
OLR Bill Analysis

sSB 28

AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET.

SUMMARY:

This bill makes various changes to state tax laws. Specifically, it:

1. authorizes sales and gas tax refunds of \$55 for single filers and \$110 for joint filers and requires the comptroller to designate up to \$155 million in FY 14 General Fund resources to pay for them;
2. exempts all new and renewed health insurance plans sold to municipalities on or after July 1, 2014 from the 1.75% insurance premium tax paid by Connecticut-based insurance companies and HMOs;
3. exempts nonprescription drugs and medicines from the sales and use tax;
4. exempts a portion of state teacher pension income from the state income tax; and
5. extends, from July 1, 2014 to July 1, 2016, the sunset date for the angel investor tax credit program and establishes new reporting requirements.

The bill also allocates \$500,000 of the anticipated FY 14 unappropriated surplus to the Office of Legislative Management for a study of the state's tax structure.

EFFECTIVE DATE: Upon passage, except that the (1) sales tax provision is effective July 1, 2014 and applicable to sales occurring on or after that date and (2) income tax exemption and tax credit provision are effective upon passage and applicable to tax years beginning on or after January 1, 2014.

§§ 1-2 — SALES AND GAS TAX REFUNDS

Refund Amount and Eligibility

The bill authorizes a tax refund for sales and gas taxes people paid in 2013. The refund is \$55 for single filers and \$110 for joint filers.

To be eligible for a refund, individuals must be state residents with maximum federal adjusted gross incomes of \$200,000 (\$400,000 for joint filers) who, for the 2013 tax year:

1. were required to file and filed (or requested an extension of time to file) a state income tax return; or
2. resided in Connecticut on December 31, 2013 and (a) were required to file and filed (or requested an extension of time to file) a federal income tax return, (b) received a federal earned income tax credit, or (c) received federal Social Security benefits.

The revenue services commissioner can determine if a person is a Connecticut resident and withhold the refund and apply it to any tax or other debt the person owes the state. The refund does not count as income for specified state programs, including the Connecticut Medicare Assignment, Rental Assistance, circuit breaker, and elderly congregate housing programs.

Processing and Paying Refunds

By June 30, 2014, the comptroller must designate up to \$155 million in FY 14 General Fund resources to pay for the refunds. The (1) DRS commissioner must give the comptroller the names and addresses of individuals eligible for the refunds, (2) the comptroller must then draw an order on the state treasurer for the payments, and (3) by April 1, 2015, the DRS commissioner must notify the comptroller of any remaining funds. The comptroller must credit the remaining funds to the General Fund for FY 15.

§§ 3-4 — INSURANCE PREMIUM TAX EXEMPTION FOR MUNICIPALITIES

The bill exempts from the insurance premium tax all new and renewed health insurance plans sold to municipalities on or after July

1, 2014 covering municipal employees, retirees, and their dependents. Current law exempts such plans from the tax only if sold by an HMO and through the Municipal Employee Health Insurance Plan (MEHIP).

§ 5 — SALES TAX EXEMPTION FOR NONPRESCRIPTION DRUGS AND MEDICINES

The bill exempts from the sales and use tax nonprescription drugs and medicines for use in or on the body. The exemption applies to vitamin and mineral concentrates, dietary supplements, and natural or herbal drugs or medicine; cough, cold, asthma, allergy, or antihistamine products; antacids, laxatives, anthelmintics, emetics, and antiemetics; analgesics, antibiotic, antibacterial, antiviral, antifungal, antidiarrheal, and steroidal medicines; antiseptics, astringents, and anesthetics; and any eye, ear, or nose medication. It does not apply to cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps, or deodorants.

The legislature eliminated an identical sales and use tax exemption in 2011 (PA 11-6).

§ 6 — INCOME TAX EXEMPTION FOR TEACHER PENSIONS

The bill exempts a portion of state teachers' retirement system (TRS) income from the income tax. It does so by allowing taxpayers, when calculating Connecticut adjusted gross income for state income tax purposes, to deduct 25% of TRS income for the 2014 tax year and 50% of TRS income for 2015 and subsequent tax years.

§ 7 — ANGEL INVESTOR TAX CREDIT

The bill extends the sunset date for the angel investor tax credit program from July 1, 2014 to July 1, 2016. By law, the angel investor tax credit program provides personal income tax credits for people investing at least \$25,000 in start-up, technology-based Connecticut businesses approved for such credit-eligible investments.

Current law requires Connecticut Innovations, Inc. (CII) to review the credit's effectiveness by July 1, 2014. The bill (1) requires CII to conduct this review annually, beginning by July 1, 2014; (2) specifies

that CII must review the credit's cumulative effectiveness; (3) requires it to report its findings to the Office of Policy and Management, in addition to the Commerce Committee; and (4) identifies certain elements that CII must include in its report.

Under the bill, the annual report must include the:

1. number, type, and current status of Connecticut businesses that received angel investments;
2. number and type of angel investors;
3. aggregate amount of cash investments;
4. number of employees the business employed in each year following the year in which it received the angel investment; and
5. business' economic impact in the state.

§ 8 — FUNDING FOR COMPREHENSIVE TAX STUDY

If the comptroller anticipates an unappropriated surplus in the General Fund before the FY 14 accounts are closed, the bill directs \$500,000 of the anticipated surplus to the Office of Legislative Management for the Finance, Revenue and Bonding Committee's comprehensive study of the state's tax structure (see BACKGROUND). The funds do not lapse.

BACKGROUND

Related Bill

sHB 5545, favorably reported by the Finance, Revenue and Bonding Committee, requires the committee's chairpersons and ranking members to oversee a study of the state's tax structure.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 31 Nay 19 (04/01/2014)