



General Assembly

**Substitute Bill No. 5545**

February Session, 2014



**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 shall organize itself into subcommittees for the purpose of focusing on  
21 each tax to be studied.

22 (d) The panel shall examine the taxes listed in this subsection. Such  
23 examination shall include, but not be limited to, consideration of the  
24 following:

25 (1) For each of the listed taxes: Whether it encourages economic  
26 growth, is efficient, stable, simple and predictable, and fair and  
27 equitable;

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

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

48 (4) For the personal income tax: (A) The rate structure as related to  
49 the tax's progressivity and equity between single and joint filers; (B)

50 the purposes and efficacy of existing deductions and exemptions; (C)  
51 whether existing tax credits are meeting public policy goals, and  
52 whether other credits should be allowed; (D) whether adjustments are  
53 needed to the Connecticut minimum tax; and (E) the administration of  
54 the tax, and whether it is fair and efficient, including the manner in  
55 which tax refunds are made;

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

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

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

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

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2014</i>	New section
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**FIN**      *Joint Favorable Subst.*