for municipalities;

58 (6) For the estate and gift tax: (A) The extent to which state residents
59 move out of the state, based on this tax; (B) the effect on the state from
60 losing the high-income residents affected by this tax; and (C) whether
61 adjusting the rates is advisable; and

62 (7) For the excise taxes: (A) The effect of taxes on price elasticity; (B)
63 the effect of taxes on consumers; and (C) whether these taxes fulfill a
64 particular public policy purpose.

65 (e) For the calendar year ending December 31, 2014, the panel shall
66 develop an outline of items to be considered, a list of goals and a
67 tentative schedule. They shall meet with a broad cross-section of
68 interest groups, including business associations, labor, regional
69 organizations, public interest groups, accountants and attorneys. For
70 the calendar year ending December 31, 2015, the panel shall proceed,
71 through subcommittees, with its analyses of the state's taxes, as
72 provided in subsection (d) of this section. Not later than February 1,
73 2016, the panel shall report, in accordance with the provisions of
74 section 11-4a of the general statutes, to the joint standing committee of
75 the General Assembly having cognizance of matters relating to finance,
76 revenue and bonding, on the results of its study, including any

77 recommendations for further action.

78 Sec. 2. (Effective July 1, 2014) The sum of five hundred thousand
79 dollars is appropriated to the Office of Legislative Management, from
80 the General Fund, for the fiscal year ending June 30, 2015, for purposes
81 of the tax system study authorized pursuant to section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	New section
Sec. 2	<i>July 1, 2014</i>	New section

Statement of Purpose:

To enable the Finance, Revenue and Bonding Committee to convene a panel of experts to conduct a comprehensive and objective review of the state's tax structure.

[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.]