



Substitute House Bill No. 5466

Public Act No. 14-155

AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' STATUTES AND PROCEDURES, INCLUDING BACKGROUND CHECKS FOR EMPLOYEES, THE MASTER SETTLEMENT AGREEMENT, THE MOTOR VEHICLE FUELS TAX, THE ESTATE TAX, ADDITIONS AND CHANGES TO VARIOUS PUBLIC LISTS MAINTAINED BY THE DEPARTMENT, THE PAYMENT SCHEDULE FOR THE SALES AND USE TAX, A DATA MATCH SYSTEM WITH FINANCIAL INSTITUTIONS, THE PERSONAL INCOME TAX AND TECHNICAL CORRECTIONS.

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

Section 1. (NEW) (*Effective from passage*) The Commissioner of Revenue Services shall, subject to the provisions of section 31-51i of the general statutes, require each applicant for a position of employment with, and each employee applying for transfer to, the Department of Revenue Services, to (1) state in writing whether such applicant or employee has ever been convicted of a crime or whether criminal charges are pending against such applicant or employee at the time of application for employment or transfer and, if so, to identify the charges and court in which such charges are pending, and (2) be fingerprinted and submit to state and national criminal history records checks. The criminal history records checks required by this section shall be conducted in accordance with section 29-17a of the general statutes.

Substitute House Bill No. 5466

Sec. 2. (NEW) (*Effective from passage*) (a) The Commissioner of Revenue Services, in consultation with the Commissioner of Energy and Environmental Protection, shall, on or before June 15, 2014, and on or before each June fifteenth thereafter, issue information concerning the computation of tax on motor vehicle fuels occurring in gaseous form. Such information shall include the conversion factor to be used to determine the liquid gallon equivalent of motor vehicle fuels in a gaseous form. Such conversion factor shall be consistent with the applicable federal standard, and shall be applicable for the twelve-month period beginning on the succeeding July first.

(b) The provisions of this section shall apply to propane only if such propane is used exclusively in motor vehicles owned by the purchaser of such propane and provided such propane is stored in a cylinder or tank owned by the purchaser. For purposes of this section, "propane" means a gaseous paraffin hydrocarbon that becomes liquid under pressure or reduced temperatures.

Sec. 3. Section 4-28h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2015*):

As used in sections 4-28h to 4-28j, inclusive, as amended by this act:

(1) "Adjusted for inflation" means increased in accordance with the formula for inflation adjustment set forth in Exhibit C to the Master Settlement Agreement;

(2) "Affiliate" means a person who directly or indirectly owns or controls, is owned or controlled by, or is under common ownership or control with, another person. The terms "owns", "is owned" and "ownership" mean ownership of an equity interest, or the equivalent thereof, of ten per cent or more. The term "person" means an individual, partnership, committee, association, corporation or any other organization or group of persons;

Substitute House Bill No. 5466

(3) "Allocable share" means allocable share as that term is defined in the Master Settlement Agreement;

(4) "Cigarette" means any product that contains nicotine, is intended to be burned or heated under ordinary conditions of use, and consists of or contains (A) any roll of tobacco wrapped in paper or in any substance not containing tobacco; or (B) tobacco, in any form, that is functional in the product, which, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to, or purchased by, consumers as a cigarette; and (C) any roll of tobacco wrapped in any substance containing tobacco which, because of its appearance, the type of tobacco used in the filler, or its packaging and labeling, is likely to be offered to, or purchased by, consumers as a cigarette described in subparagraph (A) of this subdivision. The term "cigarette" includes roll-your-own tobacco, meaning any tobacco which, because of its appearance, type, packaging or labeling is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes. For purposes of this definition of "cigarette", 0.09 ounces of roll-your-own tobacco shall constitute one individual "cigarette";

(5) "Importer" means any person in the United States to whom cigarettes manufactured in a foreign country are shipped or consigned, any person who removes cigarettes for sale or consumption in the United States from a customs bonded manufacturing warehouse, or any person who unlawfully brings cigarettes into the United States;

[(5)] (6) "Master Settlement Agreement" means the settlement agreement executed November 23, 1998, by the state of Connecticut and leading tobacco product manufacturers, entitled "State of Connecticut v. Philip Morris, et al.";

(7) "Nonparticipating Manufacturer Adjustment Settlement Agreement" means the settlement agreement between the state of

Substitute House Bill No. 5466

Connecticut and the participating manufacturers, as preliminarily set forth in the term sheet executed by the state of Connecticut and the participating manufacturers on May 24, 2013;

[(6)] (8) "Qualified escrow fund" means an escrow arrangement with a federally or state-chartered financial institution having no affiliation with any tobacco product manufacturer and having assets of at least one billion dollars where such arrangement requires that such financial institution hold the escrowed funds' principal for the benefit of releasing parties and prohibits the tobacco product manufacturer placing the funds into escrow from using, accessing or directing the use of the funds' principal except as consistent with the provisions of subsection (b) of section 4-28i;

[(7)] (9) "Released claims" means released claims as that term is defined in the Master Settlement Agreement;

[(8)] (10) "Releasing parties" means releasing parties as that term is defined in the Master Settlement Agreement;

[(9)] (11) "Tobacco product manufacturer" means an entity, or its successor, that, after July 1, 2000, directly and not exclusively through an affiliate (A) manufactures cigarettes anywhere which the manufacturer intends to be sold in the United States, including cigarettes intended to be sold in the United States through an importer, provided that an entity that manufactures cigarettes that it intends to be sold in the United States shall not be considered to be a tobacco product manufacturer under this subparagraph (A) if (i) such cigarettes are sold in the United States exclusively through an importer that is an original participating manufacturer, as that term is defined in the Master Settlement Agreement, that will be responsible for payments under the Master Settlement Agreement with respect to such cigarettes as a result of the provisions of subsection II(mm) of the Master Settlement Agreement and that pays the taxes specified in

Substitute House Bill No. 5466

subsection II(z) of the Master Settlement Agreement, and (ii) the manufacturer of such cigarettes does not market or advertise such cigarettes in the United States; or (B) is the first purchaser anywhere for resale in the United States of cigarettes manufactured anywhere that the manufacturer does not intend to be sold in the United States. A tobacco product manufacturer shall not include an affiliate of a tobacco product manufacturer unless such affiliate itself meets the criteria specified in subparagraph (A) or (B) of this subdivision;

[(10)] (12) "Units sold" means the number of individual cigarettes sold in this state by the applicable tobacco product manufacturer, whether directly or through a distributor, dealer or similar intermediary or intermediaries during the year in question, [as measured by excise taxes collected by this state on packs, or on "roll-your-own" tobacco containers, bearing the excise tax stamp of the state] in packs required to bear a stamp pursuant to chapter 214 or, in the case of roll-your-own tobacco, on which a tax is due pursuant to chapter 214a. "Units sold" shall not include cigarettes sold on federal military installations, sold by a Native American tribe to a member of such tribe on such tribe's land, or that are otherwise exempt from state excise tax pursuant to federal law. The Department of Revenue Services shall adopt such regulations, in accordance with the provisions of chapter 54, as are necessary to ascertain the amount of state excise tax paid or required to be paid on the cigarettes of such tobacco product manufacturer for each year.

Sec. 4. Subsection (a) of section 4-28i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2015*):

(a) (1) Any tobacco product manufacturer selling cigarettes to consumers within this state, whether directly or through a distributor, dealer or similar intermediary or intermediaries, after July 1, 2000, shall [(1)] (A) become a participating manufacturer, as the term is

Substitute House Bill No. 5466

defined in section II(jj) of the Master Settlement Agreement, and generally perform its financial obligations under the Master Settlement Agreement; or [(2)] (B) place into a qualified escrow fund not later than April fifteenth of the year following the year in question the following amounts, as adjusted for inflation: For calendar year 2000, \$.0104712 per unit sold after July 1, 2000; for each of calendar years 2001 and 2002, \$.0136125 per unit sold; for each of calendar years 2003 through 2006, \$.0167539 per unit sold; for calendar year 2007 and for each calendar year thereafter, \$.0188482 per unit sold.

(2) For calendar years ending on or before December 31, 2014, a tobacco product manufacturer electing to place funds into escrow shall place the amount required pursuant to subparagraph (B) of subdivision (1) of this subsection into a qualified escrow fund on an annual basis not later than April fifteenth of the year following the year in which the sales covered by such deposit are made.

(3) For calendar years commencing on and after January 1, 2015, a tobacco product manufacturer electing to place funds into escrow shall place an amount required pursuant to subparagraph (B) of subdivision (1) of this subsection, into a qualified escrow fund on a quarterly basis not later than thirty days after the end of the quarter in which the sales covered by such deposit are made.

Sec. 5. Section 4-28j of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2015*):

(a) Each tobacco product manufacturer that elects to place funds into escrow pursuant to section 4-28i, as amended by this act, shall [annually] certify to the Attorney General that it is in compliance with said section 4-28i. Such certification shall be made annually for calendar years prior to calendar year 2014, and quarterly for calendar years commencing on and after January 1, 2015.

Substitute House Bill No. 5466

(b) The Attorney General may bring a civil action on behalf of the state against any tobacco product manufacturer that fails to place into escrow the funds required under section 4-28i, as amended by this act. Any tobacco product manufacturer that fails [in any year] to place into escrow the funds required under section 4-28i, as amended by this act, shall (1) be required within fifteen days to place such funds into escrow as shall bring it into compliance with section 4-28i, as amended by this act. The court, upon a finding of a violation of this subsection, may impose a civil penalty in an amount not to exceed five per cent of the amount improperly withheld from escrow per day of the violation and in a total amount not to exceed one hundred per cent of the original amount improperly withheld from escrow; (2) in the case of a knowing violation, be required within fifteen days to place such funds into escrow as shall bring it into compliance with section 4-28i, as amended by this act. The court, upon a finding of a knowing violation of this subsection, may impose a civil penalty in an amount not to exceed fifteen per cent of the amount improperly withheld from escrow per day of the violation and in a total amount not to exceed three hundred per cent of the original amount improperly withheld from escrow; and (3) in the case of a second knowing violation, be prohibited from selling cigarettes to consumers within the state, whether directly or through a distributor, dealer or similar intermediary, for a period not to exceed two years. All costs, fees and expenses in connection with such action shall be assessed as damages against the tobacco product manufacturer together with reasonable attorney's fees.

(c) Each failure to make [an annual] a deposit required under section 4-28i, as amended by this act, shall constitute a separate violation.

(d) For any tobacco product manufacturer that elects to place funds into escrow pursuant to section 4-28i, as amended by this act, and that

Substitute House Bill No. 5466

is located outside the United States, each importer of such nonparticipating manufacturer's cigarettes shall have joint and several liability with such manufacturer for the deposit of all escrow amounts due under section 4-28i, as amended by this act, and the payment of all penalties imposed under subsection (b) of this section for the units sold in this state.

Sec. 6. Section 4-28k of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2015*):

As used in sections 4-28k to 4-28r, inclusive:

(1) "Brand family" means all styles of cigarettes sold under the same trade mark and differentiated from one another by means of additional modifiers or descriptors, including, but not limited to, menthol, lights, kings and 100's, and includes any use of a brand name, alone or in conjunction with any other word, trademark, logo, symbol, motto, selling message, recognizable pattern of colors, or any other indicia of product identification identical or similar to, or identifiable with, a previously known brand of cigarettes;

(2) "Cigarette" has the same meaning as provided in section 4-28h, as amended by this act;

(3) "Commissioner" means the Commissioner of Revenue Services;

(4) "Importer" has the same meaning as provided in section 4-28h, as amended by this act;

(5) "Master Settlement Agreement" has the same meaning as provided in section 4-28h, as amended by this act;

[(4)] (6) "Nonparticipating manufacturer" means any tobacco product manufacturer that is not a participating manufacturer;

(7) "Nonparticipating Manufacturer Adjustment Settlement

Substitute House Bill No. 5466

Agreement" has the same meaning as provided in section 4-28h, as amended by this act;

[(5)] (8) "Participating manufacturer" has the meaning as provided in section II(jj) of the Master Settlement Agreement [, as defined in section 4-28h,] and all amendments thereto;

[(6)] (9) "Qualified escrow fund" has the same meaning as provided in section 4-28h, as amended by this act;

[(7)] (10) "Stamper" means, in the case of cigarettes other than roll-your-own tobacco, a person that under chapter 214 may lawfully purchase unstamped packages of cigarettes and affix Connecticut cigarette tax stamps to such packages, and, in the case of roll-your-own tobacco, a person licensed as a distributor under chapter 214a and required to pay the tax due on such tobacco under said chapter 214a;

[(8)] (11) "Tobacco product manufacturer" has the same meaning as provided in section 4-28h, as amended by this act; and

[(9)] (12) "Units sold" has the same meaning as provided in section 4-28h, as amended by this act.

Sec. 7. Section 4-28l of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2015*):

(a) Any tobacco product manufacturer whose cigarettes are sold in this state, whether directly or through a distributor, retailer or similar intermediary or intermediaries, shall execute a certification annually on a form prescribed by the commissioner, certifying under penalty of law for false statement that, as of the date of such certification, such tobacco product manufacturer is either a participating manufacturer in full compliance with subdivision (1) of subsection (a) of section 4-28i, as amended by this act, or is a nonparticipating manufacturer in full compliance with the provisions of sections 4-28h to 4-28j, inclusive, as

Substitute House Bill No. 5466

amended by this act. Such tobacco product manufacturer shall deliver such certificate to the commissioner and Attorney General no later than April thirtieth of each year. Each tobacco product manufacturer shall maintain all invoices and documentation of sales and other such information relied upon for such certification for a period of five years unless otherwise required by law to maintain them for a longer period of time.

(b) If a tobacco product manufacturer is a participating manufacturer, such manufacturer shall include in its certification a list of its brand families. The participating manufacturer shall update such list thirty days prior to any addition to, or modification of, its brand families by executing and delivering a supplemental certification to the Attorney General and the commissioner.

(c) If the tobacco product manufacturer is a nonparticipating manufacturer, such manufacturer shall include in its certification: (1) A list of all of its brand families and the number of units of each brand family that were sold in the state during the preceding calendar year; (2) a list of all of its brand families that have been sold in the state at any time during the current calendar year; (3) an indication, by an asterisk, of any brand family sold in the state during the preceding calendar year that is no longer being sold in the state as of the date of such certification; and (4) the name and address of any other manufacturer of such brand families in the preceding or current calendar year. Each nonparticipating manufacturer shall update such list thirty days prior to any addition to, or modification of, its brand families by executing and delivering a supplemental certification to the Attorney General and the commissioner.

(d) If the tobacco product manufacturer is a nonparticipating manufacturer, such manufacturer shall further (1) certify that such nonparticipating manufacturer is registered to do business in this state pursuant to title 33 or 34 as a foreign corporation or business entity or

Substitute House Bill No. 5466

has appointed an agent for service of process and provided notice thereof as required by section 4-28n, as amended by this act, (2) certify that such nonparticipating manufacturer has established and continues to maintain a qualified escrow fund and has executed a qualified escrow agreement that governs the qualified escrow fund, (3) certify that such nonparticipating manufacturer is in full compliance with the provisions of sections 4-28h to 4-28r, inclusive, as amended by this act, and any regulations adopted under sections 4-28h to 4-28r, inclusive, as amended by this act, [and] (4) provide (A) the name, address and telephone number of the financial institution where the nonparticipating manufacturer has established such qualified escrow fund required pursuant to the provisions of sections 4-28h to 4-28j, inclusive, as amended by this act, and all regulations adopted under sections 4-28h to 4-28j, inclusive, as amended by this act; (B) the account number of such qualified escrow fund and subaccount number for the state of Connecticut; (C) the amount that such nonparticipating manufacturer placed in such fund for cigarettes sold in the state during the preceding calendar year, the date and amount of each such deposit, and such evidence or verification as may be deemed necessary by the commissioner or the Attorney General, to confirm the foregoing; and (D) the amounts of and dates of any withdrawal or transfer of funds the nonparticipating manufacturer made at any time from such fund or from any other qualified escrow fund into which it ever made escrow payments pursuant to the provisions of sections 4-28h to 4-28j, inclusive, as amended by this act, and all regulations adopted under sections 4-28h to 4-28j, inclusive, as amended by this act, and (5) provide proof that such nonparticipating manufacturer has posted the bond required under subsection (e) of section 4-28n, as amended by this act.

(e) A tobacco product manufacturer may not include in its certification a brand family unless (1) in the case of a participating manufacturer, the participating manufacturer affirms that the brand

Substitute House Bill No. 5466

family is to be deemed to be its cigarettes for purposes of calculating its payments under the Master Settlement Agreement for the relevant year, in the volume and shares determined pursuant to the Master Settlement Agreement; and (2) in the case of a nonparticipating manufacturer, such nonparticipating manufacturer affirms that the brand family is to be deemed to be its cigarettes for purposes of sections 4-28h to 4-28j, inclusive, as amended by this act. Nothing in this section shall be construed as limiting or otherwise affecting the state's right to maintain that a brand family constitutes cigarettes of a different tobacco product manufacturer for purposes of calculating payments under the Master Settlement Agreement or for purposes of sections 4-28h to 4-28j, inclusive, as amended by this act.

(f) A tobacco product manufacturer shall also (1) certify annually that such manufacturer or its importer holds a valid permit under 26 USC 5713, as from time to time amended, and provide a copy of such permit to the commissioner, and (2) certify that it is in compliance with all reporting and registration requirements of 15 USC 375 et seq., as from time to time amended.

(g) No tobacco product manufacturer shall submit a certification required by this section that contains any material representation that the manufacturer knows to be false or inaccurate.

Sec. 8. Subdivision (3) of subsection (a) of section 4-28m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2015*):

(3) The commissioner shall not include or retain in the directory any brand family of a nonparticipating manufacturer if the commissioner concludes: (A) All escrow payments required pursuant to the provisions of sections 4-28h to 4-28j, inclusive, as amended by this act, for any period for any brand family, whether or not listed by such nonparticipating manufacturer, have not been fully paid into a

Substitute House Bill No. 5466

qualified escrow fund governed by a qualified escrow agreement that has been approved by the Attorney General; [or] (B) any outstanding final judgment, including interest thereon, for a violation of sections 4-28h to 4-28j, inclusive, as amended by this act, has not been fully satisfied for such brand family and such manufacturer; or (C) a nonparticipating manufacturer's total nation-wide reported sales of cigarettes on which federal excise tax is paid exceeds the sum of (i) its nation-wide reports under 15 USC 375 et seq., as from time to time amended, or those made by its importer, and (ii) any intrastate sales reports under 15 USC 375 et seq., as from time to time amended, by more than five per cent of its total nation-wide sales or one million cigarettes, whichever is less, during any calendar year, unless the nonparticipating manufacturer cures or satisfactorily explains the discrepancy not later than ten days after receiving notice of the discrepancy.

Sec. 9. Section 4-28n of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2015*):

(a) Any nonparticipating manufacturer that has not registered to do business in this state, pursuant to title 33 or 34, as a foreign corporation or business entity shall, as a condition precedent to having its brand families listed or retained in the directory maintained pursuant to section 4-28m, as amended by this act, appoint and continually engage without interruption the services of an agent in this state to act as agent for the service of process on whom all process and any action or proceeding against it concerning or arising out of the enforcement of the provisions of sections 4-28h to 4-28r, inclusive, as amended by this act, may be served in any manner authorized by law. Such service shall constitute legal and valid service of process on the nonparticipating manufacturer. The nonparticipating manufacturer shall provide the name, address, telephone number and proof of the appointment and availability of such agent to, and to the satisfaction

Substitute House Bill No. 5466

of, the commissioner and the Attorney General.

(b) A nonparticipating manufacturer shall provide notice to the commissioner and the Attorney General at least thirty calendar days prior to termination of the authority of an agent and shall further provide proof, to the satisfaction of the commissioner and the Attorney General, of the appointment of a new agent no less than five calendar days prior to the termination of an existing agent appointment. In the event an agent terminates an agency, the nonparticipating manufacturer shall notify the commissioner and the Attorney General of such termination not later than five calendar days after such termination and shall include proof, to the satisfaction of the commissioner and the Attorney General, of the appointment of a new agent.

(c) Any nonparticipating manufacturer whose products are sold in this state without appointing or designating an agent as required in this section shall be deemed to have appointed the Secretary of the State as such agent and may be proceeded against in courts of this state by service of process upon the Secretary of the State, except that the appointment of the Secretary of the State as such agent shall not satisfy the condition precedent to having the brand families of the nonparticipating manufacturer listed or retained in the directory.

(d) As a condition precedent to having its brand families listed or retained in the directory, a nonparticipating manufacturer located outside of the United States shall cause each of its importers into the United States of each of its brand families to be sold in the state to appoint and maintain the services of an agent in the state, and shall provide notification to the commissioner and the Attorney General regarding the agents of its importers in the manner prescribed in subsections (a) and (b) of this section. Each importer of a nonparticipating manufacturer's cigarettes that are sold in the state who does not appoint or designate an agent as required in this section

Substitute House Bill No. 5466

shall be deemed to have appointed the Secretary of the State as such agent and may be proceeded against in courts of this state by service of process upon the Secretary of the State, except that the appointment of the Secretary of the State as such agent shall not satisfy the condition precedent to having the brand families of the nonparticipating manufacturer listed or retained in the directory.

(e) (1) At least ten days prior to the first day of each calendar quarter, as a condition precedent to having its brand families listed or retained in the directory, each nonparticipating manufacturer shall file with the commissioner a surety bond, the form of which shall be approved by the Attorney General, that is issued by a bonding company or insurance company authorized to do business in this state. The bond shall be in favor of the commissioner and be in the principal sum of the greater of (A) twenty-five thousand dollars, or (B) the greatest amount of the total escrow payments owed in any of the five calendar years preceding the filing of such bond.

(2) If the nonparticipating manufacturer that posted a bond has failed to make, or have made on its behalf, escrow deposits equal to the full amount owed for a quarter not later than fifteen days following the due date for the quarter under section 4-28i, as amended by this act, the commissioner may execute on the bond, to (A) recover the delinquent escrow, which amount shall be deposited into a qualified escrow account as defined in section 4-28h, as amended by this act, or a reasonable alternative account as determined by the commissioner, and (B) recover civil penalties and costs authorized under section 4-28j, as amended by this act. Escrow amounts above the amount collected on the bond shall remain due from the nonparticipating manufacturer and, as provided in subsection (d) of section 4-28j, as amended by this act, from the importers that sold such nonparticipating manufacturer's cigarettes in this state during such calendar quarter.

Sec. 10. Section 4-28o of the general statutes is repealed and the

Substitute House Bill No. 5466

following is substituted in lieu thereof (*Effective January 1, 2015*):

(a) Not later than twenty-five days after the end of each month, and more frequently if so directed by the commissioner, each stamper shall submit such information as the commissioner requires to facilitate compliance with sections 4-28k to 4-28r, inclusive, as amended by this act, including, but not limited to, a list by brand family of the total number of cigarettes, or in the case of roll-your-own tobacco, the equivalent stick count, for which the stamper affixed stamps during the previous month. The stamper shall maintain, and make available to the commissioner for a period of five years, all invoices and documentation of purchases and sales of all nonparticipating manufacturer cigarettes and any other information relied upon in reporting to the commissioner. Each stamper shall provide and update as necessary an electronic mail address to the commissioner.

(b) (1) The commissioner may disclose to the Attorney General any information received under sections 4-28k to 4-28r, inclusive, as amended by this act, and requested by the Attorney General for purposes of determining compliance with and enforcing the provisions of sections 4-28k to 4-28r, inclusive, as amended by this act. The commissioner and the Attorney General shall share with each other the information received under sections 4-28k to 4-28r, inclusive, as amended by this act, and may share such information with other federal, state or local agencies [only] for purposes of law enforcement. [of the provisions of sections 4-28h to 4-28r, inclusive, or corresponding laws of other states.]

(2) Notwithstanding the provisions of section 12-15, the commissioner may disclose to the Attorney General any returns or return information, as defined in section 12-15, received pursuant to this chapter or chapter 214 or 214a, when such returns or return information is relevant to any arbitration or other dispute resolution proceeding to which the state is a party, created or authorized under

Substitute House Bill No. 5466

the terms of the Master Settlement Agreement, as defined in section 4-28h, as amended by this act, or any amendments to said agreement. The Attorney General may further disclose such returns or return information in such arbitration or other dispute resolution proceeding.

(3) Notwithstanding the provisions of section 12-15, the commissioner may disclose to the Attorney General any returns or return information, as defined in section 12-15, received pursuant to this chapter or chapter 214 or 214a, when such returns or return information is directly related to the state's implementation of the Master Settlement Agreement or the Nonparticipating Manufacturer Adjustment Settlement Agreement. The Attorney General may further disclose (A) such returns or return information pursuant to an agreement with an entity designated to serve as a data clearinghouse in accordance with the terms of the Nonparticipating Manufacturer Adjustment Settlement Agreement, or (B) returns or return information of a distributor licensed under the provisions of chapter 214 or chapter 214a, to a nonparticipating manufacturer subject to the provisions of subsection (a) of section 4-28i, as amended by this act, provided the information disclosed is limited to information relating to such manufacturer's sales to consumers within this state, whether directly or through a distributor, dealer or similar intermediary or intermediaries, of cigarettes, as defined in section 4-28h, as amended by this act.

(c) The Attorney General may require at any time from a nonparticipating manufacturer proof of the amount of money in the qualified escrow fund maintained by such manufacturer for the purpose of compliance with provisions of sections 4-28h to 4-28j, inclusive, as amended by this act. Such proof shall be provided to such manufacturer by the financial institution in which such manufacturer has established such fund. Such proof shall include the amount of money in such fund, exclusive of interest, the amount and date of each

Substitute House Bill No. 5466

deposit to such fund and the amount and date of each withdrawal from such fund.

(d) In addition to the information requested to be submitted pursuant to subsection (a) of this section and section 4-28l, as amended by this act, the commissioner may require a stamper or tobacco product manufacturer to submit any additional information including, but not limited to, samples of the packaging or labeling of each brand family, as is necessary to enable the Attorney General to determine whether a tobacco product manufacturer is in compliance with the provisions of sections 4-28k to 4-28r, inclusive, as amended by this act.

(e) [To promote compliance with the provisions of sections 4-28k to 4-28r, inclusive, the commissioner may adopt regulations, in accordance with the provisions of chapter 54, requiring a tobacco product manufacturer subject to the requirements of subsection (c) of section 4-28l to make the escrow deposits required in quarterly installments during the year in which the sales covered by such deposits are made.] The commissioner may require production of information from a nonparticipating manufacturer, importer or stamper sufficient to enable the [commissioner] Attorney General to determine the adequacy of the amount of [the installment deposit] a quarterly escrow deposit under subsection (a) of section 4-28i, as amended by this act.

(f) (1) Each tobacco product manufacturer and importer that sells cigarettes in or into the state shall, not later than fifteen days after the end of the month, file a report on a form and in the manner prescribed by the commissioner and certify that the report is complete and accurate.

(2) The report shall contain the following information: The total number of cigarettes sold by such manufacturer or importer in or into the state during that month and identifying by name and number of

Substitute House Bill No. 5466

cigarettes, (A) the manufacturers of such cigarettes, (B) the brand families of such cigarettes, and (C) the purchasers of such cigarettes. A manufacturer's or importer's report shall include cigarettes sold in or into the state through an affiliate.

(3) The requirements of subdivisions (1) and (2) of this subsection shall be satisfied and no further report shall be required under subdivisions (1) and (2) of this subsection with respect to cigarettes if the manufacturer or importer timely submits to the commissioner the report or reports required to be submitted by it with respect to cigarettes under 15 USC 375 et seq., as from time to time amended, and certifies that the reports are complete and accurate.

(4) Upon request by the commissioner or Attorney General, a manufacturer or importer shall provide copies of all sales reports required to be submitted under 15 USC 375 et seq., as from time to time amended, that such manufacturer or importer filed in other states.

(5) Each manufacturer or importer that sells cigarettes in or into the state shall either (A) submit its federal excise tax returns and all monthly operational reports on Alcohol and Tobacco Tax and Trade Bureau Form 5210.5 or any subsequent corresponding form, and all adjustments, changes and amendments to such reports to the commissioner not later than thirty days after the returns are filed, or (B) submit to the United States Treasury a valid request or consent under Section 6103(c) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, authorizing the federal Alcohol and Tobacco Tax and Trade Bureau and, in the case of a foreign manufacturer or importer, the United States Customs and Border Protection, to disclose the manufacturer's or importer's federal excise tax returns to the commissioner.

Sec. 11. Subsections (c) and (d) of section 12-391 of the 2014

Substitute House Bill No. 5466

supplement to the general statutes are repealed and the following is substituted in lieu thereof (*Effective from passage*):

(c) For purposes of this section:

(1) (A) "Connecticut taxable estate" means, with respect to the estates of decedents dying on or after January 1, 2005, but prior to January 1, 2010, (i) the gross estate less allowable deductions, as determined under Chapter 11 of the Internal Revenue Code, plus (ii) the aggregate amount of all Connecticut taxable gifts, as defined in section 12-643, made by the decedent for all calendar years beginning on or after January 1, 2005, but prior to January 1, 2010. The deduction for state death taxes paid under Section 2058 of said code shall be disregarded.

(B) "Connecticut taxable estate" means, with respect to the estates of decedents dying on or after January 1, 2010, but prior to January 1, 2015, (i) the gross estate less allowable deductions, as determined under Chapter 11 of the Internal Revenue Code, plus (ii) the aggregate amount of all Connecticut taxable gifts, as defined in section 12-643, made by the decedent for all calendar years beginning on or after January 1, 2005. The deduction for state death taxes paid under Section 2058 of said code shall be disregarded.

(C) "Connecticut taxable estate" means, with respect to the estates of decedents dying on or after January 1, 2015, (i) the gross estate less allowable deductions, as determined under Chapter 11 of the Internal Revenue Code, plus (ii) the aggregate amount of all Connecticut taxable gifts, as defined in section 12-643, made by the decedent for all calendar years beginning on or after January 1, 2005, other than Connecticut taxable gifts that are includable in the gross estate for federal estate tax purposes of the decedent, plus (iii) the amount of any tax paid to this state pursuant to section 12-642 by the decedent or the decedent's estate on any gift made by the decedent or the decedent's

Substitute House Bill No. 5466

spouse during the three-year period preceding the date of the decedent's death. The deduction for state death taxes paid under Section 2058 of the Internal Revenue Code shall be disregarded.

(2) "Internal Revenue Code" means the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, except in the event of repeal of the federal estate tax, then all references to the Internal Revenue Code in this section shall mean the Internal Revenue Code as in force on the day prior to the effective date of such repeal.

(3) "Gross estate" means the gross estate, for federal estate tax purposes.

(d) (1) (A) With respect to the estates of decedents who die on or after January 1, 2005, but prior to January 1, 2010, a tax is imposed upon the transfer of the estate of each person who at the time of death was a resident of this state. The amount of the tax shall be determined using the schedule in subsection (g) of this section. A credit shall be allowed against such tax for any taxes paid to this state pursuant to section 12-642 for Connecticut taxable gifts made on or after January 1, 2005, but prior to January 1, 2010.

(B) With respect to the estates of decedents who die on or after January 1, 2010, but prior to January 1, 2015, a tax is imposed upon the transfer of the estate of each person who at the time of death was a resident of this state. The amount of the tax shall be determined using the schedule in subsection (g) of this section. A credit shall be allowed against such tax for any taxes paid to this state pursuant to section 12-642 for Connecticut taxable gifts made on or after January 1, 2005, provided such credit shall not exceed the amount of tax imposed by this section.

(C) With respect to the estates of decedents who die on or after

Substitute House Bill No. 5466

January 1, 2015, a tax is imposed upon the transfer of the estate of each person who at the time of death was a resident of this state. The amount of the tax shall be determined using the schedule in subsection (g) of this section. A credit shall be allowed against such tax for (i) any taxes paid to this state pursuant to section 12-642 by the decedent or the decedent's estate for Connecticut taxable gifts made on or after January 1, 2005, and (ii) any taxes paid by the decedent's spouse to this state pursuant to section 12-642 for Connecticut taxable gifts made by the decedent on or after January 1, 2005, that are includable in the gross estate of the decedent, provided such credit shall not exceed the amount of tax imposed by this section.

(2) If real or tangible personal property of such decedent is located outside of this state, the amount of tax due under this section shall be reduced by an amount computed by multiplying the tax otherwise due pursuant to subdivision (1) of this subsection, without regard to the credit allowed for any taxes paid to this state pursuant to section 12-642, by a fraction, [(i)] (A) the numerator of which is the value of that part of the decedent's gross estate attributable to real or tangible personal property located outside of the state, and [(ii)] (B) the denominator of which is the value of the decedent's gross estate.

(3) For a resident estate, the state shall have the power to levy the estate tax upon real property situated in this state, tangible personal property having an actual situs in this state and intangible personal property included in the gross estate of the decedent, regardless of where it is located. The state is permitted to calculate the estate tax and levy said tax to the fullest extent permitted by the Constitution of the United States.

Sec. 12. (*Effective from passage*) Section 120 of public act 13-247, shall take effect June 19, 2013. It is the intent of the General Assembly that the amendments made by section 120 of public act 13-247 to subsections (d) and (e) of section 12-391 of the general statutes, as

Substitute House Bill No. 5466

amended by this act, are clarifying in nature and apply to all open estates.

Sec. 13. Section 12-7a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2014*):

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

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

(b) The commissioner shall annually prepare, from the list prepared pursuant to subsection (a) of this section, a list of taxpayers who are delinquent in the payment of the corporation business tax under chapter 208. The list shall be arranged in sequential order by the

Substitute House Bill No. 5466

taxpayer identification number assigned by the commissioner and shall be provided to the Secretary of the Office of Policy and Management not later than July fifteenth annually, commencing July 15, 1998.

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

Sec. 14. Section 12-414 of the general statutes is repealed and the following is substituted thereof (*Effective October 1, 2014*):

[(1)] (a) The taxes imposed by this chapter are due and payable to the commissioner monthly on or before the [last] twentieth day of the month next succeeding each monthly period except that (1) every person whose total tax liability for the twelve-month period [ended] ending on the preceding June thirtieth was less than four thousand dollars shall [file returns] remit tax on a quarterly basis, and (2) every person described in subdivision (2) of subsection (e) of this section shall remit tax as prescribed by the commissioner under said subdivision (2). "Quarterly" means a period of three calendar months commencing on the first day of January, April, July or October of each year or, if any seller commences business on a date other than the first day of January, April, July or October, a period beginning on the date of commencement of business and ending on March thirty-first, June thirtieth, September thirtieth or December thirty-first, respectively.

Substitute House Bill No. 5466

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

[(3)] (c) For purposes of the sales tax, the return shall show the gross receipts of the seller during the preceding reporting period. For purposes of the use tax, in case of a return filed by a retailer, the return shall show the total sales price of the services or property sold by [him] the retailer, the storage, acceptance, consumption or other use of which became subject to the use tax during the preceding reporting period; in case of a return filed by a purchaser, the return shall show the total sales price of the service or property purchased by [him] the purchaser, the storage, acceptance, consumption or other use of which became subject to the use tax during the preceding reporting period. The return shall also show the amount of the taxes for the period covered

Substitute House Bill No. 5466

by the return in such manner as the commissioner may require and such other information as the commissioner deems necessary for the proper administration of this chapter. The Commissioner of Revenue Services is authorized in his or her discretion, for purposes of expediency, to permit returns to be filed in an alternative form wherein the person filing the return may elect to report his or her gross receipts, including the tax reimbursement to be collected as provided for [herein] in this section, as a part of such gross receipts or to report his or her gross receipts exclusive of the tax collected in such cases where the gross receipts from sales have been segregated from tax collections. In the case of the former, the percentage of such tax-included gross receipts that may be considered to be the gross receipts from sales exclusive of the taxes collected thereon shall be computed by dividing the numeral one by the sum of the rate of tax provided in section 12-408, expressed as a decimal, and the numeral one.

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

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

(2) (A) For purposes of this subdivision, "weekly period" means the seven-day period beginning on a Saturday and ending the following Friday. The commissioner may require any person who is delinquent, as described in section 12-7a, as amended by this act, to remit the tax collected during a weekly period on a weekly basis. Any person who is required to remit tax for a weekly period shall remit such tax to the commissioner on or before the Wednesday next succeeding the weekly period and shall do so in the manner and method prescribed by the commissioner. The requirement to remit tax on a weekly basis shall not alter a person's obligation to file monthly or quarterly returns, as the

Substitute House Bill No. 5466

case may be, as provided in subsection (b) of this section. To the extent that the end of one month and the beginning of the following month may fall within the same weekly period, each person required by the commissioner to remit tax under this subparagraph shall report all of the tax collected and remitted during such weekly period, regardless of the month, along with the corresponding gross receipts, on the return covering the monthly period that ended during such weekly period.

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

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

[(6) The] (f) Except for returns and payments required to be made under subdivision (2) of subsection (e) of this section, the commissioner for good cause may extend the time for making any return and paying any amount required to be paid under this chapter, if a written request therefor is filed with the commissioner together with a tentative return which must be accompanied by a payment of the tax, which shall be estimated in such tentative return, on or before the last day for filing the return. Any person to whom an extension is granted shall pay, in addition to the tax, interest at the rate of one per cent per month or fraction thereof from the date on which the tax would have been due without the extension until the date of payment.

Sec. 15. (NEW) (*Effective from passage*) (a) The Commissioner of

Substitute House Bill No. 5466

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

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

Sec. 16. Subdivision (10) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2014*):

(10) "Connecticut fiduciary adjustment" means the net positive or negative total of the following items relating to income, gain, loss or

Substitute House Bill No. 5466

deduction of a trust or estate: (A) There shall be added together (i) any interest income from obligations issued by or on behalf of any state, political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity, exclusive of such income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of any such income with respect to which taxation by any state is prohibited by federal law, (ii) any exempt-interest dividends, as defined in Section 852(b)(5) of the Internal Revenue Code, exclusive of such exempt-interest dividends derived from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of such exempt-interest dividends derived from obligations, the income with respect to which taxation by any state is prohibited by federal law, (iii) any interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes, (iv) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any loss from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such loss was recognized, (v) to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, any income taxes imposed by this state, (vi) to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, any interest on indebtedness incurred or continued to purchase or carry obligations or securities the

Substitute House Bill No. 5466

interest on which is exempt from tax under this chapter, (vii) expenses paid or incurred during the taxable year for the production or collection of income which is exempt from tax under this chapter, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is exempt from taxation under this chapter, to the extent that such expenses and premiums are deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, [and] (viii) to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, the deduction allowable as qualified domestic production activities income, pursuant to Section 199 of the Internal Revenue Code, and (ix) to the extent not includable in federal taxable income prior to deductions relating to distributions to beneficiaries, the total amount of a lump sum distribution for the taxable year. (B) There shall be subtracted from the sum of such items (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) with respect to any trust or estate which is a shareholder of an S corporation which is carrying on, or which has the right to carry on, business in this state, as said term is used in section 12-214, the amount of such shareholder's pro rata share of such corporation's nonseparately computed items, as defined in Section 1366 of the Internal Revenue Code, that is subject to tax under chapter 208, in accordance with subsection (c) of section 12-217 multiplied by such corporation's apportionment fraction, if any, as determined in accordance with section 12-218, (iv) to the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the

Substitute House Bill No. 5466

state of Connecticut, (v) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized, (vi) any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter, but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, (vii) ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter, but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter, but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, and (viii) the amount of any refund or credit for overpayment of income taxes imposed by this state, to the extent properly includable in gross income for federal income tax purposes for the taxable year and to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries for the preceding taxable year.

Sec. 17. Subsection (a) of section 12-711 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Substitute House Bill No. 5466

(a) The income of a nonresident natural person derived from or connected with sources within this state shall be the sum of the net amount of items of income, gain, loss and deduction entering into his or her Connecticut adjusted gross income for the taxable year, derived from or connected with sources within this state, including: (1) His or her distributive share of partnership income, gain, loss and deduction, determined under section 12-712; [, and] (2) his or her pro rata share of S corporation income, gain, loss and deduction, determined under section 12-712; [, and] (3) his or her share of estate or trust income, gain, loss and deduction, determined under section 12-714; and (4) his or her compensation from nonqualified deferred compensation plans attributable to services performed within the state, including, but not limited to, compensation required to be included in federal gross income under Section 457A of the Internal Revenue Code.

Sec. 18. Subsections (b) and (c) of section 12-711 of the general statutes are repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2014*):

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

Substitute House Bill No. 5466

(2) Income from intangible personal property, including annuities, dividends, interest and gains from the disposition of intangible personal property, shall constitute income derived from sources within this state only to the extent that such income is from (A) property employed in a business, trade, profession or occupation carried on in this state, or (B) winnings from a wager placed in a lottery conducted by the Connecticut Lottery Corporation, if the proceeds from such wager are required, under the Internal Revenue Code or regulations adopted thereunder, to be reported by the Connecticut Lottery Corporation to the Internal Revenue Service.

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

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

(5) For purposes of subparagraph (A) of subdivision (1) of this subsection, "real property in this state" includes an interest in an entity, and "entity" means a partnership, limited liability company or S corporation that owns real property that is located within this state and has a fair market value that equals or exceeds fifty per cent of all the assets of the entity on the date of sale or disposition by a nonresident natural person of such person's interest in the entity. Only those assets that the entity owned for at least two years prior to the

Substitute House Bill No. 5466

date of the sale or disposition of the person's interest in the entity shall be used in determining the fair market value of all the assets of the entity on the date of such sale or disposition. The gain or loss derived from Connecticut sources from such person's sale or disposition of an interest in such entity is the total gain or loss for federal income tax purposes from such sale or disposition multiplied by a fraction, the numerator of which is the fair market value of all real property located in this state owned by the entity on the date of such sale or disposition, and the denominator of which is the fair market value of all the assets of the entity on the date of such sale or disposition.

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

(2) The proportion of the net amount of the items of income, gain, loss and deduction attributable to the activities of the business, trade, profession or occupation carried on in this state shall be determined by multiplying the net amount of the items of income, gain, loss and deduction of the business, trade, profession or occupation by the average of the percentages of property, payroll and gross income in this state. The gross income percentage shall be computed by dividing the gross receipts from sales of property or services earned within this state by the total gross receipts from sales of property or services, whether earned within or without this state. Gross receipts from sales of property are considered to be earned within this state when the property is delivered or shipped to a purchaser within this state, regardless of the F.O.B. point or other conditions of the sale. Gross receipts from sales of services are considered to be earned within the state when the services are performed by an employee, agent, agency

Substitute House Bill No. 5466

or independent contractor chiefly situated at, connected by contract or otherwise, with or sent out from, offices or branches of the business, trade, profession or occupation or other agencies or locations situated within this state.

Sec. 19. Section 12-432c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2014*):

(a) If any cumulative monthly financial statement issued by the Comptroller pursuant to section 3-115 after September 9, 2009, and before January 1, 2010, indicates that the estimated gross tax revenue to the General Fund, to the end of the fiscal year ending June 30, 2010, is at least one per cent less than the estimated gross tax revenue to the General Fund for said fiscal year, included in public act 09-3 of the June special session pursuant to section 2-35, the amendments made to the provisions of subdivisions (1) and (3) of section 12-408, subdivision (1) of section 12-411, subsection (c) of section 12-411b and [subdivision (3)] subsection (c) of section 12-414, as amended by this act, pursuant to sections 108 to 112, inclusive, of public act 09-3 of the June special session, shall not take effect.

(b) If any cumulative monthly financial statement issued by the Comptroller pursuant to section 3-115 after January 1, 2010, and on or before June 30, 2010, indicates that the estimated gross tax revenue to the General Fund, to the end of the fiscal year ending June 30, 2010, is at least one per cent less than the estimated gross tax revenue to the General Fund for said fiscal year, included in public act 09-3 of the June special session pursuant to section 2-35, (1) the amendments made to the provisions of subdivisions (1) and (3) of section 12-408, subdivision (1) of section 12-411, subsection (c) of section 12-411b and [subdivision (3)] subsection (c) of section 12-414, as amended by this act, pursuant to sections 108 to 112, inclusive, of public act 09-3 of the June special session, shall, on and after July 1, 2010, be inoperative and have no effect, and (2) the provisions of said subdivisions and

Substitute House Bill No. 5466

subsection of said sections of the general statutes, revision of 1958, revised to December 31, 2009, shall be effective on and after July 1, 2010.

Sec. 20. Section 36a-42 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

A financial institution may not disclose to any person, except to the customer or the customer's duly authorized agent, any financial records relating to such customer unless the customer has authorized disclosure to such person or the financial records are disclosed in response to (1) a certificate signed by the Commissioner of Administrative Services or the Commissioner of Social Services pursuant to the provisions of section 17b-137, (2) a lawful subpoena, summons, warrant or court order as provided in section 36a-43, (3) interrogatories by a judgment creditor or a demand by a levying officer as provided in sections 52-351b and 52-356a, (4) a certificate issued by a medical provider or its attorney under subsection (b) of section 17b-124, provided nothing in this subsection shall require the provider or its attorney to furnish to the financial institution any application for medical assistance filed pursuant to an agreement with the IV-D agency under subsection (c) of section 17b-137, (5) a certificate signed by the Commissioner of Veterans' Affairs pursuant to section 27-117, (6) the consent of an elderly person or the representative of such elderly person provided to a person, department, agency or commission pursuant to section 17b-454, provided the financial institution shall have no obligation to determine the capacity of such elderly person or the representative of such elderly person to provide such consent, [or] (7) a request for information served upon a financial institution in accordance with subsection (e) of section 12-162, or (8) a request for information made by the Commissioner of Revenue Services pursuant to section 15 of this act.

Approved June 11, 2014