



General Assembly

Substitute Bill No. 369

February Session, 2014



AN ACT CONCERNING CHANGES TO DEPARTMENT OF REVENUE SERVICES STATUTES.

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

1 Section 1. Section 12-7a of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2014*):

3 (a) (1) The annual report prepared by the Commissioner of Revenue
4 Services for submission to the Governor and publication as provided
5 in section 4-60 shall not be required to include the name of any person
6 liable for payment of any tax which is unpaid. The commissioner shall
7 prepare and maintain a list related to each type of tax levied by the
8 state, containing the name and address of any person or corporation
9 liable for payment of any such tax and the amount thereof, including
10 any applicable interest or penalties, which tax, as of the end of the
11 fiscal year with respect to which such report is prepared, is unpaid and
12 a period in excess of ninety days has elapsed following the date on
13 which such tax was due, exclusive of any tax determined to be
14 uncollectible in accordance with section 12-37, any tax on which an
15 appeal is pending and any tax which has been abated by said
16 commissioner as provided in section 12-39. Such lists shall be available
17 to the public for inspection by any person.

18 (2) The commissioner shall, prior to eliminating any person or

19 corporation from the list prepared and maintained as provided in
20 subdivision (1) of this subsection, indicate on such list whether such
21 person or corporation is being eliminated from such list due to (A)
22 payment in full of the tax, including applicable interest or penalties, (B)
23 a negotiated settlement of the amount of tax due, or (C) a
24 determination by the commissioner that such tax is uncollectable.

25 (b) The commissioner shall annually prepare, from the list prepared
26 pursuant to subsection (a) of this section, a list of taxpayers who are
27 delinquent in the payment of the corporation business tax under
28 chapter 208. The list shall be arranged in sequential order by the
29 taxpayer identification number assigned by the commissioner and
30 shall be provided to the Secretary of the Office of Policy and
31 Management not later than July fifteenth annually, commencing July
32 15, 1998.

33 (c) The commissioner may make available for public inspection a list
34 of those persons who have applied to the commissioner for a license,
35 permit or certificate and whose application has been denied, and those
36 persons who were issued a license, permit or certificate by the
37 commissioner and whose license, permit or certificate has been
38 revoked, suspended or not renewed by the commissioner. The list shall
39 be arranged by tax type and may include the date on which an
40 application was denied or the date on which the license, permit or
41 certificate was revoked, suspended or not renewed, and may include
42 the reason for each such action.

43 Sec. 2. Section 12-414 of the general statutes is repealed and the
44 following is substituted thereof (*Effective October 1, 2014*):

45 [(1)] (a) The taxes imposed by this chapter are due and payable to
46 the commissioner monthly on or before the [last] twentieth day of the
47 month next succeeding each monthly period except that (1) every
48 person whose total tax liability for the twelve-month period [ended]
49 ending on the preceding June thirtieth was less than four thousand
50 dollars shall [file returns] remit tax on a quarterly basis, and (2) every

51 person described in subdivision (2) of subsection (e) of this section
52 shall remit tax as prescribed by the commissioner under said
53 subdivision (2). "Quarterly" means a period of three calendar months
54 commencing on the first day of January, April, July or October of each
55 year or, if any seller commences business on a date other than the first
56 day of January, April, July or October, a period beginning on the date
57 of commencement of business and ending on March thirty-first, June
58 thirtieth, September thirtieth or December thirty-first, respectively.

59 [(2)] (b) On or before the [last] twentieth day of the month following
60 each monthly or quarterly period, as the case may be, or on the date or
61 dates prescribed by the commissioner under subsection (e) of this
62 section, a return for the preceding period shall be filed with the
63 commissioner in such form as the commissioner may prescribe. For
64 purposes of the sales tax a return shall be filed by every seller. For
65 purposes of the use tax a return shall be filed by every retailer engaged
66 in business in the state and by every person purchasing services or
67 tangible personal property, the storage, acceptance, consumption or
68 other use of which is subject to the use tax, who has not paid the use
69 tax due a retailer required to collect the tax, except that every person
70 making such purchases for personal use or consumption in this state,
71 and not for use or consumption in carrying on a trade, occupation,
72 business or profession, need file only one use tax return covering
73 purchases during a calendar year. Such return shall be filed and the tax
74 due thereon paid on or before the fifteenth day of the fourth month
75 succeeding the end of the calendar year for which such return is filed.
76 Returns shall be signed by the person required to file the return or by
77 his or her authorized agent but need not be verified by oath, provided
78 a return required to be filed by a corporation shall be signed by an
79 officer of such corporation.

80 [(3)] (c) For purposes of the sales tax, the return shall show the gross
81 receipts of the seller during the preceding reporting period. For
82 purposes of the use tax, in case of a return filed by a retailer, the return
83 shall show the total sales price of the services or property sold by [him]

84 the retailer, the storage, acceptance, consumption or other use of which
85 became subject to the use tax during the preceding reporting period; in
86 case of a return filed by a purchaser, the return shall show the total
87 sales price of the service or property purchased by [him] the purchaser,
88 the storage, acceptance, consumption or other use of which became
89 subject to the use tax during the preceding reporting period. The
90 return shall also show the amount of the taxes for the period covered
91 by the return in such manner as the commissioner may require and
92 such other information as the commissioner deems necessary for the
93 proper administration of this chapter. The Commissioner of Revenue
94 Services is authorized in his or her discretion, for purposes of
95 expediency, to permit returns to be filed in an alternative form wherein
96 the person filing the return may elect to report his or her gross receipts,
97 including the tax reimbursement to be collected as provided for
98 [herein] in this section, as a part of such gross receipts or to report his
99 or her gross receipts exclusive of the tax collected in such cases where
100 the gross receipts from sales have been segregated from tax collections.
101 In the case of the former, the percentage of such tax-included gross
102 receipts that may be considered to be the gross receipts from sales
103 exclusive of the taxes collected thereon shall be computed by dividing
104 the numeral one by the sum of the rate of tax provided in section 12-
105 408, expressed as a decimal, and the numeral one.

106 [(4)] (d) Returns, together with the amount of the tax due thereon,
107 shall be filed with the Commissioner of Revenue Services.

108 [(5)] (e) (1) The commissioner, if he or she deems it necessary in
109 order to insure payment to or facilitate the collection by the state of the
110 amount of taxes, may permit or require returns and payment of the
111 amount of taxes for other than monthly or quarterly periods.

112 (2) (A) For purposes of this subdivision, "weekly period" means the
113 seven-day period beginning on a Saturday and ending the following
114 Friday. The commissioner may require any person who is delinquent,
115 as described in section 12-7a, as amended by this act, to remit the tax
116 collected during a weekly period on a weekly basis. Any person who is

117 required to remit tax for a weekly period shall remit such tax to the
118 commissioner on or before the Wednesday next succeeding the weekly
119 period and shall do so in the manner and method prescribed by the
120 commissioner. The requirement to remit tax on a weekly basis shall not
121 alter a person's obligation to file monthly or quarterly returns, as the
122 case may be, as provided in subsection (b) of this section. To the extent
123 that the end of one month and the beginning of the following month
124 may fall within the same weekly period, each person required by the
125 commissioner to remit tax under this subparagraph shall report all of
126 the tax collected and remitted during such weekly period, regardless
127 of the month, along with the corresponding gross receipts, on the
128 return covering the monthly period that ended during such weekly
129 period.

130 (B) The commissioner shall send a written notice, in accordance
131 with the provisions of section 12-2f, informing each person required to
132 remit tax on a weekly basis pursuant to this subdivision of such
133 requirement. Any person so required shall remit tax on a weekly basis
134 for a period of one year commencing from the date set forth in such
135 notice. Such notice shall also contain information regarding the
136 manner and method of such remittal.

137 (C) Any person who fails to remit tax as provided in this
138 subdivision shall be subject to all penalties imposed under this chapter,
139 including revocation of such person's permit.

140 [(6) The] (f) Except for returns and payments required to be made
141 under subdivision (2) of subsection (e) of this section, the
142 commissioner for good cause may extend the time for making any
143 return and paying any amount required to be paid under this chapter,
144 if a written request therefor is filed with the commissioner together
145 with a tentative return which must be accompanied by a payment of
146 the tax, which shall be estimated in such tentative return, on or before
147 the last day for filing the return. Any person to whom an extension is
148 granted shall pay, in addition to the tax, interest at the rate of one per
149 cent per month or fraction thereof from the date on which the tax

150 would have been due without the extension until the date of payment.

151 Sec. 3. (NEW) (*Effective from passage*) (a) The Commissioner of
152 Revenue Services shall enter into agreements with financial
153 institutions, as defined in Section 469A(d)(1) of the Social Security Act,
154 as amended from time to time, doing business in this state, to develop
155 and operate a data match system using automated data exchanges to
156 the maximum extent feasible. Notwithstanding the provisions of
157 section 12-15 of the general statutes, the commissioner shall provide to
158 each financial institution a list of taxpayers who owe taxes to the state,
159 which taxes are finally due and payable and with respect to which
160 every administrative or judicial remedy, or both, has been exhausted
161 or has lapsed. Such list shall include each taxpayer's address, Social
162 Security number or other taxpayer identification number. Not later
163 than ninety days after receipt of such list from the commissioner, each
164 financial institution shall provide the commissioner with the names of
165 those taxpayers who appear on the commissioner's list who maintain
166 an account with such financial institution, the address and Social
167 Security number or other taxpayer identification number associated
168 with each such account and a statement as to whether the balance of
169 each such account exceeds one thousand dollars. For the purposes of
170 this section, "account" means a demand deposit account, checking or
171 negotiable withdrawal order account, savings account, time deposit
172 account or money market mutual fund account.

173 (b) A financial institution shall not be liable to any person for (1)
174 disclosing information to the Commissioner of Revenue Services
175 pursuant to this section, or (2) any other action taken in good faith to
176 comply with the requirements of subsection (a) of this section.

177 Sec. 4. Subdivision (10) of subsection (a) of section 12-701 of the
178 general statutes is repealed and the following is substituted in lieu
179 thereof (*Effective from passage and applicable to taxable years commencing*
180 *on or after January 1, 2014*):

181 (10) "Connecticut fiduciary adjustment" means the net positive or

182 negative total of the following items relating to income, gain, loss or
183 deduction of a trust or estate: (A) There shall be added together (i) any
184 interest income from obligations issued by or on behalf of any state,
185 political subdivision thereof, or public instrumentality, state or local
186 authority, district or similar public entity, exclusive of such income
187 from obligations issued by or on behalf of the state of Connecticut, any
188 political subdivision thereof, or public instrumentality, state or local
189 authority, district or similar public entity created under the laws of the
190 state of Connecticut and exclusive of any such income with respect to
191 which taxation by any state is prohibited by federal law, (ii) any
192 exempt-interest dividends, as defined in Section 852(b)(5) of the
193 Internal Revenue Code, exclusive of such exempt-interest dividends
194 derived from obligations issued by or on behalf of the state of
195 Connecticut, any political subdivision thereof, or public
196 instrumentality, state or local authority, district or similar public entity
197 created under the laws of the state of Connecticut and exclusive of
198 such exempt-interest dividends derived from obligations, the income
199 with respect to which taxation by any state is prohibited by federal
200 law, (iii) any interest or dividend income on obligations or securities of
201 any authority, commission or instrumentality of the United States
202 which federal law exempts from federal income tax but does not
203 exempt from state income taxes, (iv) to the extent properly includable
204 in determining the net gain or loss from the sale or other disposition of
205 capital assets for federal income tax purposes, any loss from the sale or
206 exchange of obligations issued by or on behalf of the state of
207 Connecticut, any political subdivision thereof, or public
208 instrumentality, state or local authority, district or similar public entity
209 created under the laws of the state of Connecticut, in the income year
210 such loss was recognized, (v) to the extent deductible in determining
211 federal taxable income prior to deductions relating to distributions to
212 beneficiaries, any income taxes imposed by this state, (vi) to the extent
213 deductible in determining federal taxable income prior to deductions
214 relating to distributions to beneficiaries, any interest on indebtedness
215 incurred or continued to purchase or carry obligations or securities the
216 interest on which is exempt from tax under this chapter, (vii) expenses

217 paid or incurred during the taxable year for the production or
218 collection of income which is exempt from tax under this chapter, or
219 the management, conservation or maintenance of property held for the
220 production of such income, and the amortizable bond premium for the
221 taxable year on any bond the interest on which is exempt from taxation
222 under this chapter, to the extent that such expenses and premiums are
223 deductible in determining federal taxable income prior to deductions
224 relating to distributions to beneficiaries, [and] (viii) to the extent
225 deductible in determining federal taxable income prior to deductions
226 relating to distributions to beneficiaries, the deduction allowable as
227 qualified domestic production activities income, pursuant to Section
228 199 of the Internal Revenue Code, and (ix) to the extent not includable
229 in federal taxable income prior to deductions relating to distributions
230 to beneficiaries, the total amount of a lump sum distribution for the
231 taxable year. (B) There shall be subtracted from the sum of such items
232 (i) to the extent properly includable in gross income for federal income
233 tax purposes, any income with respect to which taxation by any state is
234 prohibited by federal law, (ii) to the extent allowable under section 12-
235 718, exempt dividends paid by a regulated investment company, (iii)
236 with respect to any trust or estate which is a shareholder of an S
237 corporation which is carrying on, or which has the right to carry on,
238 business in this state, as said term is used in section 12-214, the amount
239 of such shareholder's pro rata share of such corporation's
240 nonseparately computed items, as defined in Section 1366 of the
241 Internal Revenue Code, that is subject to tax under chapter 208, in
242 accordance with subsection (c) of section 12-217 multiplied by such
243 corporation's apportionment fraction, if any, as determined in
244 accordance with section 12-218, (iv) to the extent properly includable
245 in gross income for federal income tax purposes, any interest income
246 from obligations issued by or on behalf of the state of Connecticut, any
247 political subdivision thereof, or public instrumentality, state or local
248 authority, district or similar public entity created under the laws of the
249 state of Connecticut, (v) to the extent properly includable in
250 determining the net gain or loss from the sale or other disposition of
251 capital assets for federal income tax purposes, any gain from the sale

252 or exchange of obligations issued by or on behalf of the state of
253 Connecticut, any political subdivision thereof, or public
254 instrumentality, state or local authority, district or similar public entity
255 created under the laws of the state of Connecticut, in the income year
256 such gain was recognized, (vi) any interest on indebtedness incurred
257 or continued to purchase or carry obligations or securities the interest
258 on which is subject to tax under this chapter, but exempt from federal
259 income tax, to the extent that such interest on indebtedness is not
260 deductible in determining federal taxable income prior to deductions
261 relating to distributions to beneficiaries, (vii) ordinary and necessary
262 expenses paid or incurred during the taxable year for the production
263 or collection of income which is subject to taxation under this chapter,
264 but exempt from federal income tax, or the management, conservation
265 or maintenance of property held for the production of such income,
266 and the amortizable bond premium for the taxable year on any bond
267 the interest on which is subject to tax under this chapter, but exempt
268 from federal income tax, to the extent that such expenses and
269 premiums are not deductible in determining federal taxable income
270 prior to deductions relating to distributions to beneficiaries, and (viii)
271 the amount of any refund or credit for overpayment of income taxes
272 imposed by this state, to the extent properly includable in gross
273 income for federal income tax purposes for the taxable year and to the
274 extent deductible in determining federal taxable income prior to
275 deductions relating to distributions to beneficiaries for the preceding
276 taxable year.

277 Sec. 5. Subsection (a) of section 12-711 of the general statutes is
278 repealed and the following is substituted in lieu thereof (*Effective from*
279 *passage*):

280 (a) The income of a nonresident natural person derived from or
281 connected with sources within this state shall be the sum of the net
282 amount of items of income, gain, loss and deduction entering into his
283 or her Connecticut adjusted gross income for the taxable year, derived
284 from or connected with sources within this state, including: (1) His or

285 her distributive share of partnership income, gain, loss and deduction,
286 determined under section 12-712; [, and] (2) his or her pro rata share of
287 S corporation income, gain, loss and deduction, determined under
288 section 12-712; [, and] (3) his or her share of estate or trust income,
289 gain, loss and deduction, determined under section 12-714; and (4) his
290 or her compensation from nonqualified deferred compensation plans
291 attributable to services performed within the state, including, but not
292 limited to, compensation required to be included in federal gross
293 income under Section 457A of the Internal Revenue Code.

294 Sec. 6. Subsections (b) and (c) of section 12-711 of the general
295 statutes are repealed and the following is substituted in lieu thereof
296 (*Effective from passage and applicable to taxable years commencing on or after*
297 *January 1, 2014*):

298 (b) (1) Items of income, gain, loss and deduction derived from or
299 connected with sources within this state shall be those items
300 attributable to: (A) The ownership or disposition of any interest in real
301 property in this state or tangible personal property in this state, as
302 determined pursuant to subdivision (5) of this subsection; (B) a
303 business, trade, profession or occupation carried on in this state; (C) in
304 the case of a shareholder of an S corporation, the ownership of shares
305 issued by such corporation, to the extent determined under section 12-
306 712; or (D) winnings from a wager placed in a lottery conducted by the
307 Connecticut Lottery Corporation, if the proceeds from such wager are
308 required, under the Internal Revenue Code or regulations adopted
309 thereunder, to be reported by the Connecticut Lottery Corporation to
310 the Internal Revenue Service.

311 (2) Income from intangible personal property, including annuities,
312 dividends, interest and gains from the disposition of intangible
313 personal property, shall constitute income derived from sources within
314 this state only to the extent that such income is from (A) property
315 employed in a business, trade, profession or occupation carried on in
316 this state, or (B) winnings from a wager placed in a lottery conducted
317 by the Connecticut Lottery Corporation, if the proceeds from such

318 wager are required, under the Internal Revenue Code or regulations
319 adopted thereunder, to be reported by the Connecticut Lottery
320 Corporation to the Internal Revenue Service.

321 (3) Deductions with respect to capital losses and net operating losses
322 shall be based solely on income, gain, loss and deduction derived from
323 or connected with sources within this state, under regulations adopted
324 by the commissioner, but otherwise shall be determined in the same
325 manner as the corresponding federal deductions.

326 (4) Income directly or indirectly derived by an athlete, entertainer or
327 performing artist from closed-circuit and cable television transmissions
328 of an event, other than events occurring on a regularly scheduled basis,
329 taking place within this state as a result of the rendition of services by
330 such athlete, entertainer or performing artist shall constitute income
331 derived from or connected with sources within this state only to the
332 extent that such transmissions were received or exhibited within this
333 state.

334 (5) For purposes of subparagraph (A) of subdivision (1) of this
335 subsection, "interest in real property in this state" includes an interest
336 in an entity, and "entity" means a partnership, limited liability
337 company or S corporation that owns real property that is located
338 within this state and has a fair market value that equals or exceeds fifty
339 per cent of all the assets of the entity on the date of sale or disposition
340 by a nonresident natural person of such person's interest in the entity.
341 Only those assets that the entity owned for at least two years prior to
342 the date of the sale or disposition of the person's interest in the entity
343 shall be used in determining the fair market value of all the assets of
344 the entity on the date of such sale or disposition. The gain or loss
345 derived from Connecticut sources from such person's sale or
346 disposition of an interest in such entity is the total gain or loss for
347 federal income tax purposes from such sale or disposition multiplied
348 by a fraction, the numerator of which is the fair market value of all real
349 property located in this state owned by the entity on the date of such
350 sale or disposition, and the denominator of which is the fair market

351 value of all the assets of the entity on the date of such sale or
352 disposition.

353 (c) (1) If a business, trade, profession or occupation is carried on
354 partly within and partly without this state, as determined under rules
355 or regulations of the commissioner, the items of income, gain, loss and
356 deduction derived from or connected with sources within this state
357 shall be determined by apportionment under such rules or regulations
358 and the provisions of this subsection.

359 (2) The proportion of the net amount of the items of income, gain,
360 loss and deduction attributable to the activities of the business, trade,
361 profession or occupation carried on in this state shall be determined by
362 multiplying the net amount of the items of income, gain, loss and
363 deduction of the business, trade, profession or occupation by the
364 average of the percentages of property, payroll and gross income in
365 this state. The gross income percentage shall be computed by dividing
366 the gross receipts from sales of property or services earned within this
367 state by the total gross receipts from sales of property or services,
368 whether earned within or without this state. Gross receipts from sales
369 of property are considered to be earned within this state when the
370 property is delivered or shipped to a purchaser within this state,
371 regardless of the F.O.B. point or other conditions of the sale. Gross
372 receipts from sales of services are considered to be earned within the
373 state when the services are performed by an employee, agent, agency
374 or independent contractor chiefly situated at, connected by contract or
375 otherwise, with or sent out from, offices or branches of the business,
376 trade, profession or occupation or other agencies or locations situated
377 within this state.

378 Sec. 7. Section 12-432c of the general statutes is repealed and the
379 following is substituted in lieu thereof (*Effective October 1, 2014*):

380 (a) If any cumulative monthly financial statement issued by the
381 Comptroller pursuant to section 3-115 after September 9, 2009, and
382 before January 1, 2010, indicates that the estimated gross tax revenue

383 to the General Fund, to the end of the fiscal year ending June 30, 2010,
 384 is at least one per cent less than the estimated gross tax revenue to the
 385 General Fund for said fiscal year, included in public act 09-3 of the
 386 June special session pursuant to section 2-35, the amendments made to
 387 the provisions of subdivisions (1) and (3) of section 12-408, subdivision
 388 (1) of section 12-411, subsection (c) of section 12-411b and [subdivision
 389 (3)] subsection (c) of section 12-414, as amended by this act, pursuant
 390 to sections 108 to 112, inclusive, of public act 09-3 of the June special
 391 session, shall not take effect.

392 (b) If any cumulative monthly financial statement issued by the
 393 Comptroller pursuant to section 3-115 after January 1, 2010, and on or
 394 before June 30, 2010, indicates that the estimated gross tax revenue to
 395 the General Fund, to the end of the fiscal year ending June 30, 2010, is
 396 at least one per cent less than the estimated gross tax revenue to the
 397 General Fund for said fiscal year, included in public act 09-3 of the
 398 June special session pursuant to section 2-35, (1) the amendments
 399 made to the provisions of subdivisions (1) and (3) of section 12-408,
 400 subdivision (1) of section 12-411, subsection (c) of section 12-411b and
 401 [subdivision (3)] subsection (c) of section 12-414, as amended by this
 402 act, pursuant to sections 108 to 112, inclusive, of public act 09-3 of the
 403 June special session, shall, on and after July 1, 2010, be inoperative and
 404 have no effect, and (2) the provisions of said subdivisions and
 405 subsection of said sections of the general statutes, revision of 1958,
 406 revised to December 31, 2009, shall be effective on and after July 1,
 407 2010.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2014</i>	12-7a
Sec. 2	<i>October 1, 2014</i>	12-414
Sec. 3	<i>from passage</i>	New section
Sec. 4	<i>from passage and applicable to taxable years commencing on or after January 1, 2014</i>	12-701(a)(10)

Sec. 5	<i>from passage</i>	12-711(a)
Sec. 6	<i>from passage and applicable to taxable years commencing on or after January 1, 2014</i>	12-711(b) and (c)
Sec. 7	<i>October 1, 2014</i>	12-432c

FIN *Joint Favorable Subst.*