Senate

General Assembly

File No. 842

January Session, 2015

Substitute Senate Bill No. 946

Senate, May 18, 2015

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE BIENNIAL BUDGET.

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

Section 1. Subsection (a) of section 12-700 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2015*):

(a) There is hereby imposed on the Connecticut taxable income of each resident of this state a tax:

(1) At the rate of four and one-half per cent of such Connecticut taxable income for taxable years commencing on or after January 1, 1992, and prior to January 1, 1996.

(2) For taxable years commencing on or after January 1, 1996, but prior to January 1, 1997, in accordance with the following schedule:

(A) For any person who files a return under the federal income tax for such taxable year as an unmarried individual or as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $2,250	3.0%
Over $2,250	$67.50, plus 4.5% of the excess over $2,250

(B) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $3,500	3.0%
Over $3,500	$105.00, plus 4.5% of the excess over $3,500

(C) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or a person who files a return under the federal income tax as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $4,500	3.0%
Over $4,500	$135.00, plus 4.5% of the excess over $4,500

(D) For trusts or estates, the rate of tax shall be 4.5% of their Connecticut taxable income.

(3) For taxable years commencing on or after January 1, 1997, but prior to January 1, 1998, in accordance with the following schedule:

(A) For any person who files a return under the federal income tax for such taxable year as an unmarried individual or as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $6,250	3.0%
Over $6,250	$187.50, plus 4.5% of the excess over $6,250

(B) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000	$300.00, plus 4.5% of the excess over $10,000

(C) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $12,500	3.0%
Over $12,500	$375.00, plus 4.5% of the excess over $12,500

(D) For trusts or estates, the rate of tax shall be 4.5% of their Connecticut taxable income.

(4) For taxable years commencing on or after January 1, 1998, but prior to January 1, 1999, in accordance with the following schedule:

(A) For any person who files a return under the federal income tax for such taxable year as an unmarried individual or as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $7,500	3.0%
Over $7,500	$225.00, plus 4.5% of the excess over $7,500

(B) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $12,000	3.0%
Over $12,000	$360.00, plus 4.5% of the excess over $12,000

(C) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $15,000	3.0%
Over $15,000	$450.00, plus 4.5% of the excess over $15,000

(D) For trusts or estates, the rate of tax shall be 4.5% of their Connecticut taxable income.

(5) For taxable years commencing on or after January 1, 1999, but prior to January 1, 2003, in accordance with the following schedule:

(A) For any person who files a return under the federal income tax for such taxable year as an unmarried individual or as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000	$300.00, plus 4.5% of the excess over $10,000

(B) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $16,000	3.0%
Over $16,000	$480.00, plus 4.5% of the excess over $16,000

(C) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $20,000	3.0%
Over $20,000	$600.00, plus 4.5% of the excess over $20,000

(D) For trusts or estates, the rate of tax shall be 4.5% of their Connecticut taxable income.

(6) For taxable years commencing on or after January 1, 2003, but prior to January 1, 2009, in accordance with the following schedule:

(A) For any person who files a return under the federal income tax for such taxable year as an unmarried individual or as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000	$300.00, plus 5.0% of the excess over $10,000

(B) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $16,000	3.0%
Over $16,000	$480.00, plus 5.0% of the excess over $16,000

(C) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $20,000	3.0%
Over $20,000	$600.00, plus 5.0% of the excess over $20,000

(D) For trusts or estates, the rate of tax shall be 5.0% of the Connecticut taxable income.

(7) For taxable years commencing on or after January 1, 2009, but prior to January 1, 2011, in accordance with the following schedule:

(A) For any person who files a return under the federal income tax

for such taxable year as an unmarried individual:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000 but not over $500,000	$300.00, plus 5.0% of the excess over $10,000
Over $500,000	$24,800, plus 6.5% of the excess over $500,000

(B) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $16,000	3.0%
Over $16,000 but not over $800,000	$480.00, plus 5.0% of the excess over $16,000
Over $800,000	$39,680, plus 6.5% of the excess over $800,000

(C) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $20,000	3.0%
Over $20,000 but not over $1,000,000	$600.00, plus 5.0% of the excess over $20,000
Over $1,000,000	$49,600, plus 6.5% of the excess over $1,000,000

(D) For any person who files a return under the federal income tax

for such taxable year as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000 but not over $500,000	$300.00, plus 5.0% of the excess over $10,000
Over $500,000	$24,800, plus 6.5% of the excess over $500,000

(E) For trusts or estates, the rate of tax shall be 6.5% of the Connecticut taxable income.

(8) For taxable years commencing on or after January 1, 2011, but prior to January 1, 2015, in accordance with the following schedule:

(A) (i) For any person who files a return under the federal income tax for such taxable year as an unmarried individual:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000 but not over $50,000	$300.00, plus 5.0% of the excess over $10,000
Over $50,000 but not over $100,000	$2,300, plus 5.5% of the excess over $50,000
Over $100,000 but not over $200,000	$5,050, plus 6.0% of the excess over $100,000
Over $200,000 but not over $250,000	$11,050, plus 6.5% of the excess over $200,000
Over $250,000	$14,300, plus 6.70% of the excess over $250,000

(ii) Notwithstanding the provisions of subparagraph (A)(i) of this subdivision, for each taxpayer whose Connecticut adjusted gross income exceeds fifty-six thousand five hundred dollars, the amount of the taxpayer's Connecticut taxable income to which the three-per-cent

tax rate applies shall be reduced by one thousand dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount. Any such amount of Connecticut taxable income to which, as provided in the preceding sentence, the three-per-cent tax rate does not apply shall be an amount to which the five-per-cent tax rate shall apply.

(iii) Each taxpayer whose Connecticut adjusted gross income exceeds two hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (A)(i) and (A)(ii) of this subdivision, an amount equal to seventy-five dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds two hundred thousand dollars, up to a maximum payment of two thousand two hundred fifty dollars.

(B) (i) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $16,000	3.0%
Over $16,000 but not over $80,000	$480.00, plus 5.0% of the excess over $16,000
Over $80,000 but not over $160,000	$3,680, plus 5.5% of the excess over $80,000
Over $160,000 but not over $320,000	$8,080, plus 6.0% of the excess over $160,000
Over $320,000 but not over $400,000	$17,680, plus 6.5% of the excess over $320,000
Over $400,000	$22,880, plus 6.70% of the excess over $400,000

(ii) Notwithstanding the provisions of subparagraph (B)(i) of this subdivision, for each taxpayer whose Connecticut adjusted gross income exceeds seventy-eight thousand five hundred dollars, the

amount of the taxpayer's Connecticut taxable income to which the three-per-cent tax rate applies shall be reduced by one thousand six hundred dollars for each four thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount. Any such amount of Connecticut taxable income to which, as provided in the preceding sentence, the three-per-cent tax rate does not apply shall be an amount to which the five-per-cent tax rate shall apply.

(iii) Each taxpayer whose Connecticut adjusted gross income exceeds three hundred twenty thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (B)(i) and (B)(ii) of this subdivision, an amount equal to one hundred twenty dollars for each eight thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds three hundred twenty thousand dollars, up to a maximum payment of three thousand six hundred dollars.

(C) (i) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $20,000	3.0%
Over $20,000 but not over $100,000	$600.00, plus 5.0% of the excess over $20,000
Over $100,000 but not over $200,000	$4,600, plus 5.5% of the excess over $100,000
Over $200,000 but not over $400,000	$10,100, plus 6.0% of the excess over $200,000
Over $400,000 but not over $500,000	$22,100, plus 6.5% of the excess over $400,000
Over $500,000	$28,600, plus 6.70% of the

T120		excess over $500,000

(ii) Notwithstanding the provisions of subparagraph (C)(i) of this subdivision, for each taxpayer whose Connecticut adjusted gross income exceeds one hundred thousand five hundred dollars, the amount of the taxpayer's Connecticut taxable income to which the three-per-cent tax rate applies shall be reduced by two thousand dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount. Any such amount of Connecticut taxable income to which, as provided in the preceding sentence, the three-per-cent tax rate does not apply shall be an amount to which the five-per-cent tax rate shall apply.

(iii) Each taxpayer whose Connecticut adjusted gross income exceeds four hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (C)(i) and (C)(ii) of this subdivision, an amount equal to one hundred fifty dollars for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds four hundred thousand dollars, up to a maximum payment of four thousand five hundred dollars.

(D) (i) For any person who files a return under the federal income tax for such taxable year as a married individual filing separately:

	Connecticut Taxable Income	Rate of Tax
T121		
T122	Not over $10,000	3.0%
T123	Over $10,000 but not	$300.00, plus 5.0% of the
T124	over $50,000	excess over $10,000
T125	Over $50,000 but not	$2,300, plus 5.5% of the
T126	over $100,000	excess over $50,000
T127	Over $100,000 but not	$5,050, plus 6.0% of the
T128	over $200,000	excess over $100,000
T129	Over $200,000 but not	$11,050, plus 6.5% of the
T130	over $250,000	excess over $200,000

Over $250,000	$14,300, plus 6.70% of the excess over $250,000

(ii) Notwithstanding the provisions of subparagraph (D)(i) of this subdivision, for each taxpayer whose Connecticut adjusted gross income exceeds fifty thousand two hundred fifty dollars, the amount of the taxpayer's Connecticut taxable income to which the three-per-cent tax rate applies shall be reduced by one thousand dollars for each two thousand five hundred dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount. Any such amount of Connecticut taxable income to which, as provided in the preceding sentence, the three-per-cent tax rate does not apply shall be an amount to which the five-per-cent tax rate shall apply.

(iii) Each taxpayer whose Connecticut adjusted gross income exceeds two hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (D)(i) and (D)(ii) of this subdivision, an amount equal to seventy-five dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds two hundred thousand dollars, up to a maximum payment of two thousand two hundred fifty dollars.

(E) For trusts or estates, the rate of tax shall be 6.70% of the Connecticut taxable income.

(9) For taxable years commencing on or after January 1, 2015, in accordance with the following schedule:

(A) (i) For any person who files a return under the federal income tax for such taxable year as an unmarried individual:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000 but not	$300.00, plus 5.0% of the

T136	over $50,000	excess over $10,000
T137	Over $50,000 but not	$2,300, plus 5.5% of the
T138	over $100,000	excess over $50,000
T139	Over $100,000 but not	$5,050, plus 6.0% of the
T140	over $200,000	excess over $100,000
T141	Over $200,000 but not	$11,050, plus 6.5% of the
T142	over $250,000	excess over $200,000
T143	Over $250,000 but not over	$14,300, plus 6.70% of the
T144	$500,000	excess over $250,000
T145	Over $500,000	$31,050, plus 6.99% of the
T146		excess over $500,000

(ii) Notwithstanding the provisions of subparagraph (A)(i) of this subdivision, for each taxpayer whose Connecticut adjusted gross income exceeds fifty-six thousand five hundred dollars, the amount of the taxpayer's Connecticut taxable income to which the three-per-cent tax rate applies shall be reduced by one thousand dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount. Any such amount of Connecticut taxable income to which, as provided in the preceding sentence, the three-per-cent tax rate does not apply shall be an amount to which the five-per-cent tax rate shall apply.

(iii) Each taxpayer whose Connecticut adjusted gross income exceeds two hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (A)(i) and (A)(ii) of this subdivision, an amount equal to seventy-five dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds two hundred thousand dollars, up to a maximum payment of two thousand two hundred fifty dollars.

(iv) Each taxpayer whose Connecticut adjusted gross income exceeds five hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (A)(i), (A)(ii) and

(A)(iii) of this subdivision, an amount equal to fifty dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds five hundred thousand dollars, up to a maximum payment of one thousand four hundred fifty dollars.

(v) Each taxpayer whose Connecticut adjusted gross income exceeds five hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (A)(i), (A)(ii), (A)(iii) and (A)(iv) of this subdivision, an amount equal to 2.0% of the taxpayer's capital gains income.

(B) (i) For any person who files a return under the federal income tax for such taxable year as a head of household, as defined in Section 2(b) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $16,000	3.0%
Over $16,000 but not over $80,000	$480.00, plus 5.0% of the excess over $16,000
Over $80,000 but not over $160,000	$3,680, plus 5.5% of the excess over $80,000
Over $160,000 but not over $320,000	$8,080, plus 6.0% of the excess over $160,000
Over $320,000 but not over $400,000	$17,680, plus 6.5% of the excess over $320,000
Over $400,000 but not over $800,000	$22,880, plus 6.70% of the excess over $400,000
Over $800,000	$49,680, plus 6.99% of the excess over $800,000

(ii) Notwithstanding the provisions of subparagraph (B)(i) of this subdivision, for each taxpayer whose Connecticut adjusted gross income exceeds seventy-eight thousand five hundred dollars, the amount of the taxpayer's Connecticut taxable income to which the

three-per-cent tax rate applies shall be reduced by one thousand six hundred dollars for each four thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount. Any such amount of Connecticut taxable income to which, as provided in the preceding sentence, the three-per-cent tax rate does not apply shall be an amount to which the five-per-cent tax rate shall apply.

(iii) Each taxpayer whose Connecticut adjusted gross income exceeds three hundred twenty thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (B)(i) and (B)(ii) of this subdivision, an amount equal to one hundred twenty dollars for each eight thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds three hundred twenty thousand dollars, up to a maximum payment of three thousand six hundred dollars.

(iv) Each taxpayer whose Connecticut adjusted gross income exceeds eight hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (B)(i), (B)(ii) and (B)(iii) of this subdivision, an amount equal to eighty dollars for each eight thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds eight hundred thousand dollars, up to a maximum payment of two thousand three hundred twenty dollars.

(v) Each taxpayer whose Connecticut adjusted gross income exceeds eight hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (B)(i), (B)(ii), (B)(iii) and (B)(iv) of this subdivision, an amount equal to 2.0% of the taxpayer's capital gains income.

(C) (i) For any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing jointly or any person who files a return under the federal income tax for such taxable year as a surviving spouse, as defined in Section 2(a) of the Internal Revenue Code:

Connecticut Taxable Income	Rate of Tax
Not over $20,000	3.0%
Over $20,000 but not over $100,000	$600.00, plus 5.0% of the excess over $20,000
Over $100,000 but not over $200,000	$4,600, plus 5.5% of the excess over $100,000
Over $200,000 but not over $400,000	$10,100, plus 6.0% of the excess over $200,000
Over $400,000 but not over $500,000	$22,100, plus 6.5% of the excess over $400,000
Over $500,000 but not over $1,000,000	$28,600, plus 6.70% of the excess over $500,00
Over $1,000,000	$62,100, plus 6.99% of the excess over $1,000,000

(ii) Notwithstanding the provisions of subparagraph (C)(i) of this subdivision, for each taxpayer whose Connecticut adjusted gross income exceeds one hundred thousand five hundred dollars, the amount of the taxpayer's Connecticut taxable income to which the three-per-cent tax rate applies shall be reduced by two thousand dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount. Any such amount of Connecticut taxable income to which, as provided in the preceding sentence, the three-per-cent tax rate does not apply shall be an amount to which the five-per-cent tax rate shall apply.

(iii) Each taxpayer whose Connecticut adjusted gross income exceeds four hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (C)(i) and (C)(ii) of this subdivision, an amount equal to one hundred fifty dollars for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds four hundred thousand dollars, up to a maximum payment of four thousand five hundred dollars.

(iv) Each taxpayer whose Connecticut adjusted gross income exceeds one million dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (C)(i), (C)(ii) and (C)(iii) of this subdivision, an amount equal to one hundred dollars for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds one million dollars, up to a maximum payment of two thousand nine hundred dollars.

(v) Each taxpayer whose Connecticut adjusted gross income exceeds one million dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (C)(i), (C)(ii), (C)(iii) and (C)(iv) of this subdivision, an amount equal to 2.0% of the taxpayer's capital gains income.

(D) (i) For any person who files a return under the federal income tax for such taxable year as a married individual filing separately:

Connecticut Taxable Income	Rate of Tax
Not over $10,000	3.0%
Over $10,000 but not over $50,000	$300.00, plus 5.0% of the excess over $10,000
Over $50,000 but not over $100,000	$2,300, plus 5.5% of the excess over $50,000
Over $100,000 but not over $200,000	$5,050, plus 6.0% of the excess over $100,000
Over $200,000 but not over $250,000	$11,050, plus 6.5% of the excess over $200,000
Over $250,000 but not over $500,000	$14,300, plus 6.70% of the excess over $250,000
Over $500,000	$31,050, plus 6.99% of the excess over $500,000

(ii) Notwithstanding the provisions of subparagraph (D)(i) of this subdivision, for each taxpayer whose Connecticut adjusted gross

income exceeds fifty thousand two hundred fifty dollars, the amount of the taxpayer's Connecticut taxable income to which the three-per-cent tax rate applies shall be reduced by one thousand dollars for each two thousand five hundred dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount. Any such amount of Connecticut taxable income to which, as provided in the preceding sentence, the three-per-cent tax rate does not apply shall be an amount to which the five-per-cent tax rate shall apply.

(iii) Each taxpayer whose Connecticut adjusted gross income exceeds two hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (D)(i) and (D)(ii) of this subdivision, an amount equal to seventy-five dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds two hundred thousand dollars, up to a maximum payment of two thousand two hundred fifty dollars.

(iv) Each taxpayer whose Connecticut adjusted gross income exceeds five hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (D)(i), (D)(ii) and (D)(iii) of this subdivision, an amount equal to fifty dollars for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds five hundred thousand dollars, up to a maximum payment of one thousand four hundred fifty dollars.

(v) Each taxpayer whose Connecticut adjusted gross income exceeds five hundred thousand dollars shall pay, in addition to the tax computed under the provisions of subparagraphs (D)(i), (D)(ii), (D)(iii) and (D)(iv) of this subdivision, an amount equal to 2.0% of the taxpayer's capital gains income.

(E) For trusts or estates, the rate of tax shall be 6.99% of the Connecticut taxable income.

(10) For purposes of this subsection, "capital gains" means (A) net

gain as determined for federal income tax purposes, after due allowance for losses and holding periods, from (i) sales or exchanges of capital assets or assets treated as capital assets, other than notes, bonds or other obligations of the state or any of the political subdivisions thereof, or its or their respective agencies or instrumentalities, or (ii) transactions or events taxable to the taxpayer as such sales or exchanges, and being the net amount includable in the taxpayer's adjusted gross income, with respect to all such sales, exchanges, transactions or events, under the provisions of the internal revenue code in effect for the taxable year, exclusive of any gain or loss from the holding or trading of any dealer equity options, as defined in Section 1256 of the Internal Revenue Code, and exclusive of any gain or loss of a nonresident taxpayer other than from the sale or exchange of real property located in the state, provided such property is a capital asset or an asset treated as a capital asset or such sale or exchange is a transaction or an event taxable as a sale or exchange of a capital asset, and (B) net gains from sales or exchanges of certain property, as determined in accordance with Internal Revenue Service Form 4797, exclusive of any such net gain includable under subparagraph (A) of this subdivision;

[(9)**]** (11) The provisions of this subsection shall apply to resident trusts and estates and, wherever reference is made in this subsection to residents of this state, such reference shall be construed to include resident trusts and estates, provided any reference to a resident's Connecticut adjusted gross income derived from sources without this state or to a resident's Connecticut adjusted gross income shall be construed, in the case of a resident trust or estate, to mean the resident trust or estate's Connecticut taxable income derived from sources without this state and the resident trust or estate's Connecticut taxable income, respectively.

Sec. 2. Subsection (a) of section 12-702 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, 2015*):

(a) (1) (A) Any person, other than a trust or estate, subject to the tax under this chapter for any taxable year who files under the federal income tax for such taxable year as a married individual filing separately or, for taxable years commencing prior to January 1, 2000, who files income tax for such taxable year as an unmarried individual shall be entitled to a personal exemption of twelve thousand dollars in determining Connecticut taxable income for purposes of this chapter.

(B) In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-four thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption.

(2) For taxable years commencing on or after January 1, 2000, any person, other than a trust or estate, subject to the tax under this chapter for any taxable year who files under the federal income tax for such taxable year as an unmarried individual shall be entitled to a personal exemption in determining Connecticut taxable income for purposes of this chapter as follows:

(A) For taxable years commencing on or after January 1, 2000, but prior to January 1, 2001, twelve thousand two hundred fifty dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-four thousand five hundred dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(B) For taxable years commencing on or after January 1, 2001, but prior to January 1, 2004, twelve thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-five thousand dollars, the

exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(C) For taxable years commencing on or after January 1, 2004, but prior to January 1, 2007, twelve thousand six hundred twenty-five dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-five thousand two hundred fifty dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(D) For taxable years commencing on or after January 1, 2007, but prior to January 1, 2008, twelve thousand seven hundred fifty dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-five thousand five hundred dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(E) For taxable years commencing on or after January 1, 2008, but prior to January 1, 2012, thirteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-six thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(F) For taxable years commencing on or after January 1, 2012, but

prior to January 1, 2013, thirteen thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-seven thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(G) For taxable years commencing on or after January 1, 2013, but prior to January 1, 2014, fourteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-eight thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(H) For taxable years commencing on or after January 1, 2014, but prior to January 1, **[**2015**]** 2018, fourteen thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-nine thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(I) For taxable years commencing on or after January 1, **[**2015**]** 2018, fifteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds thirty thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds said amount. In no event shall the reduction exceed one

hundred per cent of the exemption.

Sec. 3. Subparagraphs (H) and (I) of subdivision (2) of subsection (a) of section 12-703 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, 2015*):

(H) For taxable years commencing on or after January 1, 2014, but prior to January 1, **[**2015**]** 2018:

Connecticut Adjusted Gross Income	Amount of Credit
Over $14,500 but not over $18,100	75%
Over $18,100 but not over $18,600	70%
Over $18,600 but not over $19,100	65%
Over $19,100 but not over $19,600	60%
Over $19,600 but not over $20,100	55%
Over $20,100 but not over $20,600	50%
Over $20,600 but not over $21,100	45%
Over $21,100 but not over $21,600	40%
Over $21,600 but not over $24,200	35%
Over $24,200 but not over $24,700	30%
Over $24,700 but not over $25,200	25%
Over $25,200 but	

T214	not over $25,700	20%
T215	Over $25,700 but	
T216	not over $30,200	15%
T217	Over $30,200 but	
T218	not over $30,700	14%
T219	Over $30,700 but	
T220	not over $31,200	13%
T221	Over $31,200 but	
T222	not over $31,700	12%
T223	Over $31,700 but	
T224	not over $32,200	11%
T225	Over $32,200 but	
T226	not over $58,000	10%
T227	Over $58,000 but	
T228	not over $58,500	9%
T229	Over $58,500 but	
T230	not over $59,000	8%
T231	Over $59,000 but	
T232	not over $59,500	7%
T233	Over $59,500 but	
T234	not over $60,000	6%
T235	Over $60,000 but	
T236	not over $60,500	5%
T237	Over $60,500 but	
T238	not over $61,000	4%
T239	Over $61,000 but	
T240	not over $61,500	3%
T241	Over $61,500 but	
T242	not over $62,000	2%
T243	Over $62,000 but	
T244	not over $62,500	1%

470 (I) For taxable years commencing on or after January 1, **[**2015**]** 2018:

T245 Connecticut

	Adjusted Gross Income	Amount of Credit
T247	Over $15,000 but	
T248	not over $18,800	75%
T249	Over $18,800 but	
T250	not over $19,300	70%
T251	Over $19,300 but	
T252	not over $19,800	65%
T253	Over $19,800 but	
T254	not over $20,300	60%
T255	Over $20,300 but	
T256	not over $20,800	55%
T257	Over $20,800 but	
T258	not over $21,300	50%
T259	Over $21,300 but	
T260	not over $21,800	45%
T261	Over $21,800 but	
T262	not over $22,300	40%
T263	Over $22,300 but	
T264	not over $25,000	35%
T265	Over $25,000 but	
T266	not over $25,500	30%
T267	Over $25,500 but	
T268	not over $26,000	25%
T269	Over $26,000 but	
T270	not over $26,500	20%
T271	Over $26,500 but	
T272	not over $31,300	15%
T273	Over $31,300 but	
T274	not over $31,800	14%
T275	Over $31,800 but	
T276	not over $32,300	13%
T277	Over $32,300 but	
T278	not over $32,800	12%
T279	Over $32,800 but	
T280	not over $33,300	11%

Over $33,300 but		
not over $60,000	10%	
Over $60,000 but		
not over $60,500	9%	
Over $60,500 but		
not over $61,000	8%	
Over $61,000 but		
not over $61,500	7%	
Over $61,500 but		
not over $62,000	6%	
Over $62,000 but		
not over $62,500	5%	
Over $62,500 but		
not over $63,000	4%	
Over $63,000 but		
not over $63,500	3%	
Over $63,500 but		
not over $64,000	2%	
Over $64,000 but		
not over $64,500	1%	

Sec. 4. Subparagraphs (I) and (J) of subdivision (1) of subsection (c) of section 12-704c 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, 2015*):

(I) For taxable years commencing on or after January 1, 2014, but prior to January 1, **[**2015**]** 2018, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty-two thousand five hundred dollars, the amount of the credit shall be reduced by fifteen per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(J) For taxable years commencing on or after January 1, **[**2015**]** 2018, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty-four thousand five hundred dollars, the amount of the credit shall be reduced by fifteen per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

Sec. 5. Subsection (e) of section 12-704e 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, 2015*):

(e) For purposes of this section, "applicable percentage" means thirty per cent, except (1) for the taxable year commencing on January 1, 2013, "applicable percentage" means twenty-five per cent, and (2) for **[**the taxable year**]** taxable years commencing on or after January 1, 2014, but prior to January 1, 2017, "applicable percentage" means twenty-seven and one-half per cent.

Sec. 6. Subparagraph (B) of subdivision (20) of subsection (a) of section 12-701 of the general statutes, as amended by section 50 of public act 14-47, is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015*):

(B) There shall be subtracted therefrom (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) the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia, to the extent properly includable in gross income for federal income tax purposes, (iv) to the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income

pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits, (v) to the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002, for property placed in service after December 31, 2001, but prior to September 10, 2004, was added to federal adjusted gross income pursuant to subparagraph (A)(ix) of this subdivision in computing Connecticut adjusted gross income for a taxable year ending after December 31, 2001, twenty-five per cent of such additional allowance for depreciation in each of the four succeeding taxable years, (vi) 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 state of Connecticut, (vii) 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, (viii) 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 adjusted gross income and is attributable to a trade or business carried on by such individual, (ix) 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 adjusted gross income and are attributable to a trade or business carried on by such individual, (x) (I) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than sixty thousand dollars or a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than sixty thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes; and (II) for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is sixty thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code, (xi) to the extent properly includable in gross income for federal income tax purposes, any amount rebated to a taxpayer pursuant to section 12-746, (xii) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code,

established and maintained by this state or any official, agency or instrumentality of the state, (xiii) to the extent allowable under section 12-701a, contributions to accounts established pursuant to any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state, (xiv) to the extent properly includable in gross income for federal income tax purposes, the amount of any Holocaust victims' settlement payment received in the taxable year by a Holocaust victim, (xv) to the extent properly includable in gross income for federal income tax purposes of an account holder, as defined in section 31-51ww, interest earned on funds deposited in the individual development account, as defined in section 31-51ww, of such account holder, (xvi) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, as defined in section 3-123aa, interest, dividends or capital gains earned on contributions to accounts established for the designated beneficiary pursuant to the Connecticut Homecare Option Program for the Elderly established by sections 3-123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in gross income for federal income tax purposes, **[**fifty per cent of the**]** any income received from the United States government as retirement pay for a retired member of (I) the Armed Forces of the United States, as defined in Section 101 of Title 10 of the United States Code, or (II) the National Guard, as defined in Section 101 of Title 10 of the United States Code, (xviii) to the extent properly includable in gross income for federal income tax purposes for the taxable year, any income from the discharge of indebtedness in connection with any reacquisition, after December 31, 2008, and before January 1, 2011, of an applicable debt instrument or instruments, as those terms are defined in Section 108 of the Internal Revenue Code, as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, to the extent any such income was added to federal adjusted gross income pursuant to subparagraph (A)(x) of this subdivision in computing Connecticut adjusted gross income for a preceding taxable year, (xix) to the extent not deductible in determining federal adjusted gross income, the

amount of any contribution to a manufacturing reinvestment account established pursuant to section 32-9zz in the taxable year that such contribution is made, and (xx) to the extent properly includable in gross income for federal income tax purposes, for the taxable year commencing January 1, 2015, ten per cent of the income received from the state teachers' retirement system, for the taxable year commencing January 1, 2016, twenty-five per cent of the income received from the state teachers' retirement system, and for the taxable year commencing January 1, 2017, and each taxable year thereafter, fifty per cent of the income received from the state teachers' retirement system.

Sec. 7. Subsection (b) of section 12-214 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2016*):

(b) (1) With respect to income years commencing on or after January 1, 1989, and prior to January 1, 1992, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to twenty per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(2) With respect to income years commencing on or after January 1, 1992, and prior to January 1, 1993, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to ten per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become

due and be paid, collected and enforced as provided in this chapter.

(3) With respect to income years commencing on or after January 1, 2003, and prior to January 1, 2004, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to twenty per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(4) With respect to income years commencing on or after January 1, 2004, and prior to January 1, 2005, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, an additional tax in an amount equal to twenty-five per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax, except that any company that pays the minimum tax of two hundred fifty dollars under section 12-219, as amended by this act, or 12-223c, as amended by this act, for such income year shall not be subject to the additional tax imposed by this subdivision. The additional amount of tax determined under this subdivision for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(5) With respect to income years commencing on or after January 1, 2006, and prior to January 1, 2007, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, except when the tax so calculated is equal to two hundred fifty dollars, for each such income year, an additional tax in an amount equal to twenty per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax

determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(6) (A) With respect to income years commencing on or after January 1, 2009, and prior to January 1, 2012, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, an additional tax in an amount equal to ten per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(B) Any company whose gross income for the income year was less than one hundred million dollars shall not be subject to the additional tax imposed under subparagraph (A) of this subdivision. This exception shall not apply to companies filing a combined return for the income year under section 12-223a, as amended by this act, or a unitary return under subsection (d) of section 12-218d, as amended by this act.

(7) (A) With respect to income years commencing on or after January 1, 2012, and prior to January 1, **[**2016**]** 2018, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, an additional tax in an amount equal to twenty per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said

subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(B) Any company whose gross income for the income year was less than one hundred million dollars shall not be subject to the additional tax imposed under subparagraph (A) of this subdivision. This exception shall not apply to companies filing a combined return for the income year under section 12-223a, as amended by this act, or a unitary return under subsection (d) of section 12-218d, as amended by this act.

(8) (A) With respect to the income year commencing January 1, 2018, any company subject to the tax imposed in accordance with subsection (a) of this section shall pay, for such income year, except when the tax so calculated is equal to two hundred fifty dollars, an additional tax in an amount equal to ten per cent of the tax calculated under said subsection (a) for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The additional amount of tax determined under this subsection for any income year shall constitute a part of the tax imposed by the provisions of said subsection (a) and shall become due and be paid, collected and enforced as provided in this chapter.

(B) Any company whose gross income for the income year was less than one hundred million dollars shall not be subject to the additional tax imposed under subparagraph (A) of this subdivision. This exception shall not apply to companies filing a combined return for the income year under section 12-223a, as amended by this act, or a unitary return under subsection (d) of section 12-218d, as amended by this act.

Sec. 8. Subsection (b) of section 12-219 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2016*):

(b) (1) With respect to income years commencing on or after January

1, 1989, and prior to January 1, 1992, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to twenty per cent of the additional tax so calculated for such income year, without reduction of the additional tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(2) With respect to income years commencing on or after January 1, 1992, and prior to January 1, 1993, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to ten per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(3) With respect to income years commencing on or after January 1, 2003, and prior to January 1, 2004, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, be increased by adding thereto an amount equal to twenty per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(4) With respect to income years commencing on or after January 1, 2004, and prior to January 1, 2005, the additional tax imposed on any

company and calculated in accordance with subsection (a) of this section shall, for each such income year, be increased by adding thereto an amount equal to twenty-five per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax, except that any company that pays the minimum tax of two hundred fifty dollars under this section or section 12-223c, as amended by this act, for such income year shall not be subject to such additional tax. The increased amount of tax payable by any company under this subdivision, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(5) With respect to income years commencing on or after January 1, 2006, and prior to January 1, 2007, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to twenty per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(6) (A) With respect to income years commencing on or after January 1, 2009, and prior to January 1, 2012, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to ten per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(B) Any company whose gross income for the income year was less than one hundred million dollars shall not be subject to the additional tax imposed under subparagraph (A) of this subdivision. This exception shall not apply to companies filing a combined return for the income year under section 12-223a, as amended by this act, or a unitary return under subsection (d) of section 12-218d, as amended by this act.

(7) (A) With respect to income years commencing on or after January 1, 2012, and prior to January 1, **[**2016**]** 2018, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for each such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to twenty per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(B) Any company whose gross income for the income year was less than one hundred million dollars shall not be subject to the additional tax imposed under subparagraph (A) of this subdivision. This exception shall not apply to companies filing a combined return for the income year under section 12-223a, as amended by this act, or a unitary return under subsection (d) of section 12-218d, as amended by this act.

(8) (A) With respect to the income year commencing January 1, 2018, the additional tax imposed on any company and calculated in accordance with subsection (a) of this section shall, for such income year, except when the tax so calculated is equal to two hundred fifty dollars, be increased by adding thereto an amount equal to ten per cent of the additional tax so calculated for such income year, without reduction of the tax so calculated by the amount of any credit against such tax. The increased amount of tax payable by any company under

this section, as determined in accordance with this subsection, shall become due and be paid, collected and enforced as provided in this chapter.

(B) Any company whose gross income for the income year was less than one hundred million dollars shall not be subject to the additional tax imposed under subparagraph (A) of this subdivision. This exception shall not apply to companies filing a combined return for the income year under section 12-223a, as amended by this act, or a unitary return under subsection (d) of section 12-218d, as amended by this act.

Sec. 9. Subsection (a) of section 12-211a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to calendar years commencing on or after January 1, 2015*):

(a) (1) Notwithstanding any provision of the general statutes, and except as otherwise provided in subdivision (5) of this subsection or in subsection (b) of this section, the amount of tax credit or credits otherwise allowable against the tax imposed under this chapter for any calendar year shall not exceed seventy per cent of the amount of tax due from such taxpayer under this chapter with respect to such calendar year of the taxpayer prior to the application of such credit or credits.

(2) For the calendar year commencing January 1, 2011, "type one tax credits" means tax credits allowable under section 12-217jj, as amended by this act, 12-217kk or 12-217*ll*; "type two tax credits" means tax credits allowable under section 38a-88a, as amended by this act; "type three tax credits" means tax credits that are not type one tax credits or type two tax credits; "thirty per cent threshold" means thirty per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credit; "fifty-five per cent threshold" means fifty-five per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credits; and "seventy per cent threshold" means seventy per cent of the amount of tax due from a

taxpayer under this chapter prior to the application of tax credits.

(3) For the calendar year commencing January 1, 2012, "type one tax credits" means the tax credit allowable under section 12-217*ll*; "type two tax credits" means tax credits allowable under section 38a-88a, as amended by this act; "type three tax credits" means tax credits that are not type one tax credits or type two tax credits; "thirty per cent threshold" means thirty per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credit; "fifty-five per cent threshold" means fifty-five per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credits; and "seventy per cent threshold" means seventy per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credits.

(4) For the calendar years commencing January 1, 2013, **[**and**]** January 1, 2014, January 1, 2015, and January 1, 2016, "type one tax credits" means the tax credit allowable under sections 12-217jj, as amended by this act, 12-217kk and 12-217*ll*; "type two tax credits" means tax credits allowable under section 38a-88a, as amended by this act; "type three tax credits" means tax credits that are not type one tax credits or type two tax credits; "thirty per cent threshold" means thirty per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credit; "fifty-five per cent threshold" means fifty-five per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credits; and "seventy per cent threshold" means seventy per cent of the amount of tax due from a taxpayer under this chapter prior to the application of tax credits.

(5) For calendar years commencing on or after January 1, 2011, and prior to January 1, **[**2015**]** 2017, and subject to the provisions of subdivisions (2), (3) and (4) of this subsection, the amount of tax credit or credits otherwise allowable against the tax imposed under this chapter shall not exceed:

(A) If the tax credit or credits being claimed by a taxpayer are type

three tax credits only, thirty per cent of the amount of tax due from such taxpayer under this chapter with respect to said calendar years of the taxpayer prior to the application of such credit or credits.

(B) If the tax credit or credits being claimed by a taxpayer are type one tax credits and type three tax credits, but not type two tax credits, fifty-five per cent of the amount of tax due from such taxpayer under this chapter with respect to said calendar years of the taxpayer prior to the application of such credit or credits, provided (i) type three tax credits shall be claimed before type one tax credits are claimed, (ii) the type three tax credits being claimed may not exceed the thirty per cent threshold, and (iii) the sum of the type one tax credits and the type three tax credits being claimed may not exceed the fifty-five per cent threshold.

(C) If the tax credit or credits being claimed by a taxpayer are type two tax credits and type three tax credits, but not type one tax credits, seventy per cent of the amount of tax due from such taxpayer under this chapter with respect to said calendar years of the taxpayer prior to the application of such credit or credits, provided (i) type three tax credits shall be claimed before type two tax credits are claimed, (ii) the type three tax credits being claimed may not exceed the thirty per cent threshold, and (iii) the sum of the type two tax credits and the type three tax credits being claimed may not exceed the seventy per cent threshold.

(D) If the tax credit or credits being claimed by a taxpayer are type one tax credits, type two tax credits and type three tax credits, seventy per cent of the amount of tax due from such taxpayer under this chapter with respect to said calendar years of the taxpayer prior to the application of such credits, provided (i) type three tax credits shall be claimed before type one tax credits or type two tax credits are claimed, and the type one tax credits shall be claimed before the type two tax credits are claimed, (ii) the type three tax credits being claimed may not exceed the thirty per cent threshold, (iii) the sum of the type one tax credits and the type three tax credits being claimed may not exceed

the fifty-five per cent threshold, and (iv) the sum of the type one tax credits, the type two tax credits and the type three tax credits being claimed may not exceed the seventy per cent threshold.

(E) If the tax credit or credits being claimed by a taxpayer are type one tax credits and type two tax credits only, but not type three tax credits, seventy per cent of the amount of tax due from such taxpayer under this chapter with respect to said calendar years of the taxpayer prior to the application of such credits, provided (i) the type one tax credits shall be claimed before type two tax credits are claimed, (ii) the type one tax credits being claimed may not exceed the fifty-five per cent threshold, and (iii) the sum of the type one tax credits and the type two tax credits being claimed may not exceed the seventy per cent threshold.

Sec. 10. Subdivision (3) of subsection (a) of section 12-217jj of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(3) (A) "Qualified production" means entertainment content created in whole or in part within the state, including motion pictures, except as otherwise provided in this subparagraph; documentaries; long-form, specials, mini-series, series, sound recordings, videos and music videos and interstitials television programming; interactive television; relocated television production; interactive games; videogames; commercials; any format of digital media, including an interactive web site, created for distribution or exhibition to the general public; and any trailer, pilot, video teaser or demo created primarily to stimulate the sale, marketing, promotion or exploitation of future investment in either a product or a qualified production via any means and media in any digital media format, film or videotape, provided such program meets all the underlying criteria of a qualified production. For the state fiscal years ending June 30, 2014, **[**and**]** June 30, 2015, <u>June 30, 2016, and June 30, 2017,</u> "qualified production" shall not include a motion picture that has not been designated as a state-certified qualified production prior to July 1, 2013, and no tax credit voucher for such

motion picture may be issued during said years, except, for the state fiscal [year] years ending June 30, 2015, June 30, 2016, and June 30, 2017, "qualified production" shall include a motion picture for which twenty-five per cent or more of the principal photography shooting days are in this state at a facility that receives not less than twenty-five million dollars in private investment and opens for business on or after July 1, 2013, and a tax credit voucher may be issued for such motion picture.

(B) "Qualified production" shall not include any ongoing television program created primarily as news, weather or financial market reports; a production featuring current events, other than a relocated television production, sporting events, an awards show or other gala event; a production whose sole purpose is fundraising; a long-form production that primarily markets a product or service; a production used for corporate training or in-house corporate advertising or other similar productions; or any production for which records are required to be maintained under 18 USC 2257 with respect to sexually explicit content.

Sec. 11. Subdivision (1) of section 12-408 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to sales occurring on or after October 1, 2015, and to sales of services that are billed to customers for a period that includes said October 1, 2015, date*):

(1) (A) For the privilege of making any sales, as defined in subdivision (2) of subsection (a) of section 12-407, at retail, in this state for a consideration, a state revenue tax and municipal revenue tax is hereby imposed on all retailers at the following rates: [rate of six and thirty-five-hundredths] (i) With respect to the state revenue tax, at the rate of five and eighty-five-hundredths per cent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail or from the rendering of any services constituting a sale in accordance with subdivision (2) of subsection (a) of section 12-407, and (ii) with respect to the municipal revenue tax, at a rate of one-half of one per

cent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail or from the rendering of any services constituting a sale in accordance with subdivision (2) of subsection (a) of section 12-407 with respect to the municipal revenue tax, except, in lieu of said **[**rate of six and thirty-five-hundredths per cent**]** rates, the rates provided in subparagraphs (B) to (H), inclusive, of this subdivision;

(B) At a rate of fifteen per cent with respect to each transfer of occupancy, from the total amount of rent received for such occupancy of any room or rooms in a hotel or lodging house for the first period not exceeding thirty consecutive calendar days;

(C) With respect to the sale of a motor vehicle to any individual who is a member of the armed forces of the United States and is on full-time active duty in Connecticut and who is considered, under 50 App USC 574, a resident of another state, or to any such individual and the spouse thereof, at a rate of four and one-half per cent of the gross receipts of any retailer from such sales, provided such retailer requires and maintains a declaration by such individual, prescribed as to form by the commissioner and bearing notice to the effect that false statements made in such declaration are punishable, or other evidence, satisfactory to the commissioner, concerning the purchaser's state of residence under 50 App USC 574;

(D) (i) With respect to the sales of computer and data processing services occurring on or after July 1, 1997, and prior to July 1, 1998, at the rate of five per cent, on or after July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent, on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per cent, on or after July 1, 2001, at the rate of one per cent, and (ii) with respect to sales of Internet access services, on and after July 1, 2001, such services shall be exempt from such tax;

(E) (i) With respect to the sales of labor that is otherwise taxable under subparagraph (C) or (G) of subdivision (2) of subsection (a) of

section 12-407 on existing vessels and repair or maintenance services on vessels occurring on and after July 1, 1999, such services shall be exempt from such tax;

(ii) With respect to the sale of a vessel, such sale shall be exempt from such tax provided such vessel is docked in this state for sixty or fewer days in a calendar year;

(F) With respect to patient care services for which payment is received by the hospital on or after July 1, 1999, and prior to July 1, 2001, at the rate of five and three-fourths per cent and on and after July 1, 2001, such services shall be exempt from such tax;

(G) With respect to the rental or leasing of a passenger motor vehicle for a period of thirty consecutive calendar days or less, at a rate of nine and thirty-five-hundredths per cent;

(H) With respect to the sale of (i) a motor vehicle for a sales price exceeding fifty thousand dollars, at a rate of seven per cent on the entire sales price, (ii) jewelry, whether real or imitation, for a sales price exceeding five thousand dollars, at a rate of seven per cent on the entire sales price, and (iii) an article of clothing or footwear intended to be worn on or about the human body, a handbag, luggage, umbrella, wallet or watch for a sales price exceeding one thousand dollars, at a rate of seven per cent on the entire sales price. For purposes of this subparagraph, "motor vehicle" has the meaning provided in section 14-1, but does not include a motor vehicle subject to the provisions of subparagraph (C) of this subdivision, a motor vehicle having a gross vehicle weight rating over twelve thousand five hundred pounds, or a motor vehicle having a gross vehicle weight rating of twelve thousand five hundred pounds or less that is not used for private passenger purposes, but is designed or used to transport merchandise, freight or persons in connection with any business enterprise and issued a commercial registration or more specific type of registration by the Department of Motor Vehicles;

(I) The rate of tax imposed by this chapter shall be applicable to all

retail sales upon the effective date of such rate, except that a new rate which represents an increase in the rate applicable to the sale shall not apply to any sales transaction wherein a binding sales contract without an escalator clause has been entered into prior to the effective date of the new rate and delivery is made within ninety days after the effective date of the new rate. For the purposes of payment of the tax imposed under this section, any retailer of services taxable under subparagraph (I) of subdivision (2) of subsection (a) of section 12-407, who computes taxable income, for purposes of taxation under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, on an accounting basis which recognizes only cash or other valuable consideration actually received as income and who is liable for such tax only due to the rendering of such services may make payments related to such tax for the period during which such income is received, without penalty or interest, without regard to when such service is rendered; **[**and**]**

(J) For calendar quarters ending on or after September 30, 2011, the commissioner shall deposit into the regional planning incentive account, established pursuant to section 4-66k, six and seven-tenths per cent of the amounts received by the state from the tax imposed under subparagraph (B) of this subdivision and ten and seven-tenths per cent of the amounts received by the state from the tax imposed under subparagraph (G) of this subdivision; and

(K) For calendar quarters ending on or after December 31, 2015, the commissioner shall deposit into the municipal revenue sharing account established pursuant to section 4-66*l* the amounts received by the state from the municipal revenue tax imposed under this chapter.

Sec. 12. Subdivision (3) of section 12-408 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to sales occurring on or after October 1, 2015*):

(3) (A) For the purpose of adding and collecting the state revenue tax imposed by this chapter, or an amount equal as nearly as possible or practicable to the average equivalent thereof, by the retailer from

the consumer the following bracket system shall be in force and effect as follows:

	Amount of Sale	Amount of Tax
T302	$0.00 to **[**$0.07**]** $0.08 inclusive	No Tax
T303	**[**.08 to .23**]** .09 to .25 inclusive	1 cent
T304	**[**.24 to .39**]** .26 to .42 inclusive	2 cents
T305	**[**.40 to .55**]** .43 to .59 inclusive	3 cents
T306	**[**.56 to .70**]** .60 to .76 inclusive	4 cents
T307	**[**.71 to .86**]** .77 to .94 inclusive	5 cents
T308	**[**.87 to 1.02**]** .95 to 1.11 inclusive	6 cents
T309	**[**1.03 to 1.18 inclusive**]**	**[**7 cents**]**

On all sales above **[**$1.18**]** $1.11, the state revenue tax shall be computed at the rate of **[**six and thirty-five-hundredths**]** five and eighty-five-hundredths per cent.

(B) For the purpose of adding and collecting the municipal revenue tax imposed by this chapter, or an amount equal as nearly as possible or practicable to the average equivalent thereof, by the retailer from the consumer the following bracket system shall be in force and effect as follows:

	Amount of Sale	Amount of Tax
T310		
T311	$0.00 to $0.99 inclusive	No Tax
T312	1.00 to 2.99 inclusive	1 cent

On all sales above $2.99, the municipal revenue tax shall be computed at the rate of one-half of one per cent.

Sec. 13. Subparagraph (A) of subdivision (1) of section 12-411 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to sales occurring on or after October 1, 2015, and to sales of services that are billed to customers for a*

period that includes said October 1, 2015, date):

(1) (A) An excise tax is hereby imposed on the storage, acceptance, consumption or any other use in this state of tangible personal property purchased from any retailer for storage, acceptance, consumption or any other use in this state, the acceptance or receipt of any services constituting a sale in accordance with subdivision (2) of subsection (a) of section 12-407, purchased from any retailer for consumption or use in this state, or the storage, acceptance, consumption or any other use in this state of tangible personal property which has been manufactured, fabricated, assembled or processed from materials by a person, either within or without this state, for storage, acceptance, consumption or any other use by such person in this state, to be measured by the sales price of materials, at the following rates: (i) With respect to the state revenue tax, at the rate of **[**six and thirty-five-hundredths**]** five and eighty-five-hundredths per cent of the sales price of such property or services, and (ii) with respect to the municipal revenue tax, at the rate of one-half of one per cent, except, in lieu of either of said **[**rate of six and thirty-five-hundredths per cent**]** rates;

Sec. 14. Subparagraph (A) of subdivision (1) of section 12-408 of the general statutes, as amended by section 11 of this act, is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to sales occurring on or after July 1, 2016, and to sales of services that are billed to customers for a period that includes said July 1, 2016, date*):

(1) (A) For the privilege of making any sales, as defined in subdivision (2) of subsection (a) of section 12-407, at retail, in this state for a consideration, a state revenue tax and municipal revenue tax is hereby imposed on all retailers at the following rates: (i) With respect to the state revenue tax, at the rate of five and **[**eighty-five-hundredths**]** thirty-five hundredths per cent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail or from the rendering of any services constituting a sale in accordance with subdivision (2) of subsection (a) of section 12-407, and (ii) with respect

to the municipal revenue tax, at a rate of one-half of one per cent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail or from the rendering of any services constituting a sale in accordance with subdivision (2) of subsection (a) of section 12-407 with respect to the municipal revenue tax, except, in lieu of said rates, the rates provided in subparagraphs (B) to (H), inclusive, of this subdivision;

Sec. 15. Subdivision (3) of section 12-408 of the general statutes, as amended by section 12 of this act, is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to sales occurring on or after July 1, 2016*):

(3) (A) For the purpose of adding and collecting the state revenue tax imposed by this chapter, or an amount equal as nearly as possible or practicable to the average equivalent thereof, by the retailer from the consumer the following bracket system shall be in force and effect as follows:

Amount of Sale	Amount of Tax
$0.00 to **[**$0.08**]** $0.09 inclusive	No Tax
[.09 to .25**]** .10 to .28 inclusive	1 cent
[.26 to .42**]** .29 to .46 inclusive	2 cents
[.43 to .59**]** .47 to .65 inclusive	3 cents
[.60 to .76**]** .66 to .84 inclusive	4 cents
[.77 to .94**]** .85 to 1.02 inclusive	5 cents
[.95 to 1.11**]** 1.03 to 1.21 inclusive	6 cents

On all sales above **[**$1.11**]** $1.21, the state revenue tax shall be computed at the rate of five and **[**eighty-five-hundredths**]** thirty-five-hundredths per cent.

(B) For the purpose of adding and collecting the municipal revenue tax imposed by this chapter, or an amount equal as nearly as possible or practicable to the average equivalent thereof, by the retailer from

the consumer the following bracket system shall be in force and effect as follows:

	Amount of Sale	Amount of Tax
T321		
T322	$0.00 to $0.99 inclusive	No Tax
T323	1.00 to 2.99 inclusive	1 cent

On all sales above $2.99, the municipal revenue tax shall be computed at the rate of one-half of one per cent.

Sec. 16. Subparagraph (A) of subdivision (1) of section 12-411 of the general statutes, as amended by section 13 of this act, is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to sales occurring on or after July 1, 2016, and to sales of services that are billed to customers for a period that includes said July 1, 2016, date*):

(1) (A) An excise tax is hereby imposed on the storage, acceptance, consumption or any other use in this state of tangible personal property purchased from any retailer for storage, acceptance, consumption or any other use in this state, the acceptance or receipt of any services constituting a sale in accordance with subdivision (2) of subsection (a) of section 12-407, purchased from any retailer for consumption or use in this state, or the storage, acceptance, consumption or any other use in this state of tangible personal property which has been manufactured, fabricated, assembled or processed from materials by a person, either within or without this state, for storage, acceptance, consumption or any other use by such person in this state, to be measured by the sales price of materials, at the following rates: (i) With respect to the state revenue tax, at the rate of five and **[**eighty-five-hundredths**]** thirty-five-hundredths per cent of the sales price of such property or services, and (ii) with respect to the municipal revenue tax, at the rate of one-half of one per cent, except, in lieu of either of said rates;

Sec. 17. Subsection (c) of section 12-411b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from*

passage and applicable to sales occurring on or after October 1, 2015, and to sales of services that are billed to customers for a period that includes said October 1, 2015, date):

(c) Any agreement entered into under subsection (a) of this section may provide that the contractor and its affiliates shall collect the use tax only on items that are subject to the **[**six and thirty-five-hundredths per cent**]** rate of tax set forth in subparagraph (A) of subdivision (1) of section 12-408, as amended by this act.

Sec. 18. Subdivision (37) of subsection (a) of section 12-407 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes said October 1, 2015, date*):

(37) "Services" for purposes of subdivision (2) of this subsection, means:

(A) Computer and data processing services, including, but not limited to, time, programming, code writing, modification of existing programs, feasibility studies and installation and implementation of software programs and systems even where such services are rendered in connection with the development, creation or production of canned or custom software or the license of custom software; **[**, and exclusive of services rendered in connection with the creation, development hosting or maintenance of all or part of a web site which is part of the graphical, hypertext portion of the Internet, commonly referred to as the World Wide Web;**]**

(B) Credit information and reporting services;

(C) Services by employment agencies and agencies providing personnel services;

(D) Private investigation, protection, patrol work, watchman and armored car services, exclusive of (i) services of off-duty police officers and off-duty firefighters, and (ii) coin and currency services provided

to a financial services company by or through another financial services company. For purposes of this subparagraph, "financial services company" has the same meaning as provided under subparagraphs (A) to (H), inclusive, of subdivision (6) of subsection (a) of section 12-218b, as amended by this act;

(E) Painting and lettering services;

(F) Photographic studio services;

(G) Telephone answering services;

(H) Stenographic services;

(I) Services to industrial, commercial or income-producing real property, including, but not limited to, such services as management, electrical, plumbing, painting and carpentry, provided income-producing property shall not include property used exclusively for residential purposes in which the owner resides and which contains no more than three dwelling units, or a housing facility for low and moderate income families and persons owned or operated by a nonprofit housing organization, as defined in subdivision (29) of section 12-412;

(J) Business analysis, management, management consulting and public relations services, excluding (i) any environmental consulting services, (ii) any training services provided by an institution of higher education licensed or accredited by the Board of Regents for Higher Education or Office of Higher Education pursuant to sections 10a-35a and 10a-34, respectively, and (iii) on and after January 1, 1994, any business analysis, management, management consulting and public relations services when such services are rendered in connection with an aircraft leased or owned by a certificated air carrier or in connection with an aircraft which has a maximum certificated take-off weight of six thousand pounds or more;

(K) Services providing "piped-in" music to business or professional establishments;

(L) Flight instruction and chartering services by a certificated air carrier on an aircraft, the use of which for such purposes, but for the provisions of subdivision (4) of section 12-410 and subdivision (12) of section 12-411, would be deemed a retail sale and a taxable storage or use, respectively, of such aircraft by such carrier;

(M) Motor vehicle repair services, including any type of repair, painting or replacement related to the body or any of the operating parts of a motor vehicle;

(N) Motor vehicle parking, including the provision of space, other than metered space, in a lot having thirty or more spaces, excluding (i) space in a seasonal parking lot provided by a person who is exempt from taxation under this chapter pursuant to subdivision (1), (5) or (8) of section 12-412, (ii) space in a parking lot owned or leased under the terms of a lease of not less than ten years' duration and operated by an employer for the exclusive use of its employees, and (iii) space in municipally-operated railroad parking facilities in municipalities located within an area of the state designated as a severe nonattainment area for ozone under the federal Clean Air Act or space in a railroad parking facility in a municipality located within an area of the state designated as a severe nonattainment area for ozone under the federal Clean Air Act owned or operated by the state on or after April 1, 2000;

(O) Radio or television repair services;

(P) Furniture reupholstering and repair services;

(Q) Repair services to any electrical or electronic device, including, but not limited to, equipment used for purposes of refrigeration or air-conditioning;

(R) Lobbying or consulting services for purposes of representing the interests of a client in relation to the functions of any governmental entity or instrumentality;

(S) Services of the agent of any person in relation to the sale of any

item of tangible personal property for such person, exclusive of the services of a consignee selling works of art, as defined in subsection (b) of section 12-376c, or articles of clothing or footwear intended to be worn on or about the human body other than (i) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except when used for the athletic activity or protective use for which it was designed, and (ii) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body, under consignment, exclusive of services provided by an auctioneer;

(T) Locksmith services;

(U) Advertising or public relations services, including layout, art direction, graphic design, mechanical preparation or production supervision, not related to the development of media advertising or cooperative direct mail advertising;

(V) Landscaping and horticulture services;

(W) Window cleaning services;

(X) Maintenance services;

(Y) Janitorial services;

(Z) Exterminating services;

(AA) Swimming pool cleaning and maintenance services;

(BB) Miscellaneous personal services included in industry group 729 in the Standard Industrial Classification Manual, United States Office of Management and Budget, 1987 edition, or U.S. industry 532220, 812191, 812199 or 812990 in the North American Industrial Classification System United States Manual, United States Office of Management and Budget, 1997 edition, exclusive of (i) services rendered by massage therapists licensed pursuant to chapter 384a, and (ii) services rendered by an electrologist licensed pursuant to chapter

388;

(CC) Any repair or maintenance service to any item of tangible personal property including any contract of warranty or service related to any such item;

(DD) Business analysis, management or managing consulting services rendered by a general partner, or an affiliate thereof, to a limited partnership, provided (i) the general partner, or an affiliate thereof, is compensated for the rendition of such services other than through a distributive share of partnership profits or an annual percentage of partnership capital or assets established in the limited partnership's offering statement, and (ii) the general partner, or an affiliate thereof, offers such services to others, including any other partnership. As used in this subparagraph "an affiliate of a general partner" means an entity which is directly or indirectly owned fifty per cent or more in common with a general partner;

(EE) Notwithstanding the provisions of section 12-412, except subdivision (87) of said section 12-412, patient care services, as defined in subdivision (29) of this subsection by a hospital, except that "sale" and "selling" does not include such patient care services for which payment is received by the hospital during the period commencing July 1, 2001, and ending June 30, 2003;

(FF) Health and athletic club services, exclusive of (i) any such services provided without any additional charge which are included in any dues or initiation fees paid to any such club, which dues or fees are subject to tax under section 12-543, and (ii) any such services provided by a municipality or an organization that is described in Section 501(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;

(GG) Motor vehicle storage services, including storage of motor homes, campers and camp trailers, other than the furnishing of space as described in subparagraph (P) of subdivision (2) of this subsection;

(HH) Packing and crating services, other than those provided in connection with the sale of tangible personal property by the retailer of such property;

(II) Motor vehicle towing and road services, other than motor vehicle repair services;

(JJ) Intrastate transportation services provided by livery services, including limousines, community cars or vans, with a driver. Intrastate transportation services shall not include transportation by taxicab, motor bus, ambulance or ambulette, scheduled public transportation, nonemergency medical transportation provided under the Medicaid program, paratransit services provided by agreement or arrangement with the state or any political subdivision of the state, dial-a-ride services or services provided in connection with funerals;

(KK) Pet grooming and pet boarding services, except if such services are provided as an integral part of professional veterinary services, and pet obedience services;

(LL) Services in connection with a cosmetic medical procedure. For purposes of this subparagraph, "cosmetic medical procedure" means any medical procedure performed on an individual that is directed at improving the individual's appearance and that does not meaningfully promote the proper function of the body or prevent or treat illness or disease. "Cosmetic medical procedure" includes, but is not limited, to cosmetic surgery, hair transplants, cosmetic injections, cosmetic soft tissue fillers, dermabrasion and chemical peel, laser hair removal, laser skin resurfacing, laser treatment of leg veins **[**,**]** and sclerotherapy. "Cosmetic medical procedure" does not include reconstructive surgery. "Reconstructive surgery" includes any surgery performed on abnormal structures caused by or related to congenital defects, developmental abnormalities, trauma, infection, tumors or disease, including procedures to improve function or give a more normal appearance;

(MM) Manicure services, pedicure services and all other nail services, regardless of where performed, including airbrushing, fills,

full sets, nail sculpting, paraffin treatments and polishes;

(NN) Spa services, regardless of where performed, including body waxing and wraps, peels, scrubs and facials; and

(OO) The following professional services: (i) Certified public accountants' services and other accounting services; (ii) architectural services; (iii) engineering services; (iv) drafting services; (v) building inspection services; (vi) geophysical surveying and mapping services; (vii) surveying and mapping services, except geophysical services; (viii) interior design services; (ix) industrial design services and other specialized design services; (x) administrative management and general management consulting services; (xi) human resources consulting services; (xii) marketing consulting services; (xiii) process, physical distribution and logistics consulting services; (xiv) other management consulting services; (xv) other scientific and technical consulting services; (xvi) direct mail advertising; (xvii) advertising material distribution services; (xviii) marketing research and public opinion polling; (xix) translation and interpretation services; (xx) veterinary services; (xxi) all other professional, scientific and technical services having a North American Industrial Classification System code of 541990; (xxii) other gambling industries; (xxiii) golf courses and country clubs; and (xxiv) dry cleaning and laundry services, except coin-operated services.

Sec. 19. Subparagraph (D) of subdivision (1) of section 12-408 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes said date*):

(D) **[**(i) With respect to the sales of computer and data processing services occurring on or after July 1, 1997, and prior to July 1, 1998, at the rate of five per cent, on or after July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent, on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per cent, on or after July 1, 2001,

at the rate of one per cent, and (ii) with**]** With respect to sales of Internet access services, on and after July 1, 2001, such services shall be exempt from such tax;

Sec. 20. Subparagraph (E) of subdivision (1) of section 12-411 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes said date*):

(E) **[**(i) With respect to the acceptance or receipt in this state of computer and data processing services purchased from any retailer for consumption or use in this state occurring on or after July 1, 1997, and prior to July 1, 1998, at the rate of five per cent of such services, on or after July 1, 1998, and prior to July 1, 1999, at the rate of four per cent of such services, on or after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent of such services, on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per cent of such services, on and after July 1, 2001, at the rate of one per cent of such services, and (ii) with**]** With respect to the acceptance or receipt in this state of Internet access services, on or after July 1, 2001, such services shall be exempt from tax;

Sec. 21. Section 12-407e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) (1) From the third Sunday in August until the Saturday next succeeding, inclusive, during the period beginning July 1, 2004, and ending June 30, 2015, the provisions of this chapter shall not apply to sales of any article of clothing or footwear intended to be worn on or about the human body the cost of which article to the purchaser is less than three hundred dollars.

(2) On and after July 1, 2015, from the third Sunday in August until the Saturday next succeeding, inclusive, the provisions of this chapter shall not apply to sales of any article of clothing or footwear intended to be worn on or about the human body, the cost of which article to the

purchaser is less than one hundred dollars.

(b) For the purposes of this section, clothing or footwear shall not include (1) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except when used for the athletic activity or protective use for which it was designed, and (2) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption under this section.

Sec. 22. Subdivision (4) of subsection (a) of section 12-217 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(4) Notwithstanding **[**anything in**]** any provision of this section to the contrary, (A) any excess of the deductions provided in this section for any income year commencing on or after January 1, 1973, over the gross income for such year or the amount of such excess apportioned to this state under the provisions of section 12-218, as amended by this act, shall be an operating loss of such income year and shall be deductible as an operating loss carry-over for operating losses incurred prior to income years commencing January 1, 2000, in each of the five income years following such loss year, and for operating losses incurred in income years commencing on or after January 1, 2000, in each of the twenty income years following such loss year, **[**provided**]** except that (i) for income years commencing prior to January 1, 2015, the portion of such operating loss which may be deducted as an operating loss carry-over in any income year following such loss year shall be limited to the lesser of **[**(i)**]** (I) any net income greater than zero of such income year following such loss year, or in the case of a company entitled to apportion its net income under the provisions of section 12-218, as amended by this act, the amount of such net income which is apportioned to this state pursuant thereto, or **[**(ii)**]** (II) the excess, if any, of such operating loss over the total of such net income for each of any prior income years following such loss year, such net

income of each of such prior income years following such loss year for such purposes being computed without regard to any operating loss carry-over from such loss year allowed **[**by**]** under this subparagraph and being regarded as not less than zero, and provided **[**,**]** further **[**,**]** the operating loss of any income year shall be deducted in any subsequent year, to the extent available **[**therefor**]** for such deduction, before the operating loss of any subsequent income year is deducted, and (ii) for income years commencing on or after January 1, 2015, the portion of such operating loss which may be deducted as an operating loss carry-over in any income year following such loss year shall be limited to the lesser of (I) fifty per cent of net income of such income year following such loss year, or in the case of a company entitled to apportion its net income under the provisions of section 12-218, as amended by this act, fifty per cent of such net income which is apportioned to this state pursuant thereto, or (II) the excess, if any, of such operating loss over the operating loss deductions allowable with respect to such operating loss under this subparagraph for each of any prior income years following such loss year, such net income of each of such prior income years following such loss year for such purposes being computed without regard to any operating loss carry-over from such loss year allowed under this subparagraph and being regarded as not less than zero, and provided further the operating loss of any income year shall be deducted in any subsequent year, to the extent available for such deduction, before the operating loss of any subsequent income year is deducted, and (B) any net capital loss, as defined in the Internal Revenue Code effective and in force on the last day of the income year, for any income year commencing on or after January 1, 1973, shall be allowed as a capital loss carry-over to reduce, but not below zero, any net capital gain, as so defined, in each of the five following income years, in order of sequence, to the extent not exhausted by the net capital gain of any of the preceding of such five following income years, and (C) any net capital losses allowed and carried forward from prior years to income years beginning on or after January 1, 1973, for federal income tax purposes by companies entitled to a deduction for dividends paid under the Internal Revenue Code

other than companies subject to the gross earnings taxes imposed under chapters 211 and 212, shall be allowed as a capital loss carry-over.

Sec. 23. Section 12-217zz of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Notwithstanding any other provision of law, and except as otherwise provided in subsection (b) of this section, the amount of tax credit or credits otherwise allowable against the tax imposed under this chapter **[**for**]** shall be as follows:

(1) For any income year commencing on or after January 1, 2002, and prior to January 1, 2015, the amount of tax credit or credits otherwise allowable shall not exceed seventy per cent of the amount of tax due from such taxpayer under this chapter with respect to any such income year of the taxpayer prior to the application of such credit or credits; **[**.**]**

(2) For any income year commencing on or after January 1, 2015, the amount of tax credit or credits otherwise allowable shall not exceed fifty and one one-hundredths per cent of the amount of tax due from such taxpayer under this chapter with respect to any such income year of the taxpayer prior to the application of such credit or credits.

(b) (1) For an income year commencing on or after January 1, 2011, and prior to January 1, 2013, the amount of tax credit or credits otherwise allowable against the tax imposed under this chapter for such income year may exceed the amount specified in subsection (a) of this section only by the amount computed under subparagraph (A) of subdivision (2) of this subsection, provided in no event may the amount of tax credit or credits otherwise allowable against the tax imposed under this chapter for such income year exceed one hundred per cent of the amount of tax due from such taxpayer under this chapter with respect to such income year of the taxpayer prior to the application of such credit or credits.

(2) (A) The taxpayer's average monthly net employee gain for an income year shall be multiplied by six thousand dollars.

(B) The taxpayer's average monthly net employee gain for an income year shall be computed as follows: For each month in the taxpayer's income year, the taxpayer shall subtract from the number of its employees in this state on the last day of such month the number of its employees in this state on the first day of its income year. The taxpayer shall total the differences for the twelve months in such income year, and such total, when divided by twelve, shall be the taxpayer's average monthly net employee gain for the income year. For purposes of this computation, only employees who are required to work at least thirty-five hours per week and only employees who were not employed in this state by a related person, as defined in section 12-217ii, within the twelve months prior to the first day of the income year may be taken into account in computing the number of employees.

(C) If the taxpayer's average monthly net employee gain is zero or less than zero, the taxpayer may not exceed the seventy per cent limit imposed under subsection (a) of this section.

Sec. 24. Section 12-263b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) For each calendar quarter commencing on or after July 1, 2011, there is hereby imposed a tax on the net patient revenue of each hospital in this state to be paid each calendar quarter. The rate of such tax shall be up to the maximum rate allowed under federal law. The Commissioner of Social Services shall determine the base year on which such tax shall be assessed. The Commissioner of Social Services may, in consultation with the Secretary of the Office of Policy and Management and in accordance with federal law, exempt a hospital from the tax on payment earned for the provision of outpatient services based on financial hardship. Effective July 1, 2012, and for the succeeding fifteen months, the rates of such tax, the base year on which such tax shall be assessed, and the hospitals exempt from the

outpatient portion of the tax based on financial hardship shall be the same tax rates, base year and outpatient exemption for hardship in effect on January 1, 2012.

(b) Each hospital shall, on or before the last day of January, April, July and October of each year, render to the Commissioner of Revenue Services a return, on forms prescribed or furnished by the Commissioner of Revenue Services and signed by one of its principal officers, stating specifically the name and location of such hospital, and the amount of its net patient revenue as determined by the Commissioner of Social Services. Payment shall be made with such return. Each hospital shall file such return electronically with the department and make such payment by electronic funds transfer in the manner provided by chapter 228g, irrespective of whether the hospital would otherwise have been required to file such return electronically or to make such payment by electronic funds transfer under the provisions of chapter 228g.

(c) Notwithstanding any other provision of law, for each calendar quarter commencing on or after July 1, 2015, the amount of tax credit or credits otherwise allowable against the tax imposed under this chapter shall not exceed fifty and one one-hundredths per cent of the amount of tax due from such hospital under this chapter with respect to such calendar quarter prior to the application of such credit or credits.

Sec. 25. Subsection (b) of section 12-284b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(b) Each limited liability company, limited liability partnership, limited partnership and S corporation shall be liable for the tax imposed by this section for each taxable year or portion thereof that such company, partnership or corporation is an affected business entity. (1) For taxable years commencing prior to January 1, 2013, each affected business entity shall annually, on or before the fifteenth day of the fourth month following the close of its taxable year, pay to the

Commissioner of Revenue Services a tax in the amount of two hundred fifty dollars. (2) For taxable years commencing on or after January 1, 2013, and prior to January 1, 2015, each affected business entity shall, on or before the fifteenth day of the fourth month following the close of every other taxable year, pay to the Commissioner of Revenue Services a tax in the amount of two hundred fifty dollars. (3) For taxable years commencing on or after January 1, 2015, each affected business entity shall, on or before the fifteenth day of the fourth month following the close of every other taxable year, pay to the Commissioner of Revenue Services a tax in the amount of one hundred twenty-five dollars.

Sec. 26. Subsection (a) of section 34-38n of the general statutes, as amended by section 14 of public act 14-154, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(a) The Secretary of the State shall receive, for filing any document or certificate required to be filed under sections 34-10, 34-13a, 34-13e, 34-32, 34-32a, 34-32c, 34-38g and 34-38s, the following fees: (1) For reservation or cancellation of reservation of name, sixty dollars; (2) for a certificate of limited partnership and appointment of statutory agent, one hundred twenty dollars; (3) for a certificate of amendment, one hundred twenty dollars; (4) for a certificate of merger or consolidation, sixty dollars; (5) for a certificate of registration, one hundred twenty dollars; (6) for a change of agent or change of address of agent, twenty dollars; (7) for a certificate of reinstatement, one hundred twenty dollars; and (8) for an annual report, **[**twenty**]** one hundred dollars.

Sec. 27. Subsection (a) of section 34-112 of the general statutes, as amended by section 16 of public act 14-154, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(a) Fees for filing documents and issuing certificates: (1) Filing application to reserve a limited liability company name or to cancel a reserved limited liability company name, sixty dollars; (2) filing transfer of reserved limited liability company name, sixty dollars; (3) filing articles of organization, including appointment of statutory

agent, one hundred twenty dollars; (4) filing change of address of statutory agent or change of statutory agent, fifty dollars; (5) filing notice of resignation of statutory agent in duplicate, fifty dollars; (6) filing amendment to articles of organization, one hundred twenty dollars; (7) filing restated articles of organization, one hundred twenty dollars; (8) filing articles of merger or consolidation, sixty dollars; (9) filing certificate of reinstatement, one hundred twenty dollars; (10) filing application by a foreign limited liability company for certificate of registration to transact business in this state and issuing certificate of registration, one hundred twenty dollars; (11) filing application of foreign limited liability company for amended certificate of registration to transact business in this state and issuing amended certificate of registration, one hundred twenty dollars; (12) filing an annual report, **[**twenty**]** one hundred dollars; and (13) filing an interim notice of change of manager or member, twenty dollars.

Sec. 28. Subsection (a) of section 34-413 of the general statutes, as amended by section 21 of public act 14-154, is repealed and the following is substituted in lieu thereof (*Effective October 1, 2015*):

(a) Fees for filing documents and processing certificates: (1) Filing application to reserve a registered limited liability partnership name or to cancel a reserved limited liability partnership name, sixty dollars; (2) filing transfer of reserved registered limited liability partnership name, sixty dollars; (3) filing change of address of statutory agent or change of statutory agent, fifty dollars; (4) filing certificate of limited liability partnership, one hundred twenty dollars; (5) filing amendment to certificate of limited liability partnership, one hundred twenty dollars; (6) filing certificate of authority to transact business in this state, including appointment of statutory agent, one hundred twenty dollars; (7) filing amendment to certificate of authority to transact business in this state, one hundred twenty dollars; (8) filing an annual report, **[**twenty**]** one hundred dollars; (9) filing statement of merger, sixty dollars; and (10) filing certificate of reinstatement, one hundred twenty dollars.

Sec. 29. Subsection (c) of section 4-28e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(c) (1) For the fiscal year ending June 30, 2001, disbursements from the Tobacco Settlement Fund shall be made as follows: (A) To the General Fund in the amount identified as "Transfer from Tobacco Settlement Fund" in the General Fund revenue schedule adopted by the General Assembly; (B) to the Department of Mental Health and Addiction Services for a grant to the regional action councils in the amount of five hundred thousand dollars; and (C) to the Tobacco and Health Trust Fund in an amount equal to nineteen million five hundred thousand dollars.

(2) For **[**the fiscal year**]** each of the fiscal years ending June 30, 2002, **[**and each fiscal year thereafter**]** to June 30, 2015, inclusive, disbursements from the Tobacco Settlement Fund shall be made as follows: (A) To the Tobacco and Health Trust Fund in an amount equal to twelve million dollars, except in the fiscal years ending June 30, 2014, and June 30, 2015, said disbursement shall be in an amount equal to six million dollars; (B) to the Biomedical Research Trust Fund in an amount equal to four million dollars; (C) to the General Fund in the amount identified as "Transfer from Tobacco Settlement Fund" in the General Fund revenue schedule adopted by the General Assembly; and (D) any remainder to the Tobacco and Health Trust Fund.

(3) For the fiscal years ending June 30, 2016, and June 30, 2017, disbursements from the Tobacco Settlement Fund shall be made as follows: (A) To the General Fund in the amount identified as "Transfer from Tobacco Settlement Fund" in the General Fund revenue schedule adopted by the General Assembly; (B) to the Biomedical Research Trust Fund in an amount equal to four million dollars; and (C) any remainder to the Tobacco and Health Trust Fund.

(4) For the fiscal year ending June 30, 2018, and each fiscal year thereafter, disbursements from the Tobacco Settlement Fund shall be made as follows: (A) To the Tobacco and Health Trust Fund in an

amount equal to six million dollars; (B) to the Biomedical Research Trust Fund in an amount equal to four million dollars; (C) to the General Fund in the amount identified as "Transfer from Tobacco Settlement Fund" in the General Fund revenue schedule adopted by the General Assembly; and (D) any remainder to the Tobacco and Health Trust Fund.

[(3)**]** (5) For each of the fiscal years ending June 30, 2008, to June 30, 2012, inclusive, the sum of ten million dollars shall be disbursed from the Tobacco Settlement Fund to the Regenerative Medicine Research Fund established by section 32-41kk for grants-in-aid to eligible institutions for the purpose of conducting embryonic or human adult stem cell research.

[(4)**]** (6) For each of the fiscal years ending June 30, 2016, to June 30, 2025, inclusive, the sum of ten million dollars shall be disbursed from the Tobacco Settlement Fund to the smart start competitive grant account established by section 10-507 for grants-in-aid to towns for the purpose of establishing or expanding a preschool program under the jurisdiction of the board of education for the town, except that in the fiscal year ending June 30, 2016, said disbursement shall be in an amount equal to five million dollars.

Sec. 30. Section 13b-61c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) For the fiscal year ending June 30, 2010, the Comptroller shall transfer the sum of seventy-one million two hundred thousand dollars from the resources of the General Fund to the Special Transportation Fund.

(b) For the fiscal year ending June 30, 2011, the Comptroller shall transfer the sum of one hundred seven million five hundred fifty thousand dollars from the resources of the General Fund to the Special Transportation Fund.

(c) For the fiscal year ending June 30, 2012, the Comptroller shall

transfer the sum of eighty-one million five hundred fifty thousand dollars from the resources of the General Fund to the Special Transportation Fund.

(d) For the fiscal year ending June 30, 2013, the Comptroller shall transfer the sum of ninety-five million two hundred forty-five thousand dollars from the resources of the General Fund to the Special Transportation Fund.

(e) For the fiscal year ending June 30, 2016, the Comptroller shall transfer the sum of one hundred fifty-two million eight hundred thousand dollars from the resources of the General Fund to the Special Transportation Fund.

(f) For the fiscal year ending June 30, 2017, **[**and annually thereafter,**]** the Comptroller shall transfer the sum of **[**one hundred sixty-two million eight hundred thousand**]** one hundred thirty-seven million eight hundred thousand dollars from the resources of the General Fund to the Special Transportation Fund.

(g) For the fiscal year ending June 30, 2018, the Comptroller shall transfer the sum of two hundred seventy-four million eight hundred thousand dollars from the resources of the General Fund to the Special Transportation Fund.

(h) For the fiscal year ending June 30, 2019, the Comptroller shall transfer the sum of four hundred seventeen million eight hundred thousand dollars from the resources of the General Fund to the Special Transportation Fund.

(i) For the fiscal year ending June 30, 2020, and annually thereafter, the Comptroller shall transfer the sum of five hundred sixty-two million eight hundred thousand dollars from the resources of the General Fund to the Special Transportation Fund.

Sec. 31. Section 4-66aa of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) There is established, within the General Fund, a separate, nonlapsing account to be known as the "community investment account". The account shall contain any moneys required by law to be deposited in the account. The funds in the account shall be distributed every three months as follows: (1) Ten dollars of each fee credited to said account shall be deposited into the agriculture sustainability account established pursuant to section 4-66cc and, then, of the remaining funds, (2) twenty-five per cent to the Department of Economic and Community Development to use as follows: (A) Two hundred thousand dollars, annually, to supplement the technical assistance and preservation activities of the Connecticut Trust for Historic Preservation, established pursuant to special act 75-93, and (B) the remainder to supplement historic preservation activities as provided in sections 10-409 to 10-415, inclusive; (3) twenty-five per cent to the Department of Housing to supplement new or existing affordable housing programs; (4) twenty-five per cent to the Department of Energy and Environmental Protection for municipal open space grants; and (5) twenty-five per cent to the Department of Agriculture to use as follows: (A) Five hundred thousand dollars annually for the agricultural viability grant program established pursuant to section 22-26j; (B) five hundred thousand dollars annually for the farm transition program established pursuant to section 22-26k; (C) one hundred thousand dollars annually to encourage the sale of Connecticut-grown food to schools, restaurants, retailers and other institutions and businesses in the state; (D) seventy-five thousand dollars annually for the Connecticut farm link program established pursuant to section 22-26*l*; (E) forty-seven thousand five hundred dollars annually for the Seafood Advisory Council established pursuant to section 22-455; (F) forty-seven thousand five hundred dollars annually for the Connecticut Farm Wine Development Council established pursuant to section 22-26c; (G) twenty-five thousand dollars annually to the Connecticut Food Policy Council established pursuant to section 22-456; and (H) the remainder for farmland preservation programs pursuant to chapter 422. Each agency receiving funds under this section may use not more than ten per cent of such

funds for administration of the programs for which the funds were provided.

(b) Notwithstanding the provisions of subsection (a) of this section, from January 1, 2016, until June 30, 2017, fifty per cent of the funds in the community investment account established pursuant to said subsection shall be distributed every three months to the General Fund.

Sec. 32. (*Effective from passage*) Notwithstanding any provision of the general statutes, on or before October 1, 2015, the sum of $2,500,000 shall be transferred from the private occupational school student protection account, established under section 10a-22u of the general statutes, and credited to the resources of the General Fund for the fiscal year ending June 30, 2016.

Sec. 33. (*Effective July 1, 2015*) Notwithstanding the provisions of subsection (b) of section 16-331bb of the general statutes, the sum of $3,000,000 shall be transferred from the municipal video competition trust account and credited to the resources of the General Fund for the fiscal year ending June 30, 2016, and each fiscal year thereafter.

Sec. 34. Subsection (a) of section 21a-408d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) Each qualifying patient who is issued a written certification for the palliative use of marijuana under subdivision (1) of subsection (a) of section 21a-408a, and the primary caregiver of such qualifying patient, shall register with the Department of Consumer Protection. Such registration shall be effective from the date the Department of Consumer Protection issues a certificate of registration until the expiration of the written certification issued by the physician. The qualifying patient and the primary caregiver shall provide sufficient identifying information, as determined by the department, to establish the personal identity of the qualifying patient and the primary caregiver. The qualifying patient or the primary caregiver shall report

any change in such information to the department not later than five business days after such change. The department shall issue a registration certificate to the qualifying patient and to the primary caregiver and may charge a reasonable fee, not to exceed twenty-five dollars, for each registration certificate issued under this subsection. Any registration fees collected by the department under this subsection shall be paid to the State Treasurer and credited to the **[**account established pursuant to section 21a-408q**]** General Fund.

Sec. 35. Subsection (c) of section 21a-408h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(c) Any fees collected by the Department of Consumer Protection under this section shall be paid to the State Treasurer and credited to the **[**account established pursuant to section 21a-408q**]** General Fund.

Sec. 36. Subsection (c) of section 21a-408i of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(c) Any fees collected by the Department of Consumer Protection under this section shall be paid to the State Treasurer and credited to the **[**account established pursuant to section 21a-408q**]** General Fund.

Sec. 37. Subsection (b) of section 21a-408m of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(b) The Commissioner of Consumer Protection shall adopt regulations, in accordance with chapter 54, to establish a reasonable fee to be collected from each qualifying patient to whom a written certification for the palliative use of marijuana is issued under subdivision (1) of subsection (a) of section 21a-408a, for the purpose of offsetting the direct and indirect costs of administering the provisions of sections 21a-408 to 21a-408n, inclusive. The commissioner shall collect such fee at the time the qualifying patient registers with the

Department of Consumer Protection under subsection (a) of section 21a-408d, as amended by this act. Such fee shall be in addition to any registration fee that may be charged under said subsection. The fees required to be collected by the commissioner from qualifying patients under this subsection shall be paid to the State Treasurer and credited to the **[**account established pursuant to section 21a-408q**]** General Fund.

Sec. 38. Section 30-22 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) A restaurant permit shall allow the retail sale of alcoholic liquor to be consumed on the premises of a restaurant. A restaurant patron shall be allowed to remove one unsealed bottle of wine for off-premises consumption provided the patron has purchased such bottle of wine at such restaurant and has purchased a full course meal at such restaurant and consumed a portion of the bottle of wine with such meal on such restaurant premises. For the purposes of this section, "full course meal" means a diversified selection of food which ordinarily cannot be consumed without the use of tableware and which cannot be conveniently consumed while standing or walking. A restaurant permit, with prior approval of the Department of Consumer Protection, shall allow alcoholic liquor to be served at tables in outside areas which are screened or not screened from public view where permitted by fire, zoning and health regulations. If not required by fire, zoning or health regulations, a fence or wall enclosing such outside areas shall not be required by the Department of Consumer Protection. No fence or wall used to enclose such outside areas shall be less than thirty inches high. Such permit shall also authorize the sale at retail from the premises of sealed containers supplied by the permittee of draught beer for consumption off the premises. Such sales shall be conducted only during the hours a package store is permitted to sell alcoholic liquor under the provisions of subsection (d) of section 30-91. Not more than four liters of such beer shall be sold to any person on any day on which the sale of alcoholic liquor is authorized under the provisions of subsection (d) of section 30-91. The annual fee for a

restaurant permit shall be one thousand four hundred fifty dollars.

(b) A restaurant permit for beer shall allow the retail sale of beer and of cider not exceeding six per cent of alcohol by volume to be consumed on the premises of a restaurant. Such permit shall also authorize the sale at retail from the premises of sealed containers supplied by the permittee of draught beer for consumption off the premises. Such sales shall be conducted only during the hours a package store is permitted to sell alcoholic liquor under the provisions of subsection (d) of section 30-91. Not more than four liters of such beer shall be sold to any person on any day on which the sale of alcoholic liquor is authorized under the provisions of subsection (d) of section 30-91. The annual fee for a restaurant permit for beer shall be three hundred dollars.

(c) A restaurant permit for wine and beer shall allow the retail sale of wine and beer and of cider not exceeding six per cent of alcohol by volume to be consumed on the premises of the restaurant. A restaurant patron may remove one unsealed bottle of wine for off-premises consumption provided the patron has purchased a full course meal and consumed a portion of the bottle of wine with such meal on the restaurant premises. Such permit shall also authorize the sale at retail from the premises of sealed containers supplied by the permittee of draught beer for consumption off the premises. Such sales shall be conducted only during the hours a package store is permitted to sell alcoholic liquor under the provisions of subsection (d) of section 30-91. Not more than four liters of such beer shall be sold to any person on any day on which the sale of alcoholic liquor is authorized under the provisions of subsection (d) of section 30-91. The annual fee for a restaurant permit for wine and beer shall be seven hundred dollars.

(d) Repealed by P.A. 77-112, S. 1.

(e) A partially consumed bottle of wine that is to be removed from the premises pursuant to subsection (a) or (c) of this section shall be securely sealed and placed in a bag by the permittee or permittee's agent or employee prior to removal from the premises.

(f) "Restaurant" means space, in a suitable and permanent building, kept, used, maintained, advertised and held out to the public to be a place where hot meals are regularly served, but which has no sleeping accommodations for the public and which shall be provided with an adequate and sanitary kitchen and dining room and employs at all times an adequate number of employees.

Sec. 39. Section 30-22a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) A cafe permit shall allow the retail sale of alcoholic liquor to be consumed on the premises of a cafe. Premises operated under a cafe permit shall regularly keep food available for sale to its customers for consumption on the premises. The availability of sandwiches, soups or other foods, whether fresh, processed, precooked or frozen, shall be deemed compliance with this requirement. The licensed premises shall at all times comply with all the regulations of the local department of health. Nothing herein shall be construed to require that any food be sold or purchased with any liquor, nor shall any rule, regulation or standard be promulgated or enforced requiring that the sale of food be substantial or that the receipts of the business other than from the sale of liquor equal any set percentage of total receipts from sales made therein. A cafe permit shall allow, with the prior approval of the Department of Consumer Protection, alcoholic liquor to be served at tables in outside areas that are screened or not screened from public view where permitted by fire, zoning and health regulations. If not required by fire, zoning or health regulations, a fence or wall enclosing such outside areas shall not be required by the Department of Consumer Protection. No fence or wall used to enclose such outside areas shall be less than thirty inches high. Such permit shall also authorize the sale at retail from the premises of sealed containers supplied by the permittee of draught beer for consumption off the premises. Such sales shall be conducted only during the hours a package store is permitted to sell alcoholic liquor under the provisions of subsection (d) of section 30-91. Not more than four liters of such beer shall be sold to any person on any day on which the sale of

alcoholic liquor is authorized under the provisions of subsection (d) of section 30-91. The annual fee for a cafe permit shall be two thousand dollars.

(b) (1) A cafe patron may remove one unsealed bottle of wine for off-premises consumption provided the patron has purchased a full course meal and consumed a portion of the wine with such meal on the cafe premises. For purposes of this section, "full course meal" means a diversified selection of food which ordinarily cannot be consumed without the use of tableware and which cannot be conveniently consumed while standing or walking.

(2) A partially consumed bottle of wine that is to be removed from the premises pursuant to this subsection shall be securely sealed and placed in a bag by the permittee or the permittee's agent or employee prior to removal from the premises.

(c) As used in this section, "cafe" means space in a suitable and permanent building, kept, used, maintained, advertised and held out to the public to be a place where alcoholic liquor and food is served for sale at retail for consumption on the premises but which does not necessarily serve hot meals; it shall have no sleeping accommodations for the public and need not necessarily have a kitchen or dining room but shall have employed therein at all times an adequate number of employees.

Sec. 40. Section 30-26 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

A tavern permit shall allow the retail sale of beer and of cider not exceeding six per cent of alcohol by volume and wine to be consumed on the premises of a tavern with or without the sale of food. "Tavern" means a place where beer and wine are sold under a tavern permit. Such permit shall also authorize the sale at retail from the premises of sealed containers supplied by the permittee of draught beer for consumption off the premises. Such sales shall be conducted only during the hours a package store is permitted to sell alcoholic liquor

under the provisions of subsection (d) of section 30-91. Not more than four liters of such beer shall be sold to any person on any day on which the sale of alcoholic liquor is authorized under the provisions of subsection (d) of section 30-91. The annual fee for a tavern permit shall be three hundred dollars.

Sec. 41. Section 12-801 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

As used in **[**sections**]** section 12-563a, **[**and**]** sections 12-800 to 12-818, inclusive, and section 43 of this act, the following terms shall have the following meanings unless the context clearly indicates another meaning:

(1) "Board" or "board of directors" means the board of directors of the corporation;

(2) "Corporation" means the Connecticut Lottery Corporation as created under section 12-802;

(3) "Division" means the former Division of Special Revenue in the Department of Revenue Services;

(4) "Lottery" means (A) the Connecticut state lottery conducted prior to the transfer authorized under section 12-808 by the Division of Special Revenue, (B) after such transfer, the Connecticut state lottery conducted by the corporation pursuant to sections 12-563a and 12-800 to 12-818, inclusive, **[**and**]** (C) the state lottery referred to in subsection (a) of section 53-278g, and (D) keno conducted by the corporation pursuant to section 43 of this act;

(5) "Keno" means a lottery game in which a subset of numbers are drawn from a larger field of numbers by a central computer system using an approved random number generator, wheel system device or other drawing device. "Keno" does not include a game operated on a video facsimile machine;

[(5)**]** (6) "Lottery fund" means a fund or funds established by, and

under the management and control of, the corporation, into which all lottery revenues of the corporation are deposited, from which all payments and expenses of the corporation are paid and from which transfers to the General Fund are made pursuant to section 12-812; and

[(6)**]** (7) "Operating revenue" means total revenue received from lottery sales less all cancelled sales and amounts paid as prizes but before payment or provision for payment of any other expenses.

Sec. 42. Subdivision (4) of subsection (b) of section 12-806 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(4) To introduce new lottery games, modify existing lottery games, utilize existing and new technologies, determine distribution channels for the sale of lottery tickets, introduce keno pursuant to signed agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut, in accordance with section 43 of this act, and, to the extent specifically authorized by regulations adopted by the Department of Consumer Protection pursuant to chapter 54, introduce instant ticket vending machines, kiosks and automated wagering systems or machines, with all such rights being subject to regulatory oversight by the Department of Consumer Protection, except that the corporation shall not offer any interactive on-line lottery games, including on-line video lottery games for promotional purposes;

Sec. 43. (NEW) (*Effective July 1, 2015*) Notwithstanding the provisions of section 3-6c of the general statutes, the Secretary of the Office of Policy and Management, on behalf of the state of Connecticut, may enter into separate agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut concerning the operation of keno by the Connecticut Lottery Corporation in the state of Connecticut. The corporation may not operate keno until such separate agreements are effective.

Sec. 44. (NEW) (*Effective July 1, 2015*) The Connecticut Lottery

Corporation shall exclusively operate and manage the sale of lottery games in the state of Connecticut except on the reservations of the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut.

Sec. 45. Section 12-692 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) For purposes of this section:

(1) "Passenger motor vehicle" means a passenger vehicle, which is rented without a driver and which is part of a motor vehicle fleet of five or more passenger motor vehicles that are used for rental purposes by a rental company.

(2) "Rental truck" means a (A) vehicle rented without a driver that has a gross vehicle weight rating of twenty-six thousand pounds or less and is used in the transportation of personal property but not for business purposes, or (B) trailer that has a gross vehicle weight rating of not more than six thousand pounds.

(3) "Rental company" means any business entity that is engaged in the business of renting passenger motor vehicles, rental trucks without a driver or machinery in this state to lessees and that uses for rental purposes a motor vehicle fleet of five or more passenger motor vehicles, rental trucks or pieces of machinery in this state, but does not mean any person, firm or corporation that is licensed, or required to be licensed, pursuant to section 14-52, (A) as a new car dealer, repairer or limited repairer, or (B) as a used car dealer that is not primarily engaged in the business of renting passenger motor vehicles or rental trucks without a driver in this state to lessees. "Rental company" does not include a business entity with total annual rental income, excluding retail or wholesale sales or rental equipment, that is less than fifty-one per cent of the total revenue of the business entity in a given taxable year.

(4) "Lessee" means any person who leases a passenger motor

vehicle, rental truck or machinery from a rental company for such person's own use and not for rental to others.

(5) "Machinery" means **[**heavy**]** all equipment **[**without an operator that may be used for construction, mining or forestry, including, but not limited to, bulldozers, earthmoving equipment, well-drilling machinery and equipment or cranes**]** owned by a rental company.

(b) There is hereby imposed a three per cent surcharge on each passenger motor vehicle or rental truck rented within the state by a rental company to a lessee for a period of less than thirty-one days. The rental surcharge shall be imposed on the total amount the rental company charges the lessee for the rental of a motor vehicle. Such surcharge shall be in addition to any tax otherwise applicable to any such transaction and shall be includable in the measure of the sales and use taxes imposed under chapter 219.

(c) There is hereby imposed a one and one-half per cent surcharge on machinery rented within the state by a rental company to a lessee for a period of less than **[**thirty-one**]** three hundred sixty-five days. The rental surcharge shall be imposed on the total amount the rental company charges the lessee for the rental of the machinery. Such surcharge shall be in addition to any tax otherwise applicable to any such transaction, and shall be includable in the measure of the sales and use taxes imposed under chapter 219. **[**For purposes of this subsection, such period shall commence on the date any such machinery is rented to the lessee, and terminate on the date such machinery is returned to the rental company.**]**

(d) Reimbursement for the surcharge imposed by subsections (b) and (c) of this section shall be collected by the rental company from the lessee and such surcharge reimbursement, termed "surcharge" in this subsection, shall be paid by the lessee to the rental company and each rental company shall collect from the lessee the full amount of the surcharge imposed by said subsections (b) and (c). Such surcharge shall be a debt from the lessee to the rental company, when so added to the original lease or rental price, and shall be recoverable at law in

the same manner as other debts. The rental contract shall separately indicate the rental surcharge imposed on each passenger motor vehicle, truck rental or piece of machinery. The rental surcharge shall, subject to the provisions of subsection (e) of this section, be retained by the rental company.

(e) (1) On or before February 15, 1997, and the fifteenth of February annually thereafter, each rental company shall file a consolidated report with the Commissioner of Revenue Services detailing the aggregate amount of personal property tax that is actually paid by such company to a Connecticut municipality or municipalities during the preceding calendar year on passenger motor vehicles, rental trucks or pieces of machinery that are used for rental purposes by such company, the aggregate amount of registration and titling fees that are actually paid by such company to the Department of Motor Vehicles of this state during the preceding calendar year on passenger motor vehicles, rental trucks or pieces of machinery that are used for rental purposes by such company and the aggregate amount of the rental surcharge that is actually received, pursuant to this section, by such company during the preceding calendar year on passenger motor vehicles, rental trucks or pieces of machinery that are used for rental purposes by such company. The report shall also show such other information as the commissioner deems necessary for the proper administration of this section.

(2) On or before February 15, 1997, and the fifteenth of February annually thereafter, each rental company shall remit to the Commissioner of Revenue Services for deposit in the General Fund, the amount by which the aggregate amount of the rental surcharge actually received by such company on such vehicles or machinery during the preceding calendar year exceeds the sum of the aggregate amount of property taxes actually paid by such company on such vehicles or machinery to a Connecticut municipality or municipalities during the preceding calendar year and the aggregate amount of registration and titling fees actually paid by such company on such vehicles or machinery to the Department of Motor Vehicles of this state

during the preceding calendar year.

(3) For purposes of this subsection, in the case of any rental company that leases a passenger motor vehicle, rental truck or piece of machinery from another person and that uses such vehicle or machinery for rental purposes and such lease requires such rental company to pay the registration and titling fees and the property taxes to such other person, the rental company shall include (A) in the aggregate amount of registration and titling fees actually paid by such rental company to the Department of Motor Vehicles of this state, any such registration and titling fees actually paid by such rental company to such other person on such passenger motor vehicle, rental truck or piece of machinery, and (B) in the aggregate amount of property taxes actually paid by such rental company to a Connecticut municipality or municipalities, any such property taxes actually paid by such rental company to such other person on such passenger motor vehicle or vehicles, rental truck or trucks or one or more pieces of machinery.

(f) Any person who fails to pay any amount required to be paid to the Commissioner of Revenue Services under this section within the time required shall pay a penalty of fifteen per cent of such amount or fifty dollars, whichever amount is greater, in addition to such amount, plus interest at the rate of one per cent per month or fraction thereof from the due date of such amount until the date of payment. Subject to the provisions of section 12-3a, the commissioner may waive all or any part of the penalties provided under this section when it is proven to the satisfaction of the commissioner that the failure to pay any amount required to be paid to the commissioner was due to reasonable cause and was not intentional or due to neglect.

(g) The Commissioner of Revenue Services for good cause may extend the time for making any report and paying any amount required to be paid to the commissioner under this section if a written request therefor is filed with the commissioner together with a tentative report which shall be accompanied by a payment of any amount tentatively believed to be due to the commissioner, on or

before the last day for filing the report. Any person to whom an extension is granted shall pay, in addition to the amount required to be paid, interest at the rate of one per cent per month or fraction thereof from the date on which such amount would have been due without the extension until the date of payment.

(h) The provisions of sections 12-548 to 12-554, inclusive, and section 12-555a shall apply to the provisions of this section in the same manner and with the same force and effect as if the language of said sections 12-548 to 12-554, inclusive, and section 12-555a had been incorporated in full into this section, except to the extent that any provision is inconsistent with a provision in this section, and except that the term "tax" shall be read as "surcharge".

Sec. 46. Subsection (a) of section 53-344b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective January 1, 2016*):

(a) As used in this section and sections 47 and 48 of this act:

(1) "Electronic nicotine delivery system" means an electronic device that may be used to simulate smoking in the delivery of nicotine or other substance to a person inhaling from the device, and includes, but is not limited to, an electronic cigarette, electronic cigar, electronic cigarillo, electronic pipe or electronic hookah and any related device and any cartridge, electronic cigarette liquid or other component of such device;

(2) "Cardholder" means any person who presents a driver's license or an identity card to a seller or seller's agent or employee, to purchase or receive an electronic nicotine delivery system or vapor product from such seller or seller's agent or employee;

(3) "Identity card" means an identification card issued in accordance with the provisions of section 1-1h;

(4) "Transaction scan" means the process by which a seller or seller's agent or employee checks, by means of a transaction scan device, the

validity of a driver's license or an identity card;

(5) "Transaction scan device" means any commercial device or combination of devices used at a point of sale that is capable of deciphering in an electronically readable format the information encoded on the magnetic strip or bar code of a driver's license or an identity card;

(6) "Sale" or "sell" means an act done intentionally by any person, whether done as principal, proprietor, agent, servant or employee, of transferring, or offering or attempting to transfer, for consideration, an electronic nicotine delivery system or vapor product, including bartering or exchanging, or offering to barter or exchange, an electronic nicotine delivery system or vapor product;

(7) "Give" or "giving" means an act done intentionally by any person, whether done as principal, proprietor, agent, servant or employee, of transferring, or offering or attempting to transfer, without consideration, an electronic nicotine delivery system or vapor product;

(8) "Deliver" or "delivering" means an act done intentionally by any person, whether as principal, proprietor, agent, servant or employee, of transferring, or offering or attempting to transfer, physical possession or control of an electronic nicotine delivery system or vapor product; **[**and**]**

(9) "Vapor product" means any product that employs a heating element, power source, electronic circuit or other electronic, chemical or mechanical means, regardless of shape or size, to produce a vapor that may or may not include nicotine, that is inhaled by the user of such product; and

(10) "Electronic cigarette liquid" means a liquid that, when used in an electronic nicotine delivery system or vapor product, produces a vapor that may or may not include nicotine and is inhaled by the user of such electronic nicotine delivery system or vapor product.

Sec. 47. (NEW) (*Effective January 1, 2016*) (a) On and after March 1, 2016, no person in this state may sell, offer for sale or possess with intent to sell an electronic nicotine delivery system or vapor product unless such person has obtained an electronic nicotine delivery system certificate of dealer registration from the Commissioner of Consumer Protection pursuant to this section. An electronic nicotine delivery system certificate of dealer registration shall allow the sale of electronic nicotine delivery systems or vapor products. A holder of an electronic nicotine delivery system certificate of dealer registration shall post such registration in a prominent location adjacent to electronic nicotine delivery system products or vapor products offered for sale.

(b) (1) On or after January 1, 2016, any person desiring an electronic nicotine delivery system certificate of dealer registration or a renewal of such a certificate of dealer registration shall make a sworn application therefor to the Department of Consumer Protection upon forms to be furnished by the department, showing the name and address of the applicant, the location of the place of business which is to be operated under such certificate of dealer registration and a financial statement setting forth all elements and details of any business transactions connected with the application. The application shall also indicate any crimes of which the applicant has been convicted. Applicants shall submit documents sufficient to establish that state and local building, fire and zoning requirements will be met at the location of any sale. The department may, in its discretion, conduct an investigation to determine whether a certificate of dealer registration shall be issued to an applicant.

(2) The commissioner shall issue an electronic nicotine delivery system certificate of dealer registration to any such applicant not later than thirty days after the date of application unless the commissioner finds: (A) The applicant has wilfully made a materially false statement in such application or in any other application made to the commissioner; (B) the applicant has neglected to pay any taxes due to this state; or (C) the applicant has been convicted of violating any of the cigarette or other tobacco products tax laws of this or any other

state or the cigarette tax laws of the United States or has such a criminal record that the commissioner reasonably believes that such applicant is not a suitable person to be issued a license, provided no refusal shall be rendered under this subdivision except in accordance with the provisions of sections 46a-80 and 46a-81 of the general statutes.

(3) A certificate of dealer registration issued under this section shall be renewed annually and may be suspended or revoked at the discretion of the Department of Consumer Protection. Any person aggrieved by a denial of an application, refusal to renew a dealer registration or suspension or revocation of a dealer registration may appeal in the manner prescribed for permits under section 30-55 of the general statutes. An electronic nicotine delivery system certificate of dealer registration shall not constitute property, nor shall it be subject to attachment and execution, nor shall it be alienable, except that it shall descend to the estate of a deceased holder of a certificate of dealer registration by the laws of testate or intestate succession.

(4) The applicant shall pay to the department a nonrefundable application fee of seventy-five dollars, which fee shall be in addition to the annual fee prescribed in subsection (c) of this section. An application fee shall not be charged for an application to renew a certificate of dealer registration.

(5) In any case in which a certificate of dealer registration has been issued to a partnership, if one or more of the partners dies or retires, the remaining partner or partners need not file a new application for the unexpired portion of the current certificate of dealer registration, and no additional fee for such unexpired portion shall be required. Notice of any such change shall be given to the department and the certificate of dealer registration shall be endorsed to show correct ownership. Whenever any partnership changes by reason of the addition of one or more partners, a new application and the payment of new application and annual fees shall be required.

(c) The annual fee for an electronic nicotine delivery system

certificate of dealer registration shall be four hundred dollars.

(d) The department may renew a certificate of dealer registration issued under this section that has expired if the applicant pays to the department any fine imposed by the commissioner pursuant to subsection (c) of section 21a-4 of the general statutes, which fine shall be in addition to the fees prescribed in this section for the certificate of dealer registration applied for. The provisions of this subsection shall not apply to any certificate of dealer registration which is the subject of administrative or court proceedings.

(e) (1) Any person in this state who knowingly sells, offers for sale or possesses with intent to sell an electronic nicotine delivery system or vapor product without a certificate of dealer registration as required under this section shall be fined not more than fifty dollars for each day of such violation, except that the commissioner may waive all or any part of such fine if it is proven to the commissioner's satisfaction that the failure to obtain or renew such certificate of dealer registration was due to reasonable cause.

(2) Notwithstanding the provisions of subdivision (1) of this subsection, any person whose electronic nicotine delivery system certificate of dealer registration has expired and who knowingly sells, offers for sale or possesses with intent to sell an electronic nicotine delivery system or vapor product, where such person's period of operation without such certificate of dealer registration is not more than ninety days from the date of expiration of such certificate of dealer registration, shall have committed an infraction and shall be fined ninety dollars.

(3) Notwithstanding the provisions of subdivisions (1) and (2) of this subsection, no penalty shall be imposed under this subsection unless the commissioner sends written notice of any violation to the person who is subject to a penalty under subdivision (1) or (2) of this subsection and allows such person sixty days from the date such notice was sent to cease such violation and comply with the requirements of this section. Such written notice shall be sent, within available

appropriations, by mail evidenced by a certificate of mailing or other similar United States Postal Service form from which the date of deposit can be verified.

Sec. 48. (NEW) (*Effective January 1, 2016*) (a) On and after March 1, 2016, no person in this state may manufacture an electronic nicotine delivery system or vapor product unless such person has obtained an electronic nicotine delivery system certificate of manufacturer registration from the Commissioner of Consumer Protection pursuant to this section. An electronic nicotine delivery system certificate of manufacturer registration shall allow the manufacture of electronic nicotine delivery systems or vapor products in this state. For the purposes of this section, "manufacturer" means any person who mixes, compounds, repackages or resizes any nicotine-containing electronic nicotine delivery system or vapor product.

(b) (1) On or after January 1, 2016, any person desiring an electronic nicotine delivery system certificate of manufacturer registration or a renewal of such a certificate of manufacturer registration shall make a sworn application therefor to the Department of Consumer Protection upon forms to be furnished by the department, showing the name and address of the applicant, the location of the place of business which is to be operated under such certificate of manufacturer registration and a financial statement setting forth all elements and details of any business transactions connected with the application. The application shall also indicate any crimes of which the applicant has been convicted. Applicants shall submit documents sufficient to establish that state and local building, fire and zoning requirements will be met at the place of manufacture. The department may, in its discretion, conduct an investigation to determine whether a certificate of manufacturer registration shall be issued to an applicant.

(2) The commissioner shall issue an electronic nicotine delivery system certificate of manufacturer registration to any such applicant not later than thirty days after the date of application unless the commissioner finds: (A) The applicant has wilfully made a materially

false statement in such application or in any other application made to the commissioner; (B) the applicant has neglected to pay any taxes due to this state; (C) the applicant has been convicted of violating any of the cigarette or other tobacco products tax laws of this or any other state or the cigarette tax laws of the United States or has such a criminal record that the commissioner reasonably believes that such applicant is not a suitable person to be issued a license, provided no refusal shall be rendered under this subdivision except in accordance with the provisions of sections 46a-80 and 46a-81 of the general statutes.

(3) A certificate of manufacturer registration issued under this section shall be renewed annually and may be suspended or revoked at the discretion of the Department of Consumer Protection. Any person aggrieved by a denial of an application, refusal to renew a certificate of manufacturer registration or suspension or revocation of a certificate of manufacturer registration may appeal in the manner prescribed for permits under section 30-55 of the general statutes. An electronic nicotine delivery system certificate of manufacturer registration shall not constitute property, nor shall it be subject to attachment and execution, nor shall it be alienable, except that it shall descend to the estate of a deceased holder of a certificate of manufacturer registration by the laws of testate or intestate succession.

(4) The applicant shall pay to the department a nonrefundable application fee of seventy-five dollars, which fee shall be in addition to the annual fee prescribed in subsection (c) of this section. An application fee shall not be charged for an application to renew a certificate of manufacturer registration.

(5) In any case in which a certificate of manufacturer registration has been issued to a partnership, if one or more of the partners dies or retires, the remaining partner or partners need not file a new application for the unexpired portion of the current certificate of manufacturer registration, and no additional fee for such unexpired portion shall be required. Notice of any such change shall be given to

the department and the certificate of manufacturer registration shall be endorsed to show correct ownership. Whenever any partnership changes by reason of the addition of one or more partners, a new application and the payment of new application and annual fees shall be required.

(c) The annual fee for an electronic nicotine delivery system certificate of manufacturer registration shall be four hundred dollars.

(d) The department may renew a certificate of manufacturer registration issued under this section that has expired if the applicant pays to the department any fine imposed by the commissioner pursuant to subsection (c) of section 21a-4 of the general statutes, which fine shall be in addition to the fees prescribed in this section for the certificate of manufacturer registration applied for. The provisions of this subsection shall not apply to any certificate of manufacturer registration which is the subject of administrative or court proceedings.

(e) (1) Any person in this state who knowingly manufactures an electronic nicotine delivery system or vapor product without a certificate of manufacturer registration as required under this section shall be fined not more than fifty dollars for each day of such violation, except that the commissioner may waive all or any part of such fine if it is proven to the commissioner's satisfaction that the failure to obtain or renew such certificate of manufacturer registration was due to reasonable cause.

(2) Notwithstanding the provisions of subdivision (1) of this subsection, any person whose electronic nicotine delivery system certificate of manufacturer registration has expired and who manufactures in this state an electronic nicotine delivery system or vapor product, where such person's period of operation without such certificate of manufacturer registration is not more than ninety days from the date of expiration of such certificate of manufacturer registration, shall have committed an infraction and shall be fined ninety dollars.

(3) Notwithstanding the provisions of subdivisions (1) and (2) of this subsection, no penalty shall be imposed under this subsection unless the commissioner sends written notice of any violation to the person who is subject to a penalty under subdivision (1) or (2) of this subsection and allows such person sixty days from the date such notice was sent to cease such violation and comply with the requirements of this section. Such written notice shall be sent, within available appropriations, by mail evidenced by a certificate of mailing or other similar United States Postal Service form from which the date of deposit can be verified.

Sec. 49. (*Effective from passage*) Not later than thirty days after the federal Food and Drug Administration's proposed rule deeming tobacco products to be subject to the federal Food, Drug and Cosmetic Act, 21 CFR Parts 1100, 1140 and 1143, becomes final, the joint standing committee of the General Assembly having cognizance of matters relating to public health shall hold a public hearing for the purpose of reviewing such rule and determining whether the committee recommends amendments to the general statutes concerning products subject to the rule, which products may include, but need not be limited to, electronic nicotine delivery systems, vapor products and electronic cigarette liquid.

Sec. 50. Section 19a-88 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) Each person holding a license to practice dentistry, optometry, midwifery or dental hygiene shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of: **[**the**]** (1) The professional services fee for class I, as defined in section 33-182*l*, plus **[**five**]** ten dollars, in the case of a dentist, except as provided in sections 19a-88b and 20-113b; (2) the professional services fee for class H, as defined in section 33-182*l*, plus five dollars, in the case of an optometrist; **[**, fifteen**]** (3) twenty dollars in the case of a midwife; and (4) one hundred five dollars in the case of a dental hygienist. Such registration shall be on blanks to be furnished by the

department for such purpose, giving such person's name in full, such person's residence and business address and such other information as the department requests. Each person holding a license to practice dentistry who has retired from the profession may renew such license, but the fee shall be ten per cent of the professional services fee for class I, as defined in section 33-182*l*, or ninety-five dollars, whichever is greater. Any license provided by the department at a reduced fee pursuant to this subsection shall indicate that the dentist is retired.

(b) Each person holding a license to practice medicine, surgery, podiatry, chiropractic or naturopathy shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of the professional services fee for class I, as defined in section 33-182*l*. Each person holding a license to practice medicine or surgery shall pay **[**five**]** ten dollars in addition to such professional services fee. Such registration shall be on blanks to be furnished by the department for such purpose, giving such person's name in full, such person's residence and business address and such other information as the department requests.

(c) (1) Each person holding a license to practice as a registered nurse, shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of one hundred **[**five**]** ten dollars, on blanks to be furnished by the department for such purpose, giving such person's name in full, such person's residence and business address and such other information as the department requests. Each person holding a license to practice as a registered nurse who has retired from the profession may renew such license, but the fee shall be ten per cent of the professional services fee for class B, as defined in section 33-182*l*, plus five dollars. Any license provided by the department at a reduced fee shall indicate that the registered nurse is retired.

(2) Each person holding a license as an advanced practice registered nurse shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of one hundred

[twenty-five**]** thirty dollars, on blanks to be furnished by the department for such purpose, giving such person's name in full, such person's residence and business address and such other information as the department requests. No such license shall be renewed unless the department is satisfied that the person maintains current certification as either a nurse practitioner, a clinical nurse specialist or a nurse anesthetist from one of the following national certifying bodies which certify nurses in advanced practice: The American Nurses' Association, the Nurses' Association of the American College of Obstetricians and Gynecologists Certification Corporation, the National Board of Pediatric Nurse Practitioners and Associates or the American Association of Nurse Anesthetists. Each person holding a license to practice as an advanced practice registered nurse who has retired from the profession may renew such license, but the fee shall be ten per cent of the professional services fee for class C, as defined in section 33-182*l*, plus five dollars. Any license provided by the department at a reduced fee shall indicate that the advanced practice registered nurse is retired.

(3) Each person holding a license as a licensed practical nurse shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of **[**sixty-five**]** seventy dollars, on blanks to be furnished by the department for such purpose, giving such person's name in full, such person's residence and business address and such other information as the department requests. Each person holding a license to practice as a licensed practical nurse who has retired from the profession may renew such license, but the fee shall be ten per cent of the professional services fee for class A, as defined in section 33-182*l*, plus five dollars. Any license provided by the department at a reduced fee shall indicate that the licensed practical nurse is retired.

(4) Each person holding a license as a nurse-midwife shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of one hundred **[**twenty-five**]** thirty dollars, on blanks to be furnished by the department for such purpose, giving such person's name in full, such person's residence and

business address and such other information as the department requests. No such license shall be renewed unless the department is satisfied that the person maintains current certification from the American College of Nurse-Midwives.

(5) (A) Each person holding a license to practice physical therapy shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of the professional services fee for class B, as defined in section 33-182*l*, plus five dollars, on blanks to be furnished by the department for such purpose, giving such person's name in full, such person's residence and business address and such other information as the department requests.

(B) Each person holding a physical therapist assistant license shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of the professional services fee for class A, as defined in section 33-182*l*, plus five dollars, on blanks to be furnished by the department for such purpose, giving such person's name in full, such person's residence and business address and such other information as the department requests.

(6) Each person holding a license as a physician assistant shall, annually, during the month of such person's birth, register with the Department of Public Health, upon payment of a fee of one hundred **[**fifty**]** fifty-five dollars, on blanks to be furnished by the department for such purpose, giving such person's name in full, such person's residence and business address and such other information as the department requests. No such license shall be renewed unless the department is satisfied that the practitioner has met the mandatory continuing medical education requirements of the National Commission on Certification of Physician Assistants or a successor organization for the certification or recertification of physician assistants that may be approved by the department and has passed any examination or continued competency assessment the passage of which may be required by said commission for maintenance of current certification by said commission.

(d) No provision of this section shall be construed to apply to any person practicing Christian Science.

(e) (1) Each person holding a license or certificate issued under section 19a-514, 20-65k, as amended by this act, 20-74s, as amended by this act, 20-195cc, as amended by this act, or 20-206*ll*, as amended by this act, and chapters 370 to 373, inclusive, 375, 378 to 381a, inclusive, 383 to 383c, inclusive, 384, 384a, 384b, 384d, 385, 393a, 395, 399 or 400a and section 20-206n, as amended by this act, or 20-206o shall, annually, during the month of such person's birth, apply for renewal of such license or certificate to the Department of Public Health, giving such person's name in full, such person's residence and business address and such other information as the department requests.

(2) Each person holding a license or certificate issued under section 19a-514, section 20-266o and chapters 384a, 384c, 386, 387, 388 and 398 shall apply for renewal of such license or certificate once every two years, during the month of such person's birth, giving such person's name in full, such person's residence and business address and such other information as the department requests.

(3) Each person holding a license or certificate issued pursuant to section 20-475 or 20-476 shall, annually, during the month of such person's birth, apply for renewal of such license or certificate to the department.

(4) Each entity holding a license issued pursuant to section 20-475 shall, annually, during the anniversary month of initial licensure, apply for renewal of such license or certificate to the department.

(5) Each person holding a license issued pursuant to section 20-162bb, as amended by this act, shall, annually, during the month of such person's birth, apply for renewal of such license to the Department of Public Health, upon payment of a fee of three hundred **[**fifteen**]** twenty dollars, giving such person's name in full, such person's residence and business address and such other information as the department requests.

(f) Any person or entity which fails to comply with the provisions of this section shall be notified by the department that such person's or entity's license or certificate shall become void ninety days after the time for its renewal under this section unless it is so renewed. Any such license shall become void upon the expiration of such ninety-day period.

(g) The Department of Public Health shall administer a secure on-line license renewal system for persons holding a license to practice medicine or surgery under chapter 370, dentistry under chapter 379, nursing under chapter 378 or nurse-midwifery under chapter 377. The department shall require such persons to renew their licenses using the on-line renewal system and to pay professional **[**service**]** services fees on-line by means of a credit card or electronic transfer of funds from a bank or credit union account, except in extenuating circumstances, including, but not limited to, circumstances in which a licensee does not have access to a credit card and submits a notarized affidavit affirming that fact, the department may allow the licensee to renew his or her license using a paper form prescribed by the department and pay professional service fees by check or money order.

Sec. 51. Subsection (a) of section 19a-515 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) Each nursing home administrator's license issued pursuant to the provisions of sections 19a-511 to 19a-520, inclusive, shall be renewed once every two years, in accordance with section 19a-88, as amended by this act, except for cause, by the Department of Public Health, upon forms to be furnished by said department and upon the payment to said department, by each applicant for license renewal, of the sum of two hundred five dollars. Each such fee shall be remitted to the Department of Public Health on or before the date prescribed under section 19a-88, as amended by this act. Such renewals shall be granted unless said department finds the applicant has acted or failed to act in such a manner or under such circumstances as would constitute

grounds for suspension or revocation of such license.

Sec. 52. Section 20-65k of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) The commissioner shall grant a license to practice athletic training to an applicant who presents evidence satisfactory to the commissioner of having met the requirements of section 20-65j. An application for such license shall be made on a form required by the commissioner. The fee for an initial license under this section shall be one hundred ninety dollars.

(b) A license to practice athletic training may be renewed in accordance with the provisions of section 19a-88, as amended by this act, provided any licensee applying for license renewal shall maintain certification as an athletic trainer by the Board of Certification, Inc., or its successor organization. The fee for such renewal shall be two hundred five dollars.

(c) The department may, upon receipt of an application for athletic training licensure, accompanied by the licensure application fee of one hundred ninety dollars, issue a temporary permit to a person who has met the requirements of subsection (a) of section 20-65j, except that the applicant has not yet sat for or received the results of the athletic training certification examination administered by the Board of Certification, Inc., or its successor organization. Such temporary permit shall authorize the permittee to practice athletic training under the supervision of a person licensed pursuant to subsection (a) of this section. Such practice shall be limited to those settings where the licensed supervisor is physically present on the premises and is immediately available to render assistance and supervision, as needed, to the permittee. Such temporary permit shall be valid for a period not to exceed one hundred twenty calendar days after the date of completion of the required course of study in athletic training and shall not be renewable. Such permit shall become void and shall not be reissued in the event that the permittee fails to pass the athletic training certification examination. No permit shall be issued to any

person who has previously failed the athletic training certification examination or who is the subject of an unresolved complaint or pending professional disciplinary action. Violation of the restrictions on practice set forth in this section may constitute a basis for denial of licensure as an athletic trainer.

Sec. 53. Subsection (c) of section 20-74bb of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(c) Licenses shall be renewed annually in accordance with the provisions of section 19a-88, as amended by this act. The fee for renewal shall be one hundred five dollars.

Sec. 54. Section 20-74f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) The department shall issue a license to any person who meets the requirements of this chapter upon payment of a **[**two-hundred-dollar**]** license fee of two hundred five dollars. Any person who is issued a license as an occupational therapist under the terms of this chapter may use the words "occupational therapist", "licensed occupational therapist", or "occupational therapist registered" or **[**he**]** such person may use the letters "O.T.", "L.O.T.", or "O.T.R." in connection with **[**his**]** such person's name or place of business to denote **[**his**]** such person's registration hereunder. Any person who is issued a license as an occupational therapy assistant under the terms of this chapter may use the words "occupational therapy assistant", or **[**he**]** such person may use the letters "O.T.A.", "L.O.T.A.", or "C.O.T.A." in connection with **[**his**]** such person's name or place of business to denote **[**his**]** such person's registration thereunder. No person shall practice occupational therapy or hold himself or herself out as an occupational therapist or an occupational therapy assistant, or as being able to practice occupational therapy or to render occupational therapy services in this state unless **[**he**]** such person is licensed in accordance with the provisions of this chapter.

(b) No person, unless registered under this chapter as an occupational therapist or an occupational therapy assistant or whose registration has been suspended or revoked, shall use, in connection with **[**his**]** such person's name or place of business the words "occupational therapist", "licensed occupational therapist", "occupational therapist registered", "occupational therapy assistant", or the letters, "O.T.", "L.O.T.", "O.T.R.", "O.T.A.", "L.O.T.A.", or "C.O.T.A.", or any words, letters, abbreviations or insignia indicating or implying that **[**he**]** such person is an occupational therapist or an occupational therapy assistant or in any way, orally, in writing, in print or by sign, directly or by implication, represent himself or herself as an occupational therapist or an occupational therapy assistant. Any person who violates the provisions of this section shall be guilty of a class D felony. For the purposes of this section, each instance of patient contact or consultation which is in violation of any provision of this chapter shall constitute a separate offense. Failure to renew a license in a timely manner shall not constitute a violation for the purposes of this section.

Sec. 55. Subsections (g) to (n), inclusive, of section 20-74s of the general statutes are repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(g) The commissioner shall grant a license as an alcohol and drug counselor to any applicant who furnishes satisfactory evidence that **[**he**]** such applicant has met the requirements of subsection (d) or (o) of this section. The commissioner shall develop and provide application forms. The application fee shall be one hundred ninety dollars.

(h) A license as an alcohol and drug counselor shall be renewed in accordance with the provisions of section 19a-88, as amended by this act, for a fee of one hundred **[**ninety**]** ninety-five dollars.

(i) The commissioner shall grant certification as a certified alcohol and drug counselor to any applicant who furnishes satisfactory evidence that **[**he**]** such applicant has met the requirements of subsection (e) or (o) of this section. The commissioner shall develop

and provide application forms. The application fee shall be one hundred ninety dollars.

(j) A certificate as an alcohol and drug counselor may be renewed in accordance with the provisions of section 19a-88, as amended by this act, for a fee of one hundred [ninety] ninety-five dollars.

(k) The commissioner may contract with a qualified private organization for services that include (1) providing verification that applicants for licensure or certification have met the education, training and work experience requirements under this section; and (2) any other services that the commissioner may deem necessary.

(l) Any person who has attained a master's level degree and is certified by the Connecticut Certification Board as a substance abuse counselor on or before July 1, 2000, shall be deemed a licensed alcohol and drug counselor. Any person so deemed shall renew [his] such person's license pursuant to section 19a-88, as amended by this act, for a fee of one hundred [ninety] ninety-five dollars.

(m) Any person who has not attained a master's level degree and is certified by the Connecticut Certification Board as a substance abuse counselor on or before July 1, 2000, shall be deemed a certified alcohol and drug counselor. Any person so deemed shall renew [his] such person's certification pursuant to section 19a-88, as amended by this act, for a fee of one hundred [ninety] ninety-five dollars.

(n) Any person who is not certified by the Connecticut Certification Board as a substance abuse counselor on or before July 1, 2000, who (1) documents to the department that [he] such person has a minimum of five years full-time or eight years part-time paid work experience, under supervision, as an alcohol and drug counselor, and (2) successfully passes a commissioner-approved examination no later than July 1, 2000, shall be deemed a certified alcohol and drug counselor. Any person so deemed shall renew [his] such person's certification pursuant to section 19a-88, as amended by this act, for a fee of one hundred [ninety] ninety-five dollars.

Sec. 56. Section 20-149 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

A license under the provisions of this chapter shall be given under the hand of the Commissioner of Public Health or **[**his**]** the commissioner's designee. A fee shall be paid to the department, at the date of application for a license, as follows: For licensed optician, granting full responsibility, two hundred dollars. Such licenses shall be renewed annually in accordance with the provisions of section 19a-88, as amended by this act, and a fee shall be paid to the department at the date of renewal application as follows: For a licensed optician, two hundred five dollars.

Sec. 57. Subsection (f) of section 20-162o of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(f) Licenses shall be renewed annually in accordance with the provisions of section 19a-88, as amended by this act. The fee for renewal shall be one hundred five dollars.

Sec. 58. Subsection (g) of section 20-162bb of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(g) Licenses shall be renewed annually in accordance with the provisions of section 19a-88, as amended by this act, for a fee of three hundred **[**fifteen**]** twenty dollars.

Sec. 59. Section 20-191a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

Each license issued under this chapter shall be renewed annually in accordance with the provisions of section 19a-88, as amended by this act. Thirty days prior to the expiration date of each license under **[**said**]** section 19a-88, as amended by this act, the department shall mail to the last-known address of each licensed psychologist an application for renewal in such form as said department determines. Each such

application, on or before such expiration date, shall be returned to said department, together with a fee of the professional services fee for class I, as defined in section 33-182*l*, plus five dollars and the department shall thereupon issue a renewal license. In the event of failure of a psychologist to apply for such renewal license by such expiration date, **[**he**]** such psychologist may so apply subject to the provisions of subsection (b) of **[**said**]** section 19a-88, as amended by this act.

Sec. 60. Section 20-195c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) Each applicant for licensure as a marital and family therapist shall present to the department satisfactory evidence that such applicant has: (1) Completed a graduate degree program specializing in marital and family therapy from a regionally accredited college or university or an accredited postgraduate clinical training program accredited by the Commission on Accreditation for Marriage and Family Therapy Education offered by a regionally accredited institution of higher education; (2) completed a supervised practicum or internship with emphasis in marital and family therapy supervised by the program granting the requisite degree or by an accredited postgraduate clinical training program, accredited by the Commission on Accreditation for Marriage and Family Therapy Education offered by a regionally accredited institution of higher education in which the student received a minimum of five hundred direct clinical hours that included one hundred hours of clinical supervision; (3) completed a minimum of twelve months of relevant postgraduate experience, including at least (A) one thousand hours of direct client contact offering marital and family therapy services subsequent to being awarded a master's degree or doctorate or subsequent to the training year specified in subdivision (2) of this subsection, and (B) one hundred hours of postgraduate clinical supervision provided by a licensed marital and family therapist; and (4) passed an examination prescribed by the department. The fee shall be three hundred fifteen dollars for each initial application.

(b) The department may grant licensure without examination, subject to payment of fees with respect to the initial application, to any applicant who is currently licensed or certified as a marital or marriage and family therapist in another state, territory or commonwealth of the United States, provided such state, territory or commonwealth maintains licensure or certification standards which, in the opinion of the department, are equivalent to or higher than the standards of this state. No license shall be issued under this section to any applicant against whom professional disciplinary action is pending or who is the subject of an unresolved complaint.

(c) Licenses issued under this section may be renewed annually in accordance with the provisions of section 19a-88, as amended by this act. The fee for such renewal shall be three hundred **[**fifteen**]** twenty dollars. Each licensed marital and family therapist applying for license renewal shall furnish evidence satisfactory to the commissioner of having participated in continuing education programs. The commissioner shall adopt regulations, in accordance with chapter 54, to (1) define basic requirements for continuing education programs, which shall include not less than one contact hour of training or education each registration period on the topic of cultural competency, (2) delineate qualifying programs, (3) establish a system of control and reporting, and (4) provide for waiver of the continuing education requirement for good cause.

(d) Notwithstanding the provisions of this section, an applicant who is currently licensed or certified as a marital or marriage and family therapist in another state, territory or commonwealth of the United States that does not maintain standards for licensure or certification that are equivalent to or higher than the standards in this state may substitute three years of licensed or certified work experience in the practice of marital and family therapy, as defined in section 20-195a, in lieu of the requirements of subdivisions (2) and (3) of subsection (a) of this section.

Sec. 61. Section 20-195o of the general statutes is repealed and the

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

(a) Application for licensure shall be on forms prescribed and furnished by the commissioner. Each applicant shall furnish evidence satisfactory to the commissioner that he or she has met the requirements of section 20-195n. The application fee for a clinical social worker license shall be three hundred fifteen dollars. The application fee for a master social worker license shall be two hundred twenty dollars.

(b) Notwithstanding the provisions of section 20-195n concerning examinations, on or before October 1, 2015, the commissioner may issue a license without examination, to any master social worker applicant who demonstrates to the satisfaction of the commissioner that, on or before October 1, 2013, he or she held a master's degree from a social work program accredited by the Council on Social Work Education or, if educated outside the United States or its territories, completed an educational program deemed equivalent by the council.

(c) Each person licensed pursuant to this chapter may apply for renewal of such licensure in accordance with the provisions of subsection (e) of section 19a-88, as amended by this act. A fee of one hundred **[**ninety**]** ninety-five dollars shall accompany each renewal application for a licensed master social worker or a licensed clinical social worker. Each such applicant shall furnish evidence satisfactory to the commissioner of having satisfied the continuing education requirements prescribed in section 20-195u.

Sec. 62. Section 20-195cc of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) The Commissioner of Public Health shall grant a license as a professional counselor to any applicant who furnishes evidence satisfactory to the commissioner that such applicant has met the requirements of section 20-195dd. The commissioner shall develop and provide application forms. The application fee shall be three hundred fifteen dollars.

(b) Licenses issued under this section may be renewed annually pursuant to section 19a-88, as amended by this act. The fee for such renewal shall be one hundred **[**ninety**]** ninety-five dollars. Each licensed professional counselor applying for license renewal shall furnish evidence satisfactory to the commissioner of having participated in continuing education programs. The commissioner shall adopt regulations, in accordance with chapter 54, to (1) define basic requirements for continuing education programs, which shall include not less than one contact hour of training or education each registration period on the topic of cultural competency, (2) delineate qualifying programs, (3) establish a system of control and reporting, and (4) provide for a waiver of the continuing education requirement for good cause.

Sec. 63. Section 20-201 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

Said department shall, annually in accordance with the provisions of section 19a-88, as amended by this act, issue to each licensed veterinarian in the state, presenting an application for renewal of his or her license accompanied by the professional services fee for class I, as defined in section 33-182*l*, plus five dollars, a receipt stating the fact of such payment, which receipt shall be a license to follow such practice for one year.

Sec. 64. Subsection (b) of section 20-206b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(b) Licenses shall be renewed once every two years in accordance with the provisions of section 19a-88, as amended by this act. The fee for renewal shall be two hundred **[**fifty**]** fifty-five dollars. No license shall be issued under this section to any applicant against whom professional disciplinary action is pending or who is the subject of an unresolved complaint in this or any other state or jurisdiction. Any certificate granted by the department prior to June 1, 1993, shall be deemed a valid license permitting continuance of profession subject to

the provisions of this chapter.

Sec. 65. Section 20-206n of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) The department may, upon receipt of an application and fee of one hundred ninety dollars, issue a certificate as a dietitian-nutritionist to any applicant who has presented to the commissioner satisfactory evidence that (1) such applicant is certified as a registered dietitian by the Commission on Dietetic Registration, or (2) such applicant has (A) successfully passed a written examination prescribed by the commissioner, and (B) received a master's degree or doctoral degree, from an institution of higher education accredited to grant such degree by a regional accrediting agency recognized by the United States Department of Education, with a major course of study which focused primarily on human nutrition or dietetics and which included a minimum of thirty graduate semester credits, twenty-one of which shall be in not fewer than five of the following content areas: (i) Human nutrition or nutrition in the life cycle, (ii) nutrition biochemistry, (iii) nutrition assessment, (iv) food composition or food science, (v) health education or nutrition counseling, (vi) nutrition in health and disease, and (vii) community nutrition or public health nutrition.

(b) No certificate shall be issued under this section to any applicant against whom a professional disciplinary action is pending or who is the subject of an unresolved professional complaint.

Sec. 66. Section 20-206r of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

Certificates issued under section 20-206n, as amended by this act, or 20-206o shall be renewed annually, subject to the provisions of section 19a-88, as amended by this act, upon payment of a **[**one-hundred-dollar**]** renewal fee of one hundred five dollars.

Sec. 67. Subsection (e) of section 20-206bb of the general statutes is

repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(e) Licenses shall be renewed once every two years in accordance with the provisions of subsection (e) of section 19a-88, as amended by this act. The fee for renewal shall be two hundred **[**fifty**]** fifty-five dollars.

(1) Except as provided in subdivision (2) of this subsection, for registration periods beginning on and after October 1, 2014, a licensee applying for license renewal shall (A) maintain a certification by the National Certification Commission for Acupuncture and Oriental Medicine, or (B) earn not less than thirty contact hours of continuing education approved by the National Certification Commission for Acupuncture and Oriental Medicine within the preceding twenty-four-month period.

(2) Each licensee applying for license renewal pursuant to section 19a-88, as amended by this act, except a licensee applying for a license renewal for the first time, shall sign a statement attesting that he or she has satisfied the certification or continuing education requirements described in subdivision (1) of this subsection on a form prescribed by the department. Each licensee shall retain records of attendance or certificates of completion that demonstrate compliance with the continuing education or certification requirements described in subdivision (1) of this subsection for not less than five years following the date on which the continuing education was completed or the certification was renewed. Each licensee shall submit such records to the department for inspection not later than forty-five days after a request by the department for such records.

(3) In individual cases involving medical disability or illness, the commissioner may grant a waiver of the continuing education or certification requirements or an extension of time within which to fulfill such requirements of this subsection to any licensee, provided the licensee submits to the department an application for waiver or extension of time on a form prescribed by the commissioner, along

with a certification by a licensed physician of the disability or illness and such other documentation as may be required by the department. The commissioner may grant a waiver or extension for a period not to exceed one registration period, except that the commissioner may grant additional waivers or extensions if the medical disability or illness upon which a waiver or extension is granted continues beyond the period of the waiver or extension and the licensee applies for an additional waiver or extension.

(4) A licensee whose license has become void pursuant to section 19a-88, as amended by this act, and who applies to the department for reinstatement of such license, shall submit evidence documenting valid acupuncture certification by the National Certification Commission for Acupuncture and Oriental Medicine or successful completion of fifteen contact hours of continuing education within the one-year period immediately preceding application for reinstatement.

Sec. 68. Subsection (b) of section 20-206*ll* of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(b) The license may be renewed annually pursuant to section 19a-88, as amended by this act, for a fee of one hundred **[**fifty**]** fifty-five dollars.

Sec. 69. Section 20-222a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

Each embalmer's license, funeral director's license and inspection certificate issued pursuant to the provisions of this chapter shall be renewed, except for cause, by the Department of Public Health upon the payment to said Department of Public Health by each applicant for license renewal of the sum of one hundred **[**ten**]** fifteen dollars in the case of an embalmer, two hundred **[**thirty**]** thirty-five dollars in the case of a funeral director and for inspection certificate renewal the sum of one hundred **[**ninety**]** ninety-five dollars for each certificate to be renewed. Fees for renewal of inspection certificates shall be given to

the Department of Public Health on or before July first in each year and the renewal of inspection certificates shall begin on July first of each year and shall be valid for one calendar year. Licenses shall be renewed in accordance with the provisions of section 19a-88, as amended by this act.

Sec. 70. Section 20-275 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) Each person licensed under the provisions of this chapter shall renew such license once every two years with the department in accordance with the provisions of section 19a-88, as amended by this act, on forms provided by the department. The renewal fee shall be two hundred five dollars.

(b) Each licensed electrologist applying for license renewal shall furnish evidence satisfactory to the Commissioner of Public Health of having participated in continuing education programs. The commissioner shall adopt regulations, in accordance with chapter 54, to (1) define basic requirements for continuing education programs, (2) delineate qualifying programs, (3) establish a system of control and reporting, and (4) provide for waiver of the continuing education requirement for good cause.

Sec. 71. Subsection (a) of section 20-395d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) The fee for an initial license as an audiologist shall be two hundred dollars. Licenses shall be renewed in accordance with section 19a-88, as amended by this act, upon payment of a fee of two hundred five dollars.

Sec. 72. Subsection (a) of section 20-398 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) No person may engage in the practice of fitting or selling hearing

aids, or display a sign or in any other way advertise or claim to be a person who sells or engages in the practice of fitting or selling hearing aids unless such person has obtained a license under this chapter or as an audiologist under sections 20-395a to 20-395g, inclusive. No person may receive a license, except as provided in subsection (b) of this section, unless such person has submitted proof satisfactory to the department that such person has completed a four-year course at an approved high school or has an equivalent education as determined by the department; has satisfactorily completed a course of study in the fitting and selling of hearing aids or a period of training approved by the department; and has satisfactorily passed a written, oral and practical examination given by the department. Application for the examination shall be on forms prescribed and furnished by the department. Examinations shall be given at least twice yearly. The fee for the examination shall be two hundred dollars; and for the initial license and each renewal thereof shall be two hundred **[**fifty**]** fifty-five dollars.

Sec. 73. Section 20-412 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

The fee for an initial license as provided for in section 20-411 as a speech and language pathologist shall be two hundred dollars. Licenses shall expire in accordance with section 19a-88, as amended by this act, and shall become invalid unless renewed. Renewal may be effected upon payment of a fee of two hundred five dollars and in accordance with section 19a-88, as amended by this act.

Sec. 74. (NEW) (*Effective July 1, 2015*) On or before the last day of January, April, July and October in each year, the Commissioner of Public Health shall certify the amount of revenue received as a result of any fee increase in the amount of five dollars that took effect July 1, 2015, pursuant to sections 19a-88, 19a-515, 20-65k, 20-74bb, 20-74f, 20-74s, 20-149, 20-162o, 20-162bb, 20-191a, 20-195c, 20-195o, 20-195cc, 20-201, 20-206b, 20-206n, 20-206r, 20-206bb, 20-206*ll*, 20-222a, 20-275, 20-395d, 20-398 and 20-412 of the general statutes, each as amended by

this act, and transfer such amount to the professional assistance program account established in section 75 of this act.

Sec. 75. (NEW) (*Effective July 1, 2015*) There is established an account to be known as the "professional assistance program account" which shall be a separate, nonlapsing account within the General Fund. The account shall contain any moneys required by law to be deposited in the account. Moneys in the account shall be expended by the Commissioner of Public Health for the purposes of providing grants-in-aid to program providers and medical review committees under the assistance program for health care professionals established pursuant to section 19a-12a of the general statutes.

Sec. 76. Subsection (a) of section 12-213 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(a) When used in this **[**part**]** chapter and in sections 77 to 79, inclusive, of this act, unless the context otherwise requires:

(1) "Taxpayer" and "company" mean any corporation, foreign municipal electric utility, as defined in section 12-59, electric distribution company, as defined in section 16-1, electric supplier, as defined in section 16-1, generation entity or affiliate, as defined in section 16-1, joint stock company or association or any fiduciary thereof and any dissolved corporation which continues to conduct business, but does not include a passive investment company or municipal utility, as defined in section 12-265;

(2) "Dissolved corporation" means any company which has terminated its corporate existence by resolution, expiration, decree or forfeiture;

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

(4) "Tax year" means the calendar year in which the tax is payable;

(5) "Income year" means the calendar year upon the basis of which net income is computed under this part, unless a fiscal year other than the calendar year has been established for federal income tax purposes, in which case it means the fiscal year so established or a period of less than twelve months ending as of the date on which liability under this chapter ceases to accrue by reason of dissolution, forfeiture, withdrawal, merger or consolidation;

(6) "Fiscal year" means the income year ending on the last day of any month other than December or an annual period which varies from fifty-two to fifty-three weeks elected by the taxpayer in accordance with the provisions of the Internal Revenue Code;

(7) "Paid" means "paid or accrued" or "paid or incurred", construed according to the method of accounting upon the basis of which net income is computed under this part;

(8) "Received" means "received" or "accrued", construed according to the method of accounting upon the basis of which net income is computed under this part;

(9) (A) "Gross income" means gross income, as defined in the Internal Revenue Code, and, in addition, means any interest or exempt interest dividends, as defined in Section 852(b)(5) of the Internal Revenue Code, received by the taxpayer or losses of other calendar or fiscal years, retroactive to include all calendar or fiscal years beginning after January 1, 1935, incurred by the taxpayer which are excluded from gross income for purposes of assessing the federal corporation net income tax, and in addition, notwithstanding any other provision of law, means interest or exempt interest dividends, as defined in said Section 852(b)(5) of the Internal Revenue Code, accrued on or after the application date, as defined in section 12-242ff, with respect to any obligation issued by or on behalf of the state, its agencies, authorities, commissions and other instrumentalities, or by or on behalf of its political subdivisions and their agencies, authorities, commissions and other instrumentalities;

(B) "Gross income" shall include, to the extent not properly includable in gross income for federal income tax purposes, an amount equal to (i) any distribution from a manufacturing reinvestment account not used in accordance with subdivision (3) of subsection (c) of section 32-9zz to the extent that a contribution to such account was subtracted from gross income pursuant to subparagraph (F) of subdivision (1) of subsection (a) of section 12-217, as amended by this act, in computing net income for the current or a preceding income year, and (ii) any return of money from a manufacturing reinvestment account pursuant to subsection (d) of section 32-9zz to the extent that a contribution to such account was subtracted from gross income pursuant to subparagraph (F) of subdivision (1) of subsection (a) of section 12-217, as amended by this act, in computing net income for the current or a preceding income year;

(C) "Gross income" shall not include the amount which for federal income tax purposes is treated as a dividend received by a domestic United States corporation from a foreign corporation on account of foreign taxes deemed paid by such domestic corporation, when such domestic corporation elects the foreign tax credit for federal income tax purposes;

(D) "Gross income" shall not include any amount which for federal income tax purposes is treated as a dividend received directly or indirectly by a taxpayer from a passive investment company;

(10) "Net income" means net earnings received during the income year and available for contributors of capital, whether they are creditors or stockholders, computed by subtracting from gross income the deductions allowed by the terms of section 12-217, as amended by this act, except that in the case of a domestic insurance company which is a life insurance company, "net income" means life insurance company taxable income (A) increased by any amount or amounts which have been deducted in the computation of gain or loss from operations in respect of (i) the life insurance company's share of tax-exempt interest, (ii) operations loss carry-backs and capital loss carry-

backs, and (iii) operations loss carry-overs and capital loss carry-overs arising in any taxable year commencing prior to January 1, 1973, and (B) reduced by any amount or amounts which have been deducted as operations loss carry-backs or capital loss carry-backs in the computation of gain or loss from operations for any taxable year commencing on or after January 1, 1973, but only to the extent that such amount or amounts would, for federal tax purposes, have been deductible in the taxable year as operations loss carry-overs or capital loss carry-overs if they had not been deducted in a previous taxable year as carry-backs, and provided no expense related to income, the taxation of which by the state of Connecticut is prohibited by the law or Constitution of the United States, as applied, or by the law or Constitution of this state, as applied, shall be deducted under this chapter and provided further no item may, directly or indirectly be excluded or deducted more than once;

(11) "Life insurance company" has the same meaning as it has under the Internal Revenue Code;

(12) "Life insurance company taxable income" has the same meaning as it has under the Internal Revenue Code;

(13) "Life insurance company's share" has the same meaning as it has under the Internal Revenue Code;

(14) "Operations loss carry-over", with respect to a life insurance company, has the same meaning as it has under the Internal Revenue Code;

(15) "Operations loss carry-back", with respect to a life insurance company, has the same meaning as it has under the Internal Revenue Code;

(16) "Capital loss carry-over", with respect to a life insurance company, has the same meaning as it has under the Internal Revenue Code;

(17) "Capital loss carry-back", with respect to a life insurance

company, has the same meaning as it has under the Internal Revenue Code;

(18) "Gain or loss from operations", with respect to a life insurance company, has the same meaning as it has under the Internal Revenue Code;

(19) "Fiduciary" means any receiver, liquidator, referee, trustee, assignee or other fiduciary or officer or agent appointed by any court or by any other authority, except the Banking Commissioner acting as receiver or liquidator under the authority of the provisions of sections 36a-210 and 36a-218 to 36a-239, inclusive;

(20) (A) "Carrying on or doing business" means and includes each and every act, power or privilege exercised or enjoyed in this state, as an incident to, or by virtue of, the powers and privileges acquired by the nature of any organization whether the form of existence is corporate, associate, joint stock company or fiduciary, and includes the direct or indirect engaging in, transacting or conducting of activity in this state by an electric supplier, as defined in section 16-1, or generation entity or affiliate, as defined in section 16-1, for the purpose of establishing or maintaining a market for the sale of electricity or of electric generation services, as defined in section 16-1, to end use customers located in this state through the use of the transmission or distribution facilities of an electric distribution company, as defined in section 16-1;

(B) A company that has contracted with a commercial printer for printing and distribution of printed material shall not be deemed to be carrying on or doing business in this state because of (i) the ownership or leasing by that company of tangible or intangible personal property located at the premises of the commercial printer in this state, (ii) the sale by that company of property of any kind produced or processed at and shipped or distributed from the premises of the commercial printer in this state, (iii) the activities of that company's employees or agents at the premises of the commercial printer in this state, which activities relate to quality control, distribution or printing services

performed by the printer, or (iv) the activities of any kind performed by the commercial printer in this state for or on behalf of that company;

(C) A company that participates in a trade show or shows at the convention center, as defined in subdivision (3) of section 32-600, shall not be deemed to be carrying on or doing business in this state, regardless of whether the company has employees or other staff present at such trade shows, provided such company's activity at such trade shows is limited to displaying goods or promoting services, no sales are made, any orders received are sent outside this state for acceptance or rejection and are filled from outside this state, and provided further that such participation is not more than fourteen days, or part thereof, in the aggregate during the company's income year for federal income tax purposes;

(21) "Alternative energy system" means design systems, equipment or materials which utilize as their energy source solar, wind, water or biomass energy in providing space heating or cooling, water heating or generation of electricity, but shall not include wood-burning stoves;

(22) "S corporation" means any corporation which is an S corporation for federal income tax purposes and includes any subsidiary of such S corporation that is a qualified subchapter S subsidiary, as defined in Section 1361(b)(3)(B) of the Internal Revenue Code, all of whose assets, liabilities and items of income, deduction and credit are treated under the Internal Revenue Code, and shall be treated under this chapter, as assets, liabilities and such items, as the case may be, of such S corporation;

(23) "Internal Revenue Code" means the Internal Revenue Code of 1986, or any subsequent internal revenue code of the United States, as from time to time amended, effective and in force on the last day of the income year;

(24) "Partnership" means a partnership, as defined in the Internal Revenue Code, and includes a limited liability company that is treated

as a partnership for federal income tax purposes;

(25) "Partner" means a partner, as defined in the Internal Revenue Code, and includes a member of a limited liability company that is treated as a partnership for federal income tax purposes;

(26) "Investment partnership" means a limited partnership that meets the gross income requirement of Section 851(b)(2) of the Internal Revenue Code, except that income and gains from commodities that are not described in Section 1221(1) of the Internal Revenue Code or from futures, forwards and options with respect to such commodities shall be included in income which qualifies to meet such gross income requirement, provided such commodities are of a kind customarily dealt with in an organized commodity exchange and the transaction is of a kind customarily consummated at such place, as required by Section 864(b)(2)(B)(iii) of the Internal Revenue Code. To the extent that such a partnership has income and gains from commodities that are not described in Section 1221(1) of the Internal Revenue Code or from futures, forwards and options with respect to such commodities, such income and gains must be derived by a partnership which is not a dealer in commodities and is trading for its own account as described in Section 864(b)(2)(B)(ii) of the Internal Revenue Code. The term "investment partnership" does not include a dealer, within the meaning of Section 1236 of the Internal Revenue Code, in stocks or securities;

(27) "Passive investment company" means any corporation which is a related person to a financial service company, as defined in section 12-218b, as amended by this act, or to an insurance company, as defined in section 12-218b, as amended by this act, and (A) employs not less than five full-time equivalent employees in the state; (B) maintains an office in the state; and (C) confines its activities to the purchase, receipt, maintenance, management and sale of its intangible investments, and the collection and distribution of the income from such investments, including, but not limited to, interest and gains from the sale, transfer or assignment of such investments or from the

foreclosure upon or sale, transfer or assignment of the collateral securing such investments. For purposes of this subdivision, "intangible investments" shall be limited to loans secured by real property, as defined in section 12-218b, as amended by this act, including a line of credit which is a loan secured by real property and which permits future advances by the passive investment company; the collateral or an interest in the collateral that secured such loans if the sale of such collateral or interest is actively marketed by or on behalf of the passive investment company; and any short-term investment of cash held by the passive investment company which cash is reasonably necessary for the operations of such passive investment company;

(28) (A) "Captive real estate investment trust" means, except as provided in subparagraph (B) of this subdivision, a corporation, a trust or an association (i) that is considered a real estate investment trust for the taxable year under Section 856 of the Internal Revenue Code; (ii) that is not regularly traded on an established securities market; (iii) in which more than fifty per cent of the voting power, beneficial interests or shares are owned or controlled, directly or constructively, by a single entity that is subject to Subchapter C of Chapter 1 of the Internal Revenue Code; and (iv) that is not a qualified real estate investment trust, as defined in subdivision (3) of subsection (a) of section 12-217, as amended by this act.

(B) "Captive real estate investment trust" does not include a corporation, a trust or an association, in which more than fifty per cent of the entity's voting power, beneficial interests or shares are owned by a single entity described in subparagraph (A)(iii) of this subdivision that is owned or controlled, directly or constructively, by (i) a corporation, a trust or an association that is considered a real estate investment trust under Section 856 of the Internal Revenue Code; (ii) a person exempt from taxation under Section 501 of the Internal Revenue Code; (iii) a listed property trust or other foreign real estate investment trust that is organized in a country that has a tax treaty with the United States Treasury Department governing the tax

treatment of these trusts; or (iv) a real estate investment trust that is intended to become regularly traded on an established securities market and that satisfies the requirements of Sections 856(a)(5) and 856(a)(6) of the Internal Revenue Code, as determined under Section 856(h) of the Internal Revenue Code.

(C) For purposes of this subdivision, the constructive ownership rules of Section 318 of the Internal Revenue Code, as modified by Section 856(d)(5) of the Internal Revenue Code, apply to the determination of the ownership of stock, assets or net profits of any person; **[.]**

(29) "Combined group" means the group of all persons that have common ownership and are engaged in a unitary business, where at least one person is subject to tax under this chapter;

(30) "Combined group's net income" means the amount calculated under subsection (a) of section 77 of this act;

(31) "Common ownership" means that not less than fifty per cent of the voting control of each member of a combined group is directly or indirectly owned by a common owner or owners, either corporate or noncorporate, whether or not the owner or owners are members of the combined group. Whether voting control is indirectly owned shall be determined in accordance with Section 318 of the Internal Revenue Code;

(32) "Unitary business" means a single economic enterprise that is made up either of separate parts of a single business entity or of a group of business entities under common ownership, which enterprise is sufficiently interdependent, integrated or interrelated through its activities so as to provide mutual benefit and produce a significant sharing or exchange of value among such entities, or a significant flow of value among the separate parts. For purposes of this chapter and sections 77 to 79, inclusive, of this act, (A) any business conducted by a pass-through entity shall be treated as conducted by its members, whether directly held or indirectly held through a series of pass-

through entities, to the extent of the member's distributive share of the pass-through entity's income, regardless of the percentage of the member's ownership interest or its distributive or any other share of pass-through entity income, and (B) any business conducted directly or indirectly by one corporation is unitary with that portion of a business conducted by another corporation through its direct or indirect interest in a pass-through entity if there is a mutual benefit and a significant sharing of exchange or flow of value between the two parts of the business and the two corporations are members of the same group of business entities under common ownership;

(33) "Designated taxable member" means, if the combined group has a common parent corporation and that common parent corporation is a taxable member, the common parent corporation and, in all other cases, the taxable member of the combined group that such group selects, in the manner prescribed by section 12-222, as amended by this act, as its designated taxable member or, in the discretion of the commissioner or upon the failure of such group to select its designated taxable member in the manner prescribed by section 12-222, as amended by this act, the taxable member of the combined group selected by the commissioner as the designated taxable member;

(34) "Group income year" means, if two or more members in the combined group file in the same federal consolidated tax return, the same income year as that used on the federal consolidated tax return and, in all other cases, the income year of the designated taxable member;

(35) "Nontaxable member" means a combined group member that is not a taxable member;

(36) "Person" means person, as defined in section 12-1;

(37) "Taxable member" means a combined group member that is subject to tax pursuant to this chapter;

(38) "Pass-through entity" means a partnership or an S corporation.

Sec. 77. (NEW) (*Effective from passage and applicable to income years commencing on or after January 1, 2015*) (a) For purposes of this section, section 78 of this act and chapter 208 of the general statutes, the combined group's net income shall be the aggregate net income or loss of every taxable member and nontaxable member of the combined group derived from a unitary business, which shall be determined as follows:

(1) For any member incorporated in the United States, included in a consolidated federal corporate income tax return and filing a federal corporate income tax return, the income to be included in calculating the combined group's net income shall be such member's gross income, less the deductions provided under section 12-217 of the general statutes, as amended by this act, as if the member were not consolidated for federal tax purposes.

(2) For any member not included in a consolidated federal corporate income tax return but required to file its own federal corporate income tax return, the income to be included in calculating the combined group's net income shall be such member's gross income, less the deductions provided under section 12-217 of the general statutes, as amended by this act.

(3) For any member not incorporated in the United States, not included in a consolidated federal corporate income tax return and not required to file its own federal corporate income tax return, the income to be included in the combined group's net income shall be determined from a profit and loss statement that shall be prepared for each foreign branch or corporation in the currency in which the books of account of the branch or corporation are regularly maintained, adjusted to conform it to the accounting principles generally accepted in the United States for the presentation of such statements and further adjusted to take into account any book-tax differences required by federal or Connecticut law. The profit and loss statement of each such member of the combined group and the apportionment factors related thereto, whether United States or foreign, shall be translated into or

from the currency in which the parent company maintains its books and records on any reasonable basis consistently applied on a year-to-year or entity-by-entity basis. Income shall be expressed in United States dollars. In lieu of these procedures and subject to the determination of the commissioner that the income to be reported reasonably approximates income as determined under chapter 208 of the general statutes, income may be determined on any reasonable basis consistently applied on a year-to-year or entity-by-entity basis.

(4) If the unitary business has income from an entity that is treated as a pass-through entity, the combined group's net income shall include its member's direct and indirect distributive share of the pass-through entity's unitary business income.

(5) All dividends paid by one member to another member of the combined group shall be eliminated from the income of the recipient.

(6) Except as otherwise provided by regulation, business income from an intercompany transaction among members of the same combined group shall be deferred in a manner similar to the deferral under 26 CFR 1.1502-13. Upon the occurrence of either of the following events, deferred business income resulting from an intercompany transaction among members of a combined group shall be restored to the income of the seller and shall be included in the combined group's net income as if the seller had earned the income immediately before the event:

(A) The object of a deferred intercompany transaction is: (i) Resold by the buyer to an entity that is not a member of the combined group, (ii) resold by the buyer to an entity that is a member of the combined group for use outside the unitary business in which the buyer and seller are engaged, or (iii) converted by the buyer to a use outside the unitary business in which the buyer and seller are engaged; or

(B) The buyer and seller are no longer members of the same combined group, regardless of whether the members remain unitary.

(7) A charitable expense incurred by a member of a combined group shall, to the extent allowable as a deduction pursuant to Section 170 of the Internal Revenue Code, be subtracted first from the combined group's net income, subject to the income limitations of said section applied to the entire business income of the group. Any charitable deduction disallowed under the foregoing rule, but allowed as a carryover deduction in a subsequent year, shall be treated as originally incurred in the subsequent year by the same member and the rules of this section shall apply in the subsequent year in determining the allowable deduction for that year.

(8) Gain or loss from the sale or exchange of capital assets, property described by Section 1231(a)(3) of the Internal Revenue Code and property subject to an involuntary conversion shall be removed from the net income of each member of a combined group and shall be included in the combined group's net income as follows:

(A) For each class of gain or loss, whether short-term capital, long-term capital, Section 1231 of the Internal Revenue Code gain or loss, or gain or loss from involuntary conversions, all members' business gain and loss for the class shall be combined, without netting among such classes, and each class of net business gain or loss shall be apportioned to each member under subsection (b) of this section; and

(B) Any resulting income or loss apportioned to this state, as long as the loss is not subject to the limitations of Section 1211 of the Internal Revenue Code, of a taxable member produced by the application of subparagraph (A) of this subdivision shall then be applied to all other income or loss of that member apportioned to this state. Any resulting loss of a member apportioned to this state that is subject to the limitations of said Section 1211 shall be carried forward by that member and shall be treated as short-term capital loss apportioned to this state and incurred by that member for the year for which the carryover applies.

(9) Any expense of any member of the combined group that is directly or indirectly attributable to the income of any member of the

combined group, which income this state is prohibited from taxing pursuant to the laws or Constitution of the United States, shall be disallowed as a deduction for purposes of determining the combined group's net income.

(b) A taxable member of a combined group shall determine its apportionment percentage as follows:

(1) Each taxable member shall determine its apportionment percentage based on the otherwise applicable apportionment formula provided in chapter 208 of the general statutes. In computing its denominators for all factors, the taxable member shall use the combined group's denominator for that factor. In computing the numerator of its receipts factor, each taxable member shall add to such numerator its share of receipts of nontaxable members assignable to this state, as provided in subdivision (3) of this subsection.

(2) The combined group shall determine its property and payroll factor denominators using the factors from all members, whether or not a member would otherwise apportion its income using such property and payroll factors.

(3) Receipts assignable to this state of each nontaxable member shall be determined based upon the apportionment formula that would be applicable to such member if it were a taxable member and shall be aggregated. Each taxable member of the combined group shall include in the numerator of its receipts factor a portion of the aggregate receipts assignable to this state of nontaxable members based on a ratio, the numerator of which is such taxable member's receipts assignable to this state, without regard to this subsection, and the denominator of which is the aggregate receipts assignable to this state of all the taxable members of the combined group, without regard to this subsection.

(4) In determining the numerator and denominator of the apportionment factors of taxable members, transactions between or among members of such combined group shall be eliminated.

(5) If any member of a combined group required to file a combined unitary tax return pursuant to section 12-222 of the general statutes, as amended by this act, is taxable both within and without this state, every taxable member shall be entitled to apportion its net income in accordance with this section.

(c) To calculate each taxable member's net income or loss apportioned to this state, each taxable member shall apply its apportionment percentage, as determined pursuant to subsection (b) of this section, to the combined group's net income.

(d) After calculating its net income or loss apportioned to this state, pursuant to subsection (c) of this section, each taxable member of a combined group required to file a combined unitary tax return pursuant to section 12-222 of the general statutes, as amended by this act, may deduct a net operating loss from its net income apportioned to this state as follows:

(1) For income years beginning on or after January 1, 2015, if the computation of a combined group's net income results in a net operating loss, a taxable member of such group may carry over its net income apportioned to this state, as calculated under subsection (c) of this section, derived from the unitary business in a future income year to the extent that the carryover and deduction is otherwise consistent with subparagraph (A) of subdivision (4) of subsection (a) of section 12-217 of the general statutes, as amended by this act. Any taxable member that has more than one operating loss carryover shall apply the carryovers in the order that the operating loss was incurred, with the oldest carryover to be deducted first.

(2) Where a taxable member of a combined group has an operating loss carryover derived from a loss incurred by a combined group in an income year beginning on or after January 1, 2015, then the taxable member may share the operating loss carryover with other taxable members of the combined group if such other taxable members were taxable members of the combined group in the income year that the loss was incurred. Any amount of operating loss carryover that is

deducted by another taxable member of the combined group shall reduce the amount of operating loss carryover that may be carried over by the taxable member that originally incurred the loss.

(3) Where a taxable member of a combined group has an operating loss carryover derived from a loss incurred in an income year beginning prior to January 1, 2015, or derived from an income year during which the taxable member was not a member of such combined group, the carryover shall remain available to be deducted by that taxable member or other group members that, in the year the loss was incurred, were part of the same combined group as such taxable member under section 12-223a of the general statutes, as amended by this act, as in effect prior to January 1, 2015. Such carryover shall not be deductible by any other members of the combined group.

(e) Each taxable member shall multiply its income or loss apportioned to this state, as calculated under subsection (c) of this section and as further modified by subsection (d) of this section, by the tax rate set forth in section 12-214 of the general statutes, as amended by this act.

(f) The additional tax base of taxable and nontaxable members of a combined group required to file a combined unitary tax return pursuant to section 12-222 of the general statutes, as amended by this act, shall be calculated as follows:

(1) Except as otherwise provided in subdivision (2) of this subsection, members of the combined group shall calculate the combined group's additional tax base by aggregating their separate additional tax bases under subsection (a) of section 12-219 of the general statutes, as amended by this act, provided intercorporate stockholdings in the combined group shall be eliminated and provided no deduction shall be allowed under subparagraph (B)(ii) of subdivision (1) of subsection (a) of section 12-219 of the general statutes, as amended by this act, for such intercorporate stockholdings. In calculating the combined group's additional tax base, the separate additional tax bases of nontaxable members shall be included, as if

those nontaxable members were taxable members. The amount calculated under this subdivision shall be apportioned to those members pursuant to subdivision (1) of subsection (g) of this section.

(2) Members of the combined group that are financial service companies, as defined in section 12-218b of the general statutes, as amended by this act, shall calculate their additional tax liability under subsection (d) of section 12-219 of the general statutes, as amended by this act, and not pursuant to subdivision (1) of this subsection.

(g) A taxable member of a combined group required to file a combined unitary tax return pursuant to section 12-222 of the general statutes, as amended by this act, shall determine its apportionment percentage under section 12-219a of the general statutes, as amended by this act, as follows:

(1) A taxable member whose separate additional tax base is included in the calculation of the combined group's additional tax base under subdivision (1) of subsection (f) of this section shall apportion the combined group's additional tax base using the otherwise applicable apportionment formula provided in section 12-219a of the general statutes, as amended by this act. However, the denominator of such apportionment fraction shall be the sum of subdivisions (1) and (2) of subsection (a) of said section 12-219a for all taxable members whose separate additional tax bases are included in the calculation of the combined group's additional tax base under subdivision (1) of subsection (f) of this section. The numerator of such apportionment fraction shall be the sum of subparagraph (A) of subdivision (1) of subsection (a) of said section 12-219a and subparagraph (A) of subdivision (2) of subsection (a) of said section 12-219a for such taxable member.

(2) Members of the combined group that are financial service companies, as defined in section 12-218b of the general statutes, as amended by this act, shall each have an additional tax liability as described in subdivision (2) of subsection (h) of this section.

(h) (1) A taxable member whose separate additional tax base is included in the calculation of the combined group's additional tax base under subdivision (1) of subsection (f) of this section shall multiply the combined group's additional tax base, as calculated under subdivision (1) of subsection (f) of this section, by such member's apportionment fraction determined in subdivision (1) of subsection (g) of this section, by the tax rate set forth in subsection (a) of section 12-219 of the general statutes, as amended by this act. In no event shall the aggregate tax so calculated for all members of the combined group exceed one million dollars, nor shall a tax credit allowed against the tax imposed by chapter 208 of the general statutes reduce a taxable member's tax calculated under this subsection to an amount less than two hundred fifty dollars.

(2) Members of the combined group that are financial service companies, as defined in section 12-218b of the general statutes, as amended by this act, shall each have an additional tax liability of two hundred fifty dollars. In no event shall a tax credit allowed against the tax imposed by chapter 208 of the general statutes reduce a financial service company's tax calculated under this subsection to an amount less than two hundred fifty dollars.

(i) (1) Each taxable member of a combined group required to file a combined unitary tax return pursuant to section 12-222 of the general statutes, as amended by this act, shall separately apply the provisions of sections 12-217ee and 12-217zz of the general statutes, as amended by this act, in determining the amount of tax credit available to such member.

(2) If a taxable member of a combined group earns a tax credit in an income year beginning on or after January 1, 2015, then the taxable member may share the credit with other taxable members of the combined group. Any amount of credit that is utilized by another taxable member of the combined group shall reduce the amount of credit carryover that may be carried over by the taxable member that originally earned the credit. If a taxable member of a combined group

has a tax credit carryover derived from an income year beginning on or after January 1, 2015, then the taxable member may share the carryover credit with other taxable members of the combined group, if such other taxable members were taxable members of the combined group in the income year in which the credit was earned.

(3) If a taxable member of a combined group has a tax credit carryover derived from an income year beginning prior to January 1, 2015, or derived from an income year during which the taxable member was not a member of such combined group, the credit carryover shall remain available to be utilized by such taxable member or other group members which, in the year the credit was earned, were part of the same combined group as such taxable member under section 12-223a of the general statutes, as amended by this act, as in effect prior to January 1, 2015.

Sec. 78. (NEW) (*Effective from passage and applicable to income years commencing on or after January 1, 2015*) (a) For purposes of this section, "affiliated group" means an affiliated group as defined in Section 1504 of the Internal Revenue Code, except such affiliated group shall include all domestic corporations that are commonly owned, directly or indirectly, by any member of such affiliated group, without regard to whether the affiliated group includes (1) corporations included in more than one federal consolidated return, (2) corporations engaged in one or more unitary businesses, or (3) corporations that are not engaged in a unitary business with any other member of the affiliated group.

(b) Upon election by the designated taxable member of a combined group, the combined group's net income, additional tax base and the apportionment factors of each taxable member shall be determined on a world-wide basis or an affiliated group basis. If no such election is made, the combined group's net income, additional tax base and the apportionment factors of each taxable member shall be determined on a water's-edge basis, whereby a nontaxable member's income, additional tax base and attributes that affect each taxable member's

apportionment factors shall be included only if the nontaxable member is described in any one or more of the following categories:

(1) Any member incorporated in the United States, or formed under the laws of the United States, any state, the District of Columbia, or any territory or possession of the United States; or

(2) Any member that earns more than twenty per cent of its gross income, directly or indirectly, from intangible property or service-related activities, the costs of which generally are deductible for federal income tax purposes, whether currently or over a period of time, against the income of other members of the group, but only to the extent of that income and the apportionment factors related thereto.

(c) A world-wide election or an affiliated group election is effective only if made on a timely-filed, original return for an income year by the designated taxable member of the combined group. Such election is binding for, and applicable to, the income year for which it is made and for the ten immediately succeeding income years.

(d) If the designated taxable member elects to determine the members of a unitary group on an affiliated group basis, the taxable members shall take into account the net income or loss and apportionment factors of all of the members of its affiliated group, regardless of whether such members are engaged in a unitary business, that are subject to tax or would be subject to tax under chapter 208 of the general statutes, if doing business in this state.

Sec. 79. (NEW) (*Effective from passage and applicable to income years commencing on or after January 1, 2015*) (a) For purposes of this section, "net deferred tax liability" means deferred tax liabilities that exceed the deferred tax assets of the unitary group, as computed in accordance with generally accepted accounting principles, and "net deferred tax asset" means that deferred tax assets exceed the deferred tax liabilities of the unitary group, as computed in accordance with generally accepted accounting principles.

(b) This section shall apply only to members of a unitary group that is a publicly-traded company, including any company whose results are reported in the filing of a publicly-traded company's financial statements prepared in accordance with generally accepted accounting principles.

(c) If the provisions of sections 77 and 78 of this act result in an aggregate increase to the members' net deferred tax liability or an aggregate decrease to the members' net deferred tax asset, the unitary group shall be entitled to a deduction, as determined in this section.

(d) For the seven-year period beginning with the unitary group's first income year that begins in 2018, a unitary group shall be entitled to a deduction from unitary group net income equal to one-seventh of the amount necessary to offset the increase in the net deferred tax liability or decrease in the net deferred tax asset, or the aggregate change thereof if the net income of the unitary group changes from a net deferred tax asset to a net deferred tax liability, as computed in accordance with generally accepted accounting principles, that would result from the imposition of the unitary reporting requirements under sections 77 and 78 of this act, but for the deduction provided under this section. Such increase in the net deferred tax liability or decrease in the net deferred tax asset or the aggregate change thereof shall be computed based on the change that would result from the imposition of the unitary reporting requirements under sections 77 and 78 of this act, but for the deduction provided under this section as of the effective date of this section.

(e) The deduction calculated under this section shall not be reduced as a result of any events happening subsequent to such calculation, including, but not limited to, any disposition or abandonment of assets. Such deduction shall be calculated without regard to the federal tax effect and shall not alter the tax basis of any asset. If the deduction under this section is greater than unitary group net income, any excess deduction shall be carried forward and applied as a deduction to unitary group net income in future income years until fully utilized.

Sec. 80. Section 12-214 of the general statutes is amended by adding subsection (c) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (c) Each taxable member of a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act, shall calculate such member's tax under subsection (a) of this section, by multiplying such member's net income apportioned to this state, as provided in subsection (c) of section 77 of this act, by the tax rate set forth in this section.

Sec. 81. Section 12-217 of the general statutes is amended by adding subsections (e) and (f) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (e) Where a combined group is required to file a combined unitary tax return pursuant to section 12-222, as amended by this act, the combined group's net income shall be computed as provided in subsection (a) of section 77 of this act.

(NEW) (f) Where a combined group is required to file a combined unitary tax return pursuant to section 12-222, as amended by this act, a taxable member's net operating loss apportioned to this state shall be deducted and carried over by the taxable member as provided in subsection (d) of section 77 of this act.

Sec. 82. Subsection (b) of section 12-217n of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(b) For purposes of this section:

(1) "Research and development expenses" means research or experimental expenditures deductible under Section 174 of the Internal Revenue Code of 1986, as in effect on May 28, 1993, determined without regard to Section 280C(c) thereof or any elections made by a taxpayer to amortize such expenses on its federal income tax return

that were otherwise deductible, and basic research payments as defined under Section 41 of said Internal Revenue Code to the extent not deducted under said Section 174, provided: (A) Such expenditures and payments are paid or incurred for such research and experimentation and basic research conducted in this state; and (B) such expenditures and payments are not funded, within the meaning of Section 41(d)(4)(H) of said Internal Revenue Code, by any grant, contract, or otherwise by a person or governmental entity other than the taxpayer unless such other person is included in a combined return with the person paying or incurring such expenses;

(2) "Combined return" means a combined **[**corporation business tax return under section 12-223a**]** unitary tax return under section 12-222, as amended by this act;

(3) "Commissioner" means the Commissioner of Economic and Community Development;

(4) "Qualified small business" means a company that (A) has gross income for the previous income year that does not exceed one hundred million dollars, and (B) has not, in the determination of the commissioner, met the gross income test through transactions with a related person, as defined in section 12-217w.

Sec. 83. Subsection (e) of section 12-217t of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(e) In the case of taxpayers filing a combined unitary tax return pursuant to section **[**12-223a**]** 12-222, as amended by this act, the credit provided by this section shall be allowed on a combined basis, such that the amount of personal property taxes paid by such taxpayers with respect to such equipment may be claimed as a tax credit against the combined unitary tax liability of such taxpayers as determined under this chapter. Credits available to taxpayers which are subject to tax under this chapter but not subject to tax under chapter 207, 208a,

209, 210, 211 or 212 or the tax imposed on health care centers under the provisions of section 12-202a shall be used prior to credits of companies included in such combined return which are also subject to tax under said chapter 207, 208a, 209, 210, 211 or 212 or the tax imposed upon health centers pursuant to the provisions of section 12-202a.

Sec. 84. Subsection (l) of section 12-217u of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(l) (1) In the case of a financial institution included in a combined unitary tax return under section **[**12-223a**]** 12-222, as amended by this act, a credit allowed under subsection (b) or (f) of this section may be taken against the tax of the combined unitary group. (2) The credit allowed to a financial institution under subsection (b) or (f) of this section may be taken by any corporation which is eligible to elect to file a combined unitary tax return with a group with which the financial institution is eligible to file a combined unitary tax return, provided the aggregate credit taken by all such corporations in any income year shall not exceed the aggregate credit for which such group would have been eligible if it had filed a combined unitary tax return.

Sec. 85. Subsection (c) of section 12-217gg of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(c) (1) For the purposes of this chapter, each constituent corporation shall be deemed to have itself conducted its pro rata share of the business conducted by the sponsor.

(2) The pro rata share of the business conducted by the sponsor that shall be deemed to have been conducted by each constituent corporation shall be the same percentage as such constituent corporation's distributive share of the profit or loss of the sponsor for

any relevant income year.

(3) The limitation of section 12-217zz, as amended by this act, shall be applied on the return of each constituent corporation or on the combined unitary tax return filed by two or more constituent corporations.

Sec. 86. Subsection (h) of section 12-217gg of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(h) The credits allowed under this section may be used by constituent corporations joining in a combined **[**corporation business**]** unitary tax return under section **[**12-223a**]** 12-222, as amended by this act.

Sec. 87. Section 12-218 of the general statutes is amended by adding subsection (m) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (m) Each taxable member of a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act, shall, if one or more members of such group are taxable both within and without this state, apportion its net income as provided in subsections (b) and (c) of section 77 of this act.

Sec. 88. Section 12-218b of the general statutes is amended by adding subsection (m) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (m) Each financial service company that is a member of a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act, shall apportion its net income as provided in subsections (b) and (c) of section 77 of this act.

Sec. 89. Subsection (c) of section 12-218c of the general statutes is

repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(c) (1) The adjustments required in subsection (b) of this section shall not apply if the corporation establishes by clear and convincing evidence that the adjustments are unreasonable, or the corporation and the Commissioner of Revenue Services agree in writing to the application or use of an alternative method of apportionment under section 12-221a, as amended by this act. Nothing in this subdivision shall be construed to limit or negate the commissioner's authority to otherwise enter into agreements and compromises otherwise allowed by law.

(2) The adjustments required in subsection (b) of this section shall not apply to such portion of interest expenses and costs and intangible expenses and costs that the corporation can establish by the preponderance of the evidence meets both of the following: (A) The related member during the same income year directly or indirectly paid, accrued or incurred such portion to a person who is not a related member, and (B) the transaction giving rise to the interest expenses and costs or the intangible expenses and costs between the corporation and the related member did not have as a principal purpose the avoidance of any portion of the tax due under this chapter.

(3) The adjustments required in subsection (b) of this section shall apply except to the extent that increased tax, if any, attributable to such adjustments would have been avoided if both the corporation and the related member had been eligible to make and had timely made the election to file a combined return under subsection (a) of section 12-223a, as amended by this act.

(4) The adjustments required in subsection (b) of this section shall not apply if the corporation and the related member are both members of a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act.

Sec. 90. Subsection (d) of section 12-218d of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(d) The adjustments required in subsection (b) of this section shall not apply **[**if**]** in any of the following circumstances:

(1) **[**the**]** The corporation establishes by clear and convincing evidence, as determined by the commissioner, that the adjustments are unreasonable. **[**,**]**

(2) **[**the**]** The corporation and the commissioner agree in writing to the application or use an alternative method of determining the combined measure of the tax, provided that the Commissioner of Revenue Services shall consider approval of such petition only in the event that the petitioners have clearly established to the satisfaction of said commissioner that there are substantial intercorporate business transactions among such included corporations and that the proposed alternative method of determining the combined measure of the tax accurately reflects the activity, business, income or capital of the taxpayers within the state. **[**, or**]**

(3) **[**the**]** The corporation elects, on forms authorized for such purpose by the commissioner, to calculate its tax on a unitary basis including all members of the unitary group provided **[**that**]** there are substantial intercorporate business transactions among such included corporations. Such election to file on a unitary basis shall be irrevocable for and applicable for five successive income years, but shall not be applicable to income years commencing on or after January 1, 2015. Nothing in this subdivision shall be construed to limit or negate the commissioner's authority to otherwise enter into agreements and compromises otherwise allowed by law.

(4) The corporation and the related member are both members of a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act.

Sec. 91. Section 12-219 of the general statutes is amended by adding subsection (e) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (e) The additional tax base of taxable and nontaxable members of a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act, shall be calculated as provided in subsection (f) of section 77 of this act.

Sec. 92. Section 12-219a of the general statutes is amended by adding subsection (d) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (d) The additional tax base of taxable and nontaxable members of a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act, shall be apportioned as provided in subsection (g) of section 77 of this act.

Sec. 93. Section 12-221a of the general statutes is amended by adding subsection (c) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (c) The provisions of this section shall also apply to a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act.

Sec. 94. Section 12-222 of the general statutes is amended by adding subsection (g) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (g) (1) A combined group shall file a combined unitary tax return under this chapter in the form and manner prescribed by the Commissioner of Revenue Services. The designated taxable member of a combined group shall file the combined unitary tax return on behalf of the taxable members of the combined group and shall pay the tax on behalf of such taxable members. A designated taxable member shall not be liable to, and shall be entitled to recover a payment made pursuant to this subdivision from, the taxable member on whose

behalf the payment was made.

(2) If a member of a combined group has a different income year than the group income year, such member with a different income year shall report amounts from its return for its income year that ends during the group income year, provided no such reporting of amounts shall be required of such member until its first income year beginning on or after January 1, 2015.

(3) Notwithstanding the provisions of subdivision (1) of this subsection, each taxable member of a combined group is jointly and severally liable for the tax due from any taxable member under this chapter, whether or not such tax has been self-assessed, and for any interest, penalties or additions to tax due from any taxable member under this chapter.

(4) In all cases where a combined group is eligible to select the designated taxable member of the combined group, notice of the selection shall be submitted in written form to the commissioner not later than the due date, or, if an extension of time to file has been requested and granted, not later than the extended due date of the combined unitary tax return for the initial income year that such a return is required. The subsequent selection of another designated taxable member shall be subject to the approval of the commissioner.

(5) For purposes of this chapter, the designated taxable member is authorized to do the following acts on behalf of taxable and nontaxable members of the combined group, including, but not limited to: (A) Signing the combined unitary tax return, including any amendments to such return; (B) applying for extensions of time to file the return; (C) before the expiration of the time prescribed in section 12-233 for the examination of the return or the assessment of tax, consenting to an examination or assessment after such time and prior to the expiration of the period agreed upon; (D) making offers of compromise under section 12-2d; (E) entering into closing agreements under section 12-2e; and (F) receiving a refund or credit of a tax overpayment under this chapter.

(6) For purposes of this chapter, the commissioner may, at the commissioner's sole discretion: (A) Send any notice to either the designated taxable member or a taxable member or members of the combined group; (B) make any deficiency assessment against either the designated taxable member or a taxable member or members of the combined group; (C) refund or credit any overpayment to either the designated taxable member or a taxable member or members of the combined group; (D) require any payment to be made by electronic funds transfer; and (E) require the combined unitary tax return to be electronically filed.

Sec. 95. Section 12-223a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(a) **[**Any**]** Subject to the provisions of subsection (e) of this section, any taxpayer included in a consolidated return with one or more other corporations for federal income tax purposes may elect to file a combined return under this chapter together with such other companies subject to the tax imposed thereunder as are included in the federal consolidated corporation income tax return and such combined return shall be filed in such form and setting forth such information as the Commissioner of Revenue Services may require. Notice of an election made pursuant to the provisions of this subsection and consent to such election must be submitted in written form to the Commissioner of Revenue Services by each corporation so electing not later than the due date, or if an extension of time to file has been requested and granted, the extended due date of the returns due from the electing corporations for the initial income year for which the election to file a combined return is made. Such election shall be in effect for such initial income year and for each succeeding income years unless and until such election is revoked in accordance with the provisions of subsection (d) of this section.

(b) **[**Any**]** Subject to the provisions of subsection (e) of this section, any taxpayer, other than a corporation filing a combined return with

one or more other corporations under subsection (a) of this section, which owns or controls either directly or indirectly substantially all the capital stock of one or more corporations, or substantially all the capital stock of which is owned or controlled either directly or indirectly by one or more other corporations or by interests which own or control either directly or indirectly substantially all the capital stock of one or more other corporations, may, in the discretion of the Commissioner of Revenue Services, be required or permitted by written approval of the Commissioner of Revenue Services to make a return on a combined basis covering any such other corporations and setting forth such information as the Commissioner of Revenue Services may require, provided no combined return covering any corporation not subject to tax under this chapter shall be required unless the Commissioner of Revenue Services deems such a return necessary, because of intercompany transactions or some agreement, understanding, arrangement or transaction referred to in section 12-226a, in order properly to reflect the tax liability under this part.

(c) (1) (A) In the case of a combined return, the tax shall be measured by the sum of the separate net income or loss of each corporation included or the minimum tax base of the included corporations but only to the extent that said income, loss or minimum tax base of any included corporation is separately apportioned to Connecticut in accordance with the provisions of section 12-218, as amended by this act, 12-218b, as amended by this act, 12-219a, as amended by this act, or 12-244, whichever is applicable. In computing said net income or loss, intercorporate dividends shall be eliminated, and in computing the combined additional tax base, intercorporate stockholdings shall be eliminated.

(B) In computing said net income or loss, any intangible expenses and costs, as defined in section 12-218c, as amended by this act, any interest expenses and costs, as defined in section 12-218c, as amended by this act, and any income attributable to such intangible expenses and costs or to such interest expenses and costs shall be eliminated, provided the corporation that is required to make adjustments under

section 12-218c, as amended by this act, for such intangible expenses and costs or for such interest expenses and costs, and the related member or members, as defined in section 12-218c, as amended by this act, are included in such combined return. If any such income and any such expenses and costs are eliminated as provided in this subparagraph, the intangible property, as defined in section 12-218c, as amended by this act, of the corporation eliminating such income shall not be taken into account in apportioning under the provisions of section 12-219a, as amended by this act, the tax calculated under subsection (a) of section 12-219, as amended by this act, of such corporation.

(2) If the method of determining the combined measure of such tax in accordance with this subsection for two or more affiliated companies validly electing to file a combined return under the provisions of subsection (a) of this section is deemed by such companies to unfairly attribute an undue proportion of their total income or minimum tax base to this state, said companies may submit a petition in writing to the Commissioner of Revenue Services for approval of an alternate method of determining the combined measure of their tax not later than sixty days prior to the due date of the combined return to which the petition applies, determined with regard to any extension of time for filing such return, and said commissioner shall grant or deny such approval before said due date. In deciding whether or not the companies included in such combined return should be granted approval to employ the alternate method proposed in such petition, the Commissioner of Revenue Services shall consider approval only in the event that the petitioners have clearly established to the satisfaction of said commissioner that all the companies included in such combined return are, in substance, parts of a unitary business engaged in a single business enterprise and further that there are substantial intercorporate business transactions among such included companies.

(3) Upon the filing of a combined return under subsection (a) or (b) of this section, combined returns shall be filed for all succeeding

income years or periods for those corporations reporting therein, provided, in the case of corporations filing under subsection (a) of this section, such corporations are included in a federal consolidated corporation income tax return filed for the succeeding income years and, in the case of a corporation filing under subsection (b) of this section, the aforesaid ownership or control continues in full force and effect and is not extended to other corporations, and further, provided no substantial change is made in the nature or locations of the operations of such corporations.

(d) Notwithstanding the provisions of subsections (a) and (c) of this section, any taxpayer which has elected to file a combined return under this chapter as provided in said subsection (a), may subsequently revoke its election to file a combined corporation business tax return and elect to file a separate corporation business tax return under this chapter, although continuing to be included in a federal consolidated corporation income tax return with other companies subject to tax under this chapter, provided such election shall not be effective before the fifth income year immediately following the initial income year in which the corporation elected to file a combined return under this chapter. Notice of an election made pursuant to the provisions of this subsection and consent to such election must be submitted in written form to the Commissioner of Revenue Services by each corporation that had been included in such combined return not later than the due date, or if an extension of time to file has been requested and granted, extended due date of the separate returns due from the electing corporations for the initial income year for which the election to file separate returns is made. The election to file separate returns shall be irrevocable for and applicable for five successive income years.

(e) The provisions of this section shall not apply to income years commencing on or after January 1, 2015.

Sec. 96. Section 12-223b of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and*

applicable to income years commencing on or after January 1, 2015):

(a) Intercompany rents shall not be included in the computation of the value of property rented as a property factor in the apportionment fraction if the lessor and lessee are included in a combined return as provided in section 12-223a, as amended by this act.

(b) Intercompany business receipts, receipts by a corporation included in a combined return under section 12-223a, as amended by this act, from any other corporation included in such return, shall not be included in the computation of the receipts factor of the apportionment fraction.

Sec. 97. Section 12-223c of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

Each corporation included in a combined return under section 12-223a, as amended by this act, shall pay the minimum tax of two hundred fifty dollars prescribed under section 12-219, as amended by this act. No tax credit allowed against the tax imposed by this chapter shall reduce an included corporation's tax calculated under section 12-219, as amended by this act, to an amount less than two hundred fifty dollars.

Sec. 98. Section 12-223e of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

If revision shall be made of a combined return under section 12-223a, as amended by this act, for the purpose of the tax of two or more corporations, or of an assessment based upon such a return, the Commissioner of Revenue Services shall have power to readjust the taxes of each taxpayer included in such return, or, if revision is made of a return or an assessment against a taxpayer which might have been included in a combined return when the tax was originally reported or assessed, the Commissioner of Revenue Services shall have power to

resettle the tax against such taxpayer and any other taxpayers which might have been included in such report upon a combined basis, and shall adjust the taxes of each such taxpayer accordingly.

Sec. 99. Section 12-223f of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(a) Notwithstanding the provisions of sections 12-223a to 12-223e, inclusive, as amended by this act, the tax due in relation to any corporations which have filed a combined return for any income year with other corporations for the tax imposed under this chapter in accordance with section 12-223a, as amended by this act, shall be determined as follows: (1) The tax which would be due from each such corporation if it were filing separately under this chapter shall be determined, and the total for all corporations included in the combined return shall be added together; (2) the tax which would be jointly due from all corporations included in the combined return in accordance with the provisions of said sections 12-223a to 12-223e, inclusive, shall be determined; and (3) the total determined pursuant to subdivision (2) of this section shall be subtracted from the amount determined pursuant to subdivision (1) of this section. The resulting amount, in an amount not to exceed five hundred thousand dollars, shall be added to the amount determined to be due pursuant to said sections 12-223a to 12-223e, inclusive, and shall be due and payable as a part of the tax imposed pursuant to this chapter.

(b) The provisions of this section shall not apply to income years commencing on or after January 1, 2015.

Sec. 100. Section 12-242d of the general statutes is amended by adding subsection (j) as follows (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(NEW) (j) (1) The provisions of this section shall apply to taxable members of a combined group required to file a combined unitary tax return pursuant to section 12-222, as amended by this act, except as

otherwise provided in subdivisions (3) and (4) of this subsection.

(2) The designated taxable member of a combined group shall be responsible for paying estimated tax installments, at the times and in the amounts specified in this section, on behalf of the taxable members of the combined group and in the form and manner prescribed by the Commissioner of Revenue Services.

(3) For combined groups whose 2015 group income year commences in January, February or March, the due date of the first required installment is extended to the due date of the second required installment. The due date for the first and second required installments of estimated tax for a combined group whose 2015 group income year commences in January shall be June 15, 2015, and the amount of the first and second required installments shall be seventy per cent of the required annual payment. The due date for the first and second required installments of estimated tax for a combined group whose 2015 group income year commences in February shall be July 15, 2015, and the amount of the first and second required installments shall be seventy per cent of the required annual payment. The due date for the first and second required installments of estimated tax for a combined group whose 2015 group income year commences in March shall be August 15, 2015, and the amount of the first and second required installments shall be seventy per cent of the required annual payment.

(4) Notwithstanding the provisions of subsection (e) of this section, where the preceding income year, as the term is used in said subsection, is an income year commencing on or after January 1, 2014, but prior to January 1, 2015, the required annual payment of a combined group is the lesser of (A) ninety per cent of the tax shown on the combined unitary tax return for the group income year commencing on or after January 1, 2015, but prior to January 1, 2016, or, if no return is filed, ninety per cent of the tax for such year computed in accordance with section 77 of this act, or (B) (i) if such preceding income year was an income year of twelve months and if the taxable members filed separate returns for such preceding income year

showing a liability for tax, the sum of one hundred per cent of the tax shown on each such return for such preceding income year of each such taxable member, without regard to any credit under chapter 208, or (ii) if the preceding income year was an income year of twelve months and if the taxable members filed a return pursuant to section 12-223a, as amended by this act, for such preceding income year showing a liability for tax, one hundred per cent of the tax shown on such return for such preceding income year, without regard to any credit under chapter 208.

Sec. 101. Subsection (f) of section 38a-88a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to income years commencing on or after January 1, 2015*):

(f) (1) The Commissioner of Revenue Services may treat one or more corporations that are properly included in a combined **[**corporation business**]** unitary tax return under section 12-223 as one taxpayer in determining whether the appropriate requirements under this section are met. Where corporations are treated as one taxpayer for purposes of this subsection, then the credit shall be allowed only against the amount of the combined unitary tax for all corporations properly included in a combined unitary return that, under the provisions of subdivision (2) of this subsection, is attributable to the corporations treated as one taxpayer.

(2) The amount of the combined unitary tax for all corporations properly included in a combined **[**corporation business**]** unitary tax return that is attributable to the corporations that are treated as one taxpayer under the provisions of this subsection shall be in the same ratio to such combined unitary tax that the net income apportioned to this state of each corporation treated as one taxpayer bears to the net income apportioned to this state, in the aggregate, of all corporations included in such combined unitary return. Solely for the purpose of computing such ratio, any net loss apportioned to this state by a corporation treated as one taxpayer or by a corporation included in

such combined unitary tax return shall be disregarded.

Sec. 102. Section 4-30a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) (1) For the purposes of this section, "combined revenue" means revenue in any given fiscal year from estimated and final payments of the personal income tax imposed under chapter 229 plus the revenue from the corporation business tax imposed under chapter 208.

(2) There is established a Budget Reserve Fund and a Restricted Grants Fund for the purposes of this section.

[(a)**]** (3) After the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in **[**said fund**]** the General Fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus and the amount transferred to the Restricted Grants Fund pursuant to subdivision (4) of this subsection shall be transferred by the State Treasurer to **[**a special fund to be known as**]** the Budget Reserve Fund.

(4) (A) Commencing in the fiscal year ending June 30, 2017, (i) if, under the consensus revenue estimate maintained or revised not later than January fifteenth annually pursuant to subsection (b) of section 2-36c, as amended by this act, the year-end projection of combined revenue for the current fiscal year is greater than the threshold level for deposits to the Budget Reserve Fund reported pursuant to subsection (f) of section 2-36c, as amended by this act, for the current fiscal year, the amount that is projected to be over the threshold level for deposits to the Budget Reserve Fund shall be transferred by the State Treasurer from the General Fund to the Restricted Grants Fund not later than January thirty-first.

(ii) If, under the consensus revenue estimate maintained or revised not later than April thirtieth annually pursuant to subsection (b) of section 2-36c, as amended by this act, the year-end projection of

combined revenue is revised upward, the difference in the combined revenue projection from January fifteenth to April thirtieth shall be transferred by the State Treasurer from the General Fund to the Restricted Grants Fund not later than May fifteenth. If such year-end projection is revised downward, the difference in the combined revenue projection from January fifteenth to April thirtieth shall be transferred back to the General Fund from the Restricted Grants Fund not later than May fifteenth, unless the revised combined revenue projection is less than the threshold level for deposits to the Budget Reserve Fund reported pursuant to subsection (f) of section 2-36c, as amended by this act, in which case only the difference between the combined revenue projection from January fifteenth and the calculated threshold for deposits to the Budget Reserve Fund shall be transferred back to the General Fund from the Restricted Grants Fund.

(B) (i) If, under the consensus revenue estimate maintained or revised not later than January fifteenth annually pursuant to subsection (b) of section 2-36c, as amended by this act, the year-end projection of combined revenue for the current fiscal year is equal to or less than the threshold level for deposits to the Budget Reserve Fund reported pursuant to subsection (f) of section 2-36c, as amended by this act, for the current fiscal year, no transfer to the Restricted Grants Fund shall be made.

(ii) If, under the consensus revenue estimate maintained or revised not later than April thirtieth annually pursuant to subsection (b) of section 2-36c, as amended by this act, the year-end projection of combined revenue is revised upward to an amount greater than the threshold level for deposits to the Budget Reserve Fund reported pursuant to subsection (f) of section 2-36c, as amended by this act, the difference between the combined revenue projection in April and the calculated threshold for deposits to the Budget Reserve Fund shall be transferred by the State Treasurer from the General Fund to the Restricted Grants Fund not later than May fifteenth. If such year-end projection is revised upward but not to an amount greater than the threshold level for deposits to the Budget Reserve Fund calculated

pursuant to subsection (f) of section 2-36c, as amended by this act, or is revised downward or remains unchanged, no transfer shall be made.

(C) If the consensus revenue estimate on either January fifteenth or April thirtieth projects a year-end General Fund deficit for the current fiscal year, no transfer to the Restricted Grants Fund shall be made.

(5) Commencing in the fiscal year ending June 30, 2016, the Comptroller shall certify the threshold level for deposits to the Budget Reserve Fund pursuant to section 3-115, as amended by this act, by determining: (A) Combined revenue for each of the prior twenty fiscal years; (B) the ten-year average for the current fiscal year; (C) the ten-year average for each of the ten fiscal years preceding the current fiscal year; (D) the differential for each of the ten fiscal years preceding the current fiscal year; (E) the average of the differentials calculated pursuant to subparagraph (D) of this subdivision; and (F) the number calculated in subparagraph (E) of this subdivision and adding the number one. The threshold level for deposits to the Budget Reserve Fund shall be the number calculated by multiplying the number calculated under subparagraph (B) of this subdivision by the number calculated under subparagraph (F) of this subdivision. For the purposes of this subdivision, "ten-year average" means the average of combined revenue from the ten fiscal years preceding any given fiscal year; and "differential" means the difference between the actual combined revenue from any given fiscal year and the ten-year average for that same fiscal year, divided by the ten-year average for that fiscal year.

[When**]** (6) Whenever the amount in **[**said fund**]** the Budget Reserve Fund equals **[**ten**]** fifteen per cent or more of the net General Fund appropriations for the **[**fiscal year in progress**]** current fiscal year, no further transfers shall be made by the Treasurer to **[**said fund**]** the Budget Reserve Fund and the amount of such surplus in excess of that transferred to said fund shall be deemed to be appropriated to the State Employees Retirement Fund, in addition to the contributions required pursuant to section 5-156a, but not exceeding five per cent of

the unfunded past service liability of the system as set forth in the most recent actuarial valuation certified by the Retirement Commission. **[**Such**]** Commencing in the fiscal year ending June 30, 2017: Whenever the amount in the Budget Reserve Fund equals ten per cent or more but less than fifteen per cent of the net General Fund appropriation for the current fiscal year, fifteen per cent of any amount transferred to the Budget Reserve Fund shall be transferred to the State Employees Retirement Fund; whenever the amount in the Budget Reserve Fund equals five per cent or more but less than ten per cent of the net General Fund appropriation for the current fiscal year, ten per cent of any amount transferred to the Budget Reserve Fund shall be transferred to the State Employees Retirement Fund; and whenever the amount in the Budget Reserve Fund is less than five per cent of the net General Fund appropriation for the current fiscal year, five per cent of any amount transferred to the Budget Reserve Fund shall be transferred to the State Employees Retirement Fund.

(7) Any surplus in excess of the amounts transferred to the Budget Reserve Fund and the state employees retirement system shall be deemed to be appropriated for: **[**(1)**]** (A) Redeeming prior to maturity any outstanding indebtedness of the state selected by the Treasurer in the best interests of the state; **[**(2)**]** (B) purchasing outstanding indebtedness of the state in the open market at such prices and on such terms and conditions as the Treasurer shall determine to be in the best interests of the state for the purpose of extinguishing or defeasing such debt; **[**(3)**]** (C) providing for the defeasance of any outstanding indebtedness of the state selected by the Treasurer in the best interests of the state by irrevocably placing with an escrow agent in trust an amount to be used solely for, and sufficient to satisfy, scheduled payments of both interest and principal on such indebtedness; or **[**(4)**]** (D) any combination of **[**these**]** the methods set forth in subparagraph (A), (B) or (C) of this subdivision. Pending the use or application of such amount for the payment of interest and principal, such amount may be invested in **[**(A)**]** (i) direct obligations of the United States government, including state and local government treasury securities that the United States Treasury issues specifically to provide state and

local governments with required cash flows at yields that do not exceed Internal Revenue Service arbitrage limits, **[**(B)**]** (ii) obligations guaranteed by the United States government, and **[**(C)**]** (iii) securities backed by United States government obligations as collateral and for which interest and principal payments on the collateral generally flow immediately through to the security holder.

(b) Moneys in **[**said**]** the Budget Reserve Fund shall be maintained and invested for the purpose of reducing revenue volatility in the General Fund and reducing the need for increases in tax revenue and reductions in state aid due to economic changes, and shall be expended only as provided in this subsection. **[**When**]** Whenever in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary, the amount of funds credited to **[**said**]** the Budget Reserve Fund shall be deemed to be appropriated for purposes of funding such deficit. Commencing in the fiscal year ending June 30, 2017, if the consensus revenue estimate on April thirtieth pursuant to section 2-36c, as amended by this act, projects a two per cent decline in General Fund tax revenues from the current fiscal year to the subsequent fiscal year, the General Assembly may transfer funds from the Budget Reserve Fund to the General Fund in each of the subsequent three fiscal years.

(c) The Treasurer is authorized to invest all or any part of **[**said fund**]** the Budget Reserve Fund or the Restricted Grants Fund in accordance with the provisions of section 3-31a. The interest derived from the investment of said **[**fund**]** funds shall be credited to the General Fund.

(d) No bill which, if passed, would reduce or eliminate the amount of any deposit to the Budget Reserve Fund or the Restricted Grants Fund as set forth in this section, shall be enacted by the General Assembly without an affirmative vote of at least three-fifths of the members of the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the

budgets of state agencies and at least three-fifths of the members of the joint standing committee of the General Assembly having cognizance of matters relating to state finance, revenue and bonding.

(e) Not later than December 15, 2020, and every five years thereafter, the Secretary of the Office of Policy and Management, the director of the legislative Office of Fiscal Analysis and the State Comptroller shall each submit a report, in accordance with section 11-4a, to the joint standing committee of the General Assembly having cognizance of matters relating to revenue and the Governor on the Budget Reserve Fund deposit formula set forth in this section. The reports shall include an analysis of the formula's impact on General Fund tax revenue volatility, the adequacy of deposits required by the formula to replace potential future revenue declines resulting from economic downturns, the amount of additional payments toward unfunded liability made as a result of the formula, and an analysis of the adequacy of the maximum cap on Budget Reserve Fund balances. The reports shall include recommended changes, if any, to the deposit formula or maximum balance cap that are consistent with the purposes of the Budget Reserve Fund as set forth in subsection (b) of this section.

Sec. 103. Section 4-85 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

(a) Before an appropriation becomes available for expenditure, each budgeted agency shall submit to the Governor through the Secretary of the Office of Policy and Management, not less than twenty days before the beginning of the fiscal year for which such appropriation was made, a requisition for the allotment of the amount estimated to be necessary to carry out the purposes of such appropriation during each quarter of such fiscal year. Commencing with the fiscal year ending June 30, 2011, the initial allotment requisition for each line item appropriated to the legislative branch and to the judicial branch for any fiscal year shall be based upon the amount appropriated to such line item for such fiscal year minus any amount of budgeted reductions to be achieved by such branch for such fiscal year pursuant

to subsection (c) of section 2-35, as amended by this act. Appropriations for capital outlays may be allotted in any manner the Governor deems advisable. Such requisition shall contain any further information required by the Secretary of the Office of Policy and Management. The Governor shall approve such requisitions, subject to the provisions of subsection (b) of this section.

(b) Any allotment requisition and any allotment in force shall be subject to the following: (1) If the Governor determines that due to a change in circumstances since the budget was adopted certain reductions should be made in allotment requisitions or allotments in force or that estimated budget resources during the fiscal year will be insufficient to finance all appropriations in full, the Governor may modify such allotment requisitions or allotments in force to the extent the Governor deems necessary. Before such modifications are effected the Governor shall file a report with the joint standing committee having cognizance of matters relating to appropriations and the budgets of state agencies and the joint standing committee having cognizance of matters relating to state finance, revenue and bonding describing the change in circumstances which makes it necessary that certain reductions should be made or the basis for **[**his**]** the Governor's determination that estimated budget resources will be insufficient to finance all appropriations in full. (2) If the cumulative monthly financial statement issued by the Comptroller pursuant to section 3-115, as amended by this act, includes a projected General Fund deficit greater than one per cent of the total of General Fund appropriations, the Governor, within thirty days following the issuance of such statement, shall file a report with such joint standing committees, including a plan which **[**he**]** the Governor shall implement to modify such allotments to the extent necessary to prevent a deficit. No modification of an allotment requisition or an allotment in force made by the Governor pursuant to this subsection shall result in a reduction of more than three per cent of the total appropriation from any fund or more than five per cent of any appropriation, except such limitations shall not apply in time of war, invasion or emergency caused by natural disaster. If the Comptroller has projected a General Fund

deficit greater than one per cent of the total of General Fund appropriations and any funds have been transferred to the Restricted Grants Fund pursuant to section 4-30a, as amended by this act, the Governor may direct the Treasurer to transfer those funds to the General Fund as part of the Governor's plan to prevent a deficit pursuant to this section.

(c) If a plan submitted in accordance with subsection (b) of this section indicates that a reduction of more than three per cent of the total appropriation from any fund or more than five per cent of any appropriation is required to prevent a deficit, the Governor may request that the Finance Advisory Committee approve any such reduction, provided any modification which would result in a reduction of more than five per cent of total appropriations shall require the approval of the General Assembly.

(d) The secretary shall submit copies of allotment requisitions thus approved or modified or allotments in force thus modified, with the reasons for any modifications, to the administrative heads of the budgeted agencies concerned, to the Comptroller and to the joint standing committee of the General Assembly having cognizance of appropriations and matters relating to the budgets of state agencies, through the Office of Fiscal Analysis. The Comptroller shall set up such allotments on the Comptroller's books and be governed thereby in the control of expenditures of budgeted agencies.

(e) The provisions of this section shall not be construed to authorize the Governor to reduce allotment requisitions or allotments in force concerning (1) aid to municipalities; or (2) any budgeted agency of the legislative or judicial branch, except that the Governor may propose an aggregate allotment reduction of a specified amount in accordance with this section for the legislative or judicial branch. If the Governor proposes to reduce allotment requisitions or allotments in force for any budgeted agency of the legislative or judicial branch, the Secretary of the Office of Policy and Management shall, at least five days before the effective date of such proposed reductions, notify the president pro

tempore of the Senate and the speaker of the House of Representatives of any such proposal affecting the legislative branch and the Chief Justice of the Supreme Court of any such proposal affecting the judicial branch. Such notification shall include the amounts, effective dates and reasons necessitating the proposed reductions. Not later than three days after receipt of such notification, the president pro tempore or the speaker, or both, or the Chief Justice, as appropriate, may notify the Secretary of the Office of Policy and Management and the chairpersons and ranking members of the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies, in writing, of any objection to the proposed reductions. The committee may hold a public hearing on such proposed reductions. Such proposed reductions shall become effective unless they are rejected by a two-thirds vote of the members of the committee not later than fifteen days after receipt of the notification of objection to the proposed reductions. If the committee rejects such proposed reductions, the Secretary of the Office of Policy and Management shall present an alternative plan to achieve such reductions to the president pro tempore and the speaker for any such proposal affecting the legislative branch or to the Chief Justice for any such proposal affecting the judicial branch. If proposed reductions in allotment requisitions or allotments in force for any budgeted agency of the legislative or judicial branch are not rejected, such reductions shall be achieved as determined by the Joint Committee on Legislative Management or the Chief Justice, as appropriate. The Joint Committee on Legislative Management or the Chief Justice, as appropriate, shall submit such reductions to the Governor through the Secretary of the Office of Policy and Management not later than ten days after the proposed reductions become effective.

Sec. 104. Section 3-115 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

The Comptroller shall prepare all accounting statements relating to the financial condition of the state as a whole, the condition and operation of state funds, appropriations, reserves and costs of

operations; shall furnish such statements when they are required for administrative purposes; and shall issue cumulative monthly financial statements concerning the state's General Fund which shall include a statement of revenues and expenditures to the end of the last-completed month together with the statement of estimated revenue by source to the end of the fiscal year and the statement of appropriation requirements of the state's General Fund to the end of the fiscal year furnished pursuant to section 4-66 and itemized as far as practicable for each budgeted agency, including estimates of lapsing appropriations, unallocated lapsing balances and unallocated appropriation requirements. The Comptroller shall provide such statements, in the same form and in the same categories as appears in the budget act enacted by the General Assembly, on or before the first day of the following month. The Comptroller shall submit a copy of the monthly trial balance and monthly analysis of expenditure run to the legislative Office of Fiscal Analysis. On or before September thirtieth, annually, the Comptroller shall submit a report, prepared in accordance with generally accepted accounting principles, to the Governor which shall include (1) a statement of all appropriations and expenditures of the public funds during the fiscal year next preceding itemized by each appropriation account of each budgeted agency; (2) a statement of the revenues of the state classified as far as practicable as to budgeted agencies, sources and funds during such year; (3) a statement setting forth the total tax receipts of the state during such year; (4) a balance sheet setting forth, as of the close of such year, the financial condition of the state as to its funds; (5) a statement certifying the threshold level for deposits to the Budget Reserve Fund under subdivision (5) of subsection (a) of section 4-30a, as amended by this act, for the current fiscal year; and (6) such other information as will, in the Comptroller's opinion, be of interest to the public or as will convey to the General Assembly and the Governor the essential facts as to the financial condition and operations of the state government. The annual report of the Comptroller shall be published and made available to the public on or before the thirty-first day of December.

Sec. 105. Section 2-35 of the general statutes is repealed and the

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

(a) All bills carrying or requiring appropriations and favorably reported by any other committee, except for payment of claims against the state, shall, before passage, be referred to the joint standing committee of the General Assembly having cognizance of matters relating to appropriations and the budgets of state agencies, unless such reference is dispensed with by a vote of at least two-thirds of each house of the General Assembly. Resolutions paying the contingent expenses of the Senate and House of Representatives shall be referred to said committee. Said committee may originate and report any bill which it deems necessary and shall, in each odd-numbered year, report such appropriation bills as it deems necessary for carrying on the departments of the state government and for providing for such institutions or persons as are proper subjects for state aid under the provisions of the statutes, for the ensuing biennium. In each even-numbered year, the committee shall originate and report at least one bill which adjusts expenditures for the ensuing fiscal year in such manner as it deems appropriate. Each appropriation bill shall specify the particular purpose for which appropriation is made and shall be itemized as far as practicable. The state budget act may contain any legislation necessary to implement its appropriations provisions, provided no other general legislation shall be made a part of such act.

(b) The state budget act passed by the legislature for funding the expenses of operations of the state government in the ensuing biennium shall contain a statement of estimated revenue, based upon the most recent consensus revenue estimate or the revised consensus revenue estimate issued pursuant to section 2-36c, as amended by this act, itemized by major source, for each appropriated fund. Commencing in the fiscal year ending June 30, 2016, such itemization shall include the estimate for each major component of the personal income tax imposed pursuant to chapter 229 as follows: Withholding payments, estimated payments and final payments. The statement of estimated revenue applicable to each such fund shall include, for any fiscal year, an estimate of total revenue with respect to such fund,

which amount shall be reduced by (1) an estimate of total refunds of taxes to be paid from such revenue in accordance with the authorization in section 12-39f, and (2) an estimate of total refunds of payments to be paid from such revenue in accordance with the provisions of sections 3-70a and 4-37. Such statement of estimated revenue, including the estimated refunds of taxes to be offset against such revenue, shall be supplied by the joint standing committee of the General Assembly having cognizance of matters relating to state finance, revenue and bonding. The total estimated revenue for each fund, as adjusted in accordance with this section, shall not be less than the total net appropriations made from each fund plus, for the fiscal year ending June 30, 2014, and each fiscal year thereafter, the amount necessary to extinguish any unassigned negative balance in each fund as reported in the most recently audited comprehensive annual financial report issued by the Comptroller prior to the start of the fiscal year, reduced, in the case of the General Fund, by (A) the negative unassigned fund balance, as reported by the Comptroller for the fiscal year ending June 30, 2013, then unamortized pursuant to section 3-115b, and (B) any funds from other resources deposited in the General Fund for the purpose of reducing the negative unassigned balance of the fund. On or before July first of each fiscal year said committee shall, if any revisions in such estimates are required by virtue of legislative amendments to the revenue measures proposed by said committee, changes in conditions or receipt of new information since the original estimate was supplied, meet and revise such estimates and, through its cochairpersons, report to the Comptroller any such revisions.

(c) If the state budget act passed by the legislature for funding the expenses of operations of the state government in the ensuing biennium or making adjustments to a previously adopted biennial budget contains state-wide budgeted reductions not allocated by a budgeted agency, such act shall specify the amount of such budgeted reductions to be achieved in each branch of state government.

Sec. 106. Section 2-36c of the general statutes is repealed and the

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

(a) Not later than November tenth annually, the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis shall issue the consensus revenue estimate for the current biennium and the next ensuing three fiscal years. Such revenue shall be itemized in accordance with the provisions of subsection (b) of section 2-35, as amended by this act. If no agreement on a revenue estimate is reached by November tenth, (1) the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis shall each issue an estimate of state revenues for the current biennium and the next ensuing three fiscal years, and (2) the Comptroller shall, not later than November twentieth, issue the consensus revenue estimate for the current biennium and the next ensuing three fiscal years. In issuing the consensus revenue estimate required by this subsection, the Comptroller shall consider such revenue estimates provided by the Office of Policy and Management and the legislative Office of Fiscal Analysis, and shall issue the consensus revenue estimate based on such revenue estimates, in an amount that is equal to or between such revenue estimates.

(b) Not later than January fifteenth annually and April thirtieth annually, the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis shall issue revisions to the consensus revenue estimate developed pursuant to subsection (a) of this section, or a statement that no revisions are necessary. If no agreement on revisions to the consensus revenue estimate revenue estimate is reached by the required date, (1) the Secretary of the Office of Policy and Management and the director of the Office of Fiscal Analysis shall each issue a revised estimate of state revenues for the current biennium and the next ensuing three fiscal years, and (2) the Comptroller shall, not later than five days after the failure to issue revisions to the consensus revenue estimate, issue the revised consensus revenue estimate. In issuing the revised consensus revenue estimate required by this subsection, the Comptroller shall

consider such revised revenue estimates provided by the Office of Policy and Management and the legislative Office of Fiscal Analysis, and shall issue the revised consensus revenue estimate based on such revised revenue estimates, in an amount that is equal to or between such revised revenue estimates.

(c) If (1) a revised consensus revenue estimate pursuant to subsection (b) of this section is issued in January or April of any fiscal year, (2) such revised consensus revenue estimate has changed from the previous consensus revenue estimate or revised consensus revenue estimate to forecast a deficit or an increase in a deficit either of which is greater than one per cent of the total of General Fund appropriations for the current year, (3) a budget for the prospective fiscal year has not become law, and (4) the General Assembly is in session, then the General Assembly and the Governor shall take such action as provided in subsection (d) of this section.

(d) (1) The joint standing committees of the General Assembly having cognizance of matters relating to appropriations and finance, revenue and bonding shall, on or before the tenth business day after a revised consensus revenue estimate is issued in April pursuant to subsection (c) of this section, prepare and vote on adjusted appropriation and revenue plans, if necessary to address such revised consensus revenue estimate.

(2) The Governor shall provide the General Assembly with a budget document, prepared in accordance with the requirements of section 4-74, if necessary to address the most recent consensus revenue estimate or revised consensus revenue estimate issued pursuant to subsection (b) or (c) of this section. The budget document required by this subdivision shall be issued not later than twenty-five calendar days after a revised consensus revenue estimate is issued in January, and not later than ten calendar days after a revised consensus revenue estimate is issued in April.

(e) Notwithstanding the provisions of subsections (a) to (d), inclusive, of this section, if any deadline imposed pursuant to said

subsections (a) to (d), inclusive, falls on a Saturday, Sunday or legal holiday, such deadline shall be extended to the next business day.

(f) (1) Commencing in the fiscal year ending June 30, 2016, not later than November tenth annually, the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis shall each report the threshold level for deposits to the Budget Reserve Fund in the current fiscal year as certified by the Comptroller on September thirtieth pursuant to section 3-115, as amended by this act, unless any public act that has been enacted has an estimated revenue impact pursuant to section 2-24a, as amended by this act, of greater than one per cent of tax revenue from the estimated and final portion of the personal income tax imposed under chapter 229 or one per cent of tax revenue from the corporation business tax imposed under chapter 208, in which case the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis shall report a threshold level for deposits to the Budget Reserve Fund that is adjusted to account for such revenue impact.

(2) If any revision in the January or April consensus revenue estimate for the current fiscal year impacts the estimated and final payments portion of the personal income tax imposed under chapter 229 or the corporation business tax imposed under chapter 208, the Secretary of the Office of Policy and Management and the director of the legislative Office of Fiscal Analysis may recalculate any adjustment made to the threshold level for deposits to the Budget Reserve Fund pursuant to subdivision (1) of this subsection and shall report such revised threshold in the January and April consensus revenue estimates, if applicable.

(3) Any such adjustment may be continued to be made to the threshold level for deposits to the Budget Reserve Fund certified pursuant to section 3-115, as amended by this act, until ten fiscal years have passed from the date of implementation of a public act that created the revenue impact or until there is no longer a revenue impact pursuant to section 2-24a, as amended by this act, of greater than one

per cent of tax revenue from the estimated and final portion of the personal income tax imposed under chapter 229 or one per cent of tax revenue from the corporation business tax imposed under chapter 208, whichever occurs first. The Secretary and director shall detail any such adjustment in the report with information on how the Secretary and director determined the revenue impact and how the Secretary and director used that information to adjust the threshold level for deposits to the Budget Reserve Fund. The Secretary and director of the legislative Office of Fiscal Analysis shall each also report the estimated threshold level for deposits to the Budget Reserve Fund for the next ensuing three fiscal years in accordance with the formula set forth in subdivision (1) of this subsection.

Sec. 107. Section 2-24a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2015*):

No bill without a fiscal note appended thereto which, if passed, would require the expenditure of state or municipal funds or affect state or municipal revenue in the current fiscal year or any of the next ensuing five fiscal years shall be acted upon by either house of the General Assembly unless said requirement of a fiscal note is dispensed with by a vote of at least two-thirds of such house. Such fiscal note shall clearly identify the cost and revenue impact to the state and municipalities in the current fiscal year and in each of the next ensuing five fiscal years. If the bill has any impact on the personal income tax imposed under chapter 229 or the corporation business tax imposed under chapter 208, or both, such fiscal note shall clearly identify any resulting impact on the deposits to the Budget Reserve Fund pursuant to section 4-30a, as amended by this act.

Sec. 108. (NEW) (*Effective October 1, 2015*) (a) As used in this section:

(1) "Corporation" means Connecticut Innovations, Incorporated, established pursuant to chapter 581 of the general statutes;

(2) "City" means the city of Hartford;

(3) "Project" means the Downtown North development in the city of Hartford; and

(4) "Incremental sales taxes" means the incremental sales taxes collected under chapter 219 of the general statutes, including the incremental hotel taxes collected under subparagraph (H) of subdivision (2) of subsection (a) of section 12-407 of the general statutes, but does not include any incremental sales taxes generated by activities at the stadium proposed for the Downtown North development.

(b) Connecticut Innovations, Incorporated shall enter into an agreement with the city of Hartford under which incremental sales taxes may be used to pay the debt service on bonds issued by the corporation to help finance, on a self-sustaining basis, the Downtown North development in the city of Hartford.

(c) The city shall provide the corporation with such information as the corporation may require, including, but not limited to, (1) the type of businesses proposed to be established in the area served by the project, (2) the number of jobs to be created or retained and their average wage rates, (3) feasibility studies or business plans for the project and other information necessary to demonstrate its financial viability, (4) the amounts and types of bonds proposed to be issued for the project and the proposed use of the proceeds, (5) information about other sources of financing available to support repayment of the bonds proposed to be issued, including property tax increments that may be made available by the city, as provided in subsection (h) of this section, (6) a geographic description of the area surrounding the proposed site of the project and the existing firms doing business in that area, (7) an economic impact assessment of the effects of the project on the city and the capital region, (8) an assessment of the incremental sales taxes to be generated by the project, (9) an analysis of necessary infrastructure development to support the project and any available sources of financing for such infrastructure, and (10) other information that demonstrates that the bonds will be self-sustaining from the

incremental sales taxes collected and any amounts made available by the city under subsection (h) of this section.

(d) (1) The corporation shall review the information submitted pursuant to subsection (c) of this section, and shall obtain such additional information as may be necessary to make a final determination as to the amount of bonding for which the project is eligible, whether the project is economically viable with use of the tax incremental financing mechanism and the effects of the project on the city and the capital region.

(2) The corporation shall retain such financial advisors and other experts as it deems appropriate to conduct an independent financial assessment of the information submitted pursuant to subsection (c) of this section, including, in particular, the amount of incremental sales taxes to be generated by the project, whether the project will be economically viable and whether the bonds will be self-sustaining.

(3) The corporation shall prepare a revenue impact assessment that estimates the incremental sales taxes that will be generated by the project, the state revenues that will be foregone as a result of the project, all state and local revenues that will be generated by the project and the economic benefits that will likely result from construction of the project, including revenue effects of such economic benefits.

(e) (1) Upon consideration of the information submitted pursuant to subsection (c) of this section, the results of the independent financial assessment, the revenue impact assessment and any additional information that the corporation requires concerning the project, the board of directors of the corporation shall determine the amount and type of bonds the corporation shall issue to support the project, the purposes for which the funds generated by sale of the bonds may be applied and the amount of incremental sales taxes that shall be annually allocated to pay principal and interest on the bonds to be issued for the project. The amounts so allocated shall not exceed the estimated amount of incremental sales taxes to be collected. From the

amount of incremental sales taxes so allocated by the corporation, the amount required for payment of principal and interest on the bonds issued in accordance with subsection (f) of this section shall be deemed appropriated from the General Fund.

(2) In connection with the project, the corporation may exercise any of its other powers, including, but not limited to, the provision of other forms of financial assistance. The proceeds of the bonds may be combined with any other funds available from state or federal programs, or from investments by the private sector, to support the project.

(3) As part of the agreement between the corporation and the city, the city may be required to reimburse the corporation for all or any part of the costs of the independent financial assessment conducted in reviewing the submitted information and any other related costs incurred by the corporation.

(f) (1) The corporation may issue one or more series of bonds in accordance with the provisions of chapter 579 of the general statutes, to the extent not inconsistent with the provisions of this subsection, payable in whole or in part from the incremental sales taxes allocated and deemed appropriated from the General Fund under subsection (e) of this section and any amounts contributed by a municipality under subsection (h) of this section, to finance the project or to refund bonds previously issued under this section. The corporation is authorized to make a grant of all or part of the proceeds of such bonds to the city in connection with the acquisition, construction and equipping of the project. Subject to applicable federal tax law, the corporation may issue such bonds, the interest on which is excludable from gross income for federal income tax purposes, or such bonds, the interest on which is not so excludable. The corporation, when authorizing the issuance of any series of such bonds, shall, in conjunction with the State Treasurer, determine the rate of interest of such bonds, the date or dates of their maturity, the medium of payment, the redemption terms and privileges, whether such bonds shall be sold by negotiated or

competitive sale and any and all other terms, covenants and conditions not inconsistent with this section, in connection with the issuance thereof, including, but not limited to, the pledging of special capital reserve funds authorized under subsection (b) of section 32-23j of the general statutes.

(2) The issuance of any bonds by the corporation under this section shall be subject to the approval of the State Bond Commission. Upon determining the appropriate amount of financing for the project, the corporation shall submit the matter to the State Bond Commission for final approval. The State Bond Commission shall not approve the project unless it has received the submission from the corporation at least ten days prior to the meeting at which the project is to be considered. Such submission shall include the information considered by the corporation in determining the appropriate amount of financing for the project, the independent financial assessment and such other information as the commission deems appropriate. In reaching its decision, the State Bond Commission may consider such information as submitted. After such approval by the State Bond Commission, no other approval shall be required for the project.

(g) For such period of time as bonds issued to support the project are outstanding, the Treasurer shall make payment of interest and principal on the bonds to the trustee when due, but not exceeding in any fiscal year the amount deemed appropriated pursuant to subsection (e) of this section.

(h) A portion of the proceeds of bonds issued pursuant to this section may be made available to the city of Hartford for the purpose of carrying out or administering a redevelopment plan or other functions authorized under chapter 130 or 132 of the general statutes. The city may contribute all or any part of the money specified in subdivision (2) of section 8-134a of the general statutes, or subsection (b) of section 8-192a of the general statutes, to the corporation for the payment of principal and interest on the bonds issued by the corporation under this section to support the project. In exercising

such power, the city shall proceed as provided in chapter 130 or 132 of the general statutes, as the case may be, except that the references therein to bonds and bond anticipation notes shall be deemed to refer to the bonds issued by the corporation under this section.

(i) (1) Not later than July first in each year that bonds issued to support the project are outstanding, the corporation shall submit a report to the chief elected official of the city of Hartford and the Secretary of the Office of Policy and Management with respect to the operations, finances and achievement of the economic development objectives of the project. The corporation shall review and evaluate the progress of the project and shall devise and employ techniques for forecasting and measuring relevant indices of accomplishment of its goals of economic development, including, but not limited to, (A) the actual expenditures compared to original estimated costs, (B) whether there have been significant cost increases over original estimates, (C) the number of jobs created, or to be created, by or as a result of the project, (D) the cost or estimated cost, to the corporation, involved in the creation of such jobs, (E) the amount of private capital investment in, or stimulated by, the project, in proportion to the public funds invested in the project, (F) the number of additional businesses created and associated jobs, and (G) any impact on tourism.

(2) Not later than July first in each year that bonds issued to support the project are outstanding, the Office of Policy and Management shall retain independent financial experts to conduct an analysis of the financial status of the project approved under this section. The independent financial analysis shall include, but not be limited to, determinations as to whether the incremental sales taxes actually generated by the project are equal to the estimates made at the time the project was approved, whether the project is economically viable and whether the bonds issued are self-sustaining with the incremental sales taxes actually collected and other financing sources dedicated to repayment of the bonds. The agreement between the corporation and the city shall require the city to reimburse the Office of Policy and Management for the costs of such annual analysis.

Sec. 109. (*Effective July 1, 2016*) For the fiscal year ending June 30, 2017, the Commissioner of Social Services shall refund to each hospital in this state that is subject to the tax on net patient revenue pursuant to chapter 211a of the general statutes a pro rata share of fifty-six million dollars of the revenue collected from the tax. The amount of each refund shall be proportionate to the amount of tax paid by the hospital during the fiscal year ending June 30, 2017.

Sec. 110. Section 21a-408q of the general statutes is repealed. (*Effective July 1, 2015*)

Sec. 111. Subdivision (119) of section 12-412 of the general statutes is repealed. (*Effective July 1, 2015*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage and applicable to taxable years commencing on or after January 1, 2015*	12-700(a)
Sec. 2	*from passage and applicable to taxable years commencing on or after January 1, 2015*	12-702(a)
Sec. 3	*from passage and applicable to taxable years commencing on or after January 1, 2015*	12-703(a)(2)(H) and (I)
Sec. 4	*from passage and applicable to taxable years commencing on or after January 1, 2015*	12-704c(c)(1)(I) and (J)
Sec. 5	*from passage and applicable to taxable years commencing on or after January 1, 2015*	12-704e(e)
Sec. 6	*July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015*	12-701(a)(20)(B)

Sec. 7	*from passage and applicable to income years commencing on or after January 1, 2016*	12-214(b)
Sec. 8	*from passage and applicable to income years commencing on or after January 1, 2016*	12-219(b)
Sec. 9	*from passage and applicable to calendar years commencing on or after January 1, 2015*	12-211a(a)
Sec. 10	*from passage*	12-217jj(a)(3)
Sec. 11	*from passage and applicable to sales occurring on or after October 1, 2015, and to sales of services that are billed to customers for a period that includes said October 1, 2015, date*	12-408(1)
Sec. 12	*from passage and applicable to sales occurring on or after October 1, 2015*	12-408(3)
Sec. 13	*from passage and applicable to sales occurring on or after October 1, 2015, and to sales of services that are billed to customers for a period that includes said October 1, 2015, date*	12-411(1)(A)
Sec. 14	*from passage and applicable to sales occurring on or after July 1, 2016, and to sales of services that are billed to customers for a period that includes said July 1, 2016, date*	12-408(1)(A)

Sec. 15	*from passage and applicable to sales occurring on or after July 1, 2016*	12-408(3)
Sec. 16	*from passage and applicable to sales occurring on or after July 1, 2016, and to sales of services that are billed to customers for a period that includes said July 1, 2016, date*	12-411(1)(A)
Sec. 17	*from passage and applicable to sales occurring on or after October 1, 2015, and to sales of services that are billed to customers for a period that includes said October 1, 2015, date*	12-411b(c)
Sec. 18	*October 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes said October 1, 2015, date*	12-407(a)(37)
Sec. 19	*October 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes said date*	12-408(1)(D)
Sec. 20	*October 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes said date*	12-411(1)(E)
Sec. 21	*July 1, 2015*	12-407e

Sec. 22	*from passage*	12-217(a)(4)
Sec. 23	*from passage*	12-217zz
Sec. 24	*from passage*	12-263b
Sec. 25	*from passage*	12-284b(b)
Sec. 26	*October 1, 2015*	34-38n(a)
Sec. 27	*October 1, 2015*	34-112(a)
Sec. 28	*October 1, 2015*	34-413(a)
Sec. 29	*July 1, 2015*	4-28e(c)
Sec. 30	*July 1, 2015*	13b-61c
Sec. 31	*July 1, 2015*	4-66aa
Sec. 32	*from passage*	New section
Sec. 33	*July 1, 2015*	New section
Sec. 34	*July 1, 2015*	21a-408d(a)
Sec. 35	*July 1, 2015*	21a-408h(c)
Sec. 36	*July 1, 2015*	21a-408i(c)
Sec. 37	*July 1, 2015*	21a-408m(b)
Sec. 38	*from passage*	30-22
Sec. 39	*from passage*	30-22a
Sec. 40	*from passage*	30-26
Sec. 41	*July 1, 2015*	12-801
Sec. 42	*July 1, 2015*	12-806(b)(4)
Sec. 43	*July 1, 2015*	New section
Sec. 44	*July 1, 2015*	New section
Sec. 45	*July 1, 2015*	12-692
Sec. 46	*January 1, 2016*	53-344b(a)
Sec. 47	*January 1, 2016*	New section
Sec. 48	*January 1, 2016*	New section
Sec. 49	*from passage*	New section
Sec. 50	*July 1, 2015*	19a-88
Sec. 51	*July 1, 2015*	19a-515(a)
Sec. 52	*July 1, 2015*	20-65k
Sec. 53	*July 1, 2015*	20-74bb(c)
Sec. 54	*July 1, 2015*	20-74f
Sec. 55	*July 1, 2015*	20-74s(g) to (n)
Sec. 56	*July 1, 2015*	20-149
Sec. 57	*July 1, 2015*	20-162o(f)
Sec. 58	*July 1, 2015*	20-162bb(g)
Sec. 59	*July 1, 2015*	20-191a
Sec. 60	*July 1, 2015*	20-195c
Sec. 61	*July 1, 2015*	20-195o
Sec. 62	*July 1, 2015*	20-195cc

Sec. 63	*July 1, 2015*	20-201
Sec. 64	*July 1, 2015*	20-206b(b)
Sec. 65	*July 1, 2015*	20-206n
Sec. 66	*July 1, 2015*	20-206r
Sec. 67	*July 1, 2015*	20-206bb(e)
Sec. 68	*July 1, 2015*	20-206ll(b)
Sec. 69	*July 1, 2015*	20-222a
Sec. 70	*July 1, 2015*	20-275
Sec. 71	*July 1, 2015*	20-395d(a)
Sec. 72	*July 1, 2015*	20-398(a)
Sec. 73	*July 1, 2015*	20-412
Sec. 74	*July 1, 2015*	New section
Sec. 75	*July 1, 2015*	New section
Sec. 76	*from passage and applicable to income years commencing on or after January 1, 2015*	12-213(a)
Sec. 77	*from passage and applicable to income years commencing on or after January 1, 2015*	New section
Sec. 78	*from passage and applicable to income years commencing on or after January 1, 2015*	New section
Sec. 79	*from passage and applicable to income years commencing on or after January 1, 2015*	New section
Sec. 80	*from passage and applicable to income years commencing on or after January 1, 2015*	12-214
Sec. 81	*from passage and applicable to income years commencing on or after January 1, 2015*	12-217
Sec. 82	*from passage and applicable to income years commencing on or after January 1, 2015*	12-217n(b)

Sec. 83	*from passage and applicable to income years commencing on or after January 1, 2015*	12-217t(e)
Sec. 84	*from passage and applicable to income years commencing on or after January 1, 2015*	12-217u(l)
Sec. 85	*from passage and applicable to income years commencing on or after January 1, 2015*	12-217gg(c)
Sec. 86	*from passage and applicable to income years commencing on or after January 1, 2015*	12-217gg(h)
Sec. 87	*from passage and applicable to income years commencing on or after January 1, 2015*	12-218
Sec. 88	*from passage and applicable to income years commencing on or after January 1, 2015*	12-218b
Sec. 89	*from passage and applicable to income years commencing on or after January 1, 2015*	12-218c(c)
Sec. 90	*from passage and applicable to income years commencing on or after January 1, 2015*	12-218d(d)
Sec. 91	*from passage and applicable to income years commencing on or after January 1, 2015*	12-219
Sec. 92	*from passage and applicable to income years commencing on or after January 1, 2015*	12-219a

Sec. 93	*from passage and applicable to income years commencing on or after January 1, 2015*	12-221a
Sec. 94	*from passage and applicable to income years commencing on or after January 1, 2015*	12-222
Sec. 95	*from passage and applicable to income years commencing on or after January 1, 2015*	12-223a
Sec. 96	*from passage and applicable to income years commencing on or after January 1, 2015*	12-223b
Sec. 97	*from passage and applicable to income years commencing on or after January 1, 2015*	12-223c
Sec. 98	*from passage and applicable to income years commencing on or after January 1, 2015*	12-223e
Sec. 99	*from passage and applicable to income years commencing on or after January 1, 2015*	12-223f
Sec. 100	*from passage and applicable to income years commencing on or after January 1, 2015*	12-242d
Sec. 101	*from passage and applicable to income years commencing on or after January 1, 2015*	38a-88a(f)
Sec. 102	*July 1, 2015*	4-30a
Sec. 103	*July 1, 2015*	4-85
Sec. 104	*July 1, 2015*	3-115
Sec. 105	*July 1, 2015*	2-35
Sec. 106	*July 1, 2015*	2-36c
Sec. 107	*July 1, 2015*	2-24a
Sec. 108	*October 1, 2015*	New section

Sec. 109	*July 1, 2016*	New section
Sec. 110	*July 1, 2015*	Repealer section
Sec. 111	*July 1, 2015*	Repealer section

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

Summary

The bill raises General Fund revenue of $1,004.5 million in FY 16 and $579.4 million in FY 17 primarily from taxes. When the General Fund revenue impacts of other specific initiatives are included, the total surplus over the 2016 – 2017 Biennium is approximately $41.5 million.

General Fund (GF) Budget ($ - millions)			
	FY 16	FY 17	Total
sSB 946 Total	1,004.5	579.4	
Taxes	949.0	480.9	
Other	55.5	98.5	
Hospital Tax Update	160.5	160.5	
Amortization of GAAP	(47.6)	(47.6)	
Federal Grants impact of sHB 6824	(5.1)	(13.3)	
Total Revenue (based on April Consensus)	18,472.6	18,728.2	
Net Appropriations	18,286.2	18,873.1	
Surplus / (Deficit)	186.4	(144.9)	41.5

The FY 16 tax revenue increase is distributed about equally between the Personal Income, Sales & Use and Corporations taxes (at approximately 30% each). However, this distribution changes significantly in accordance with the bill as the Sales & Use Tax rate is reduced in FY 17 and the Corporations Tax surcharge phases out after the 2016 – 2017 Biennium. The Personal Income Tax makes up

between 63% and 74% of the total tax revenue increases under the bill in FY 17 and afterwards, as illustrated in the table below.

Other significant effects of the bill shown in the table below are the growing transfers from the General Fund to the Special Transportation Fund after the 2016 – 2017 Biennium and the re-establishment of the Municipal Revenue Sharing Account (MRSA) to provide grants for municipal purposes.

Summary Impact of sSB by Revenue Categories and Major Funds / Accounts over the 2016 – 2017 Biennium and into the Out Years ($ - millions)					
	FY 16	FY 17	FY 18	FY 19	FY 20
Personal Income	308.6	303.2	315.9	332.3	359.4
Sales and Use	320.8	(5.7)	(5.1)	(5.3)	(5.5)
Corporations	281.8	202.8	188.5	125.0	130.0
Insurance Companies	22.7	22.7	-	-	-
Alcoholic Beverages	.2	.2	.2	.2	.2
Health Provider	4.0	(53.2)	2.8	2.8	2.8
Miscellaneous	(.1)	(.1)	(.1)	(.1)	(.1)
Earned Income Credit	(11.0)	(11.0)	-	-	-
Subtotal: Taxes	949.0	480.9	502.2	454.9	486.8
Other Revenue	26.2	45.0	45.0	45.0	45.0
Other Sources	29.3	53.5	(103.0)	(246.0)	(391.0)
Total GF	1,004.5	579.4	444.2	253.9	140.8
Transfers from the GF to the Special Transportation Fund	-	(25.0)	112	255	400
MRSA	294.2	408.9	424.4	440.1	456.0

In order to administer the tax provisions of the bill, the Department of Revenue Services (DRS) would need 14 additional staff members and associated expenses. The annualized cost of these new positions, including expenses and fringe benefits, is approximately $1.2 million. In addition, one-time costs to update the online Taxpayer Service Center and internal Integrated Tax Administration System as well as tax form alteration and printing costs of approximately $775,000 would be incurred in FY 16.

In addition to the cost of tax administration incurred by DRS, the bill is anticipated to result in a significant debt service cost to the state in the future due to the provision within Section 108 that requires Connecticut Innovations, Inc. to issue Tax Increment Financing bonds for development in Hartford. These types of bonds are General Obligations of the State.

Section-by-Section Analysis

			($ - millions)	
Sec.	Action(s)	Fund	FY 16	FY 17
1	Establishes a new top marginal rate of 6.99% in the Income Tax for those tax filers with CT Adjusted Gross Incomes over certain thresholds.	General	131.9	118.4
1	Establishes a 2% supplemental tax on all capital gains income for those tax filers with CT Adjusted Gross Incomes over certain thresholds.	General	167.6	178.0
2-4	Delays the scheduled increase in the personal exemption for Single Filers of the Income Tax from $14,500 to $15,000.	General	15.1	10.8
5	Delays the scheduled restoration of the state's Earned Income Tax Credit (EITC) rate to 30% from 27.5% of the federal EITC.	General	11.0	11.0
6	Increases, from 50% to 100%, the Income Tax exemption for military retirement pay.	General	(6.0)	(4.0)
7-8	Extends the 20% surcharge on the Corporate Income Tax for certain filers and phases out the surcharge after the FY 16 and FY 17 Biennium.	General	44.4	75.0
9	Delays the scheduled expiration of the two lower tiers of caps on credit utilization against the Insurance Premiums Tax.	General	18.7	18.7
10	Delays the scheduled expiration of the moratorium on the issuance of new film tax credits, which may be applied to the Insurance Premiums Tax.	General	4.0	4.0
11-15	Re-establishes a municipal share of the Sales and Use Tax at a rate of 0.5%.[1] Substitute for Senate Bill 1 provides for the distribution of these funds.	Municipal Revenue Sharing Account	289.8	402.7

[1] Municipalities previously had shared in 0.1% of the Sales and Use Tax during FY 12 and FY 13 only. These funds were deposited into the Municipal Revenue Sharing Account and distributed according to statute.

			($ - millions)	
Sec.	Action(s)	Fund	FY 16	FY 17
11-17	Reduces the rate of the state's portion of the Sales and Use Tax from 6.35% to 5.85% and then to 5.35%.	General	(252.7)	(702.4)
18	Eliminates the Sales and Use Tax exemption for services related to web sites that are part of the World Wide Web.	General	45.5	57.8
18	Expands the scope of the Sales and Use Tax to include 26 additional professional services.	General	272.0	345.5
18-20	Increases the Sales and Use Tax rate for computer and data processing services from 1% to the standard rates, as adjusted pursuant to sections 11-17.	General	116.6	148.2
21	Reduces, from $300 to $100, the per-item exemption from the Sales and Use Tax during the "Sales Tax Free Week."	General	1.0	1.0
22	Limits the use of loss carryforwards against the Corporate Income Tax to 50% of net income in any income year when computing the amount of tax due.	General	156.3	90.1
23	Lowers, from 70% to 50.01%, the maximum percentage to which tax credits may be used against the total liability under the Corporate Income Tax.	General	42.5	34.0
24	Limits the use of tax credits against a liability under the Hospital Tax to 50.01% of the total.	General	4.0	2.8
25	Reduces the biennial "Business Entity Tax" fee from $250 to $125.	General	0.0	(20.0)
26-28	Increases, from $20 to $100 per year, the annual fee imposed on pass-through entities to file an annual report with the Secretary of the State.	General	10.0	12.8
29	Diverts the scheduled transfers from the Tobacco Settlement Fund to the Tobacco Health Trust Fund during the FY 16 and FY 17 Biennium. Permanently reduces, from $12 million to $6 million, scheduled transfers in FY 18 and thereafter.	General	12.0	12.0
29	Diverts ½ the first scheduled transfer from the Tobacco Settlement Fund to the Smart Start competitive grant account.[2]	General	5.0	0.0
		Municipal Grants	(5.0)	0.0
30	Reduces the scheduled transfer to the Special	General	0.0	25.0

[2] Section 138 of PA 14-217, established an annual revenue diversion of $10 million from FY 16 to FY 25 in order to provide grants-in-aid to towns for the purpose of establishing or expanding preschool programs.

			($ - millions)	
Sec.	Action(s)	Fund	FY 16	FY 17
	Transportation Fund (STF) in FY 17. In addition, increases the scheduled transfer to the STF by $112 million in FY 18, $225 million in FY 19, and $400 million in FY 2020	Special Transportation	0.0	(25.0)
31	Diverts a portion of revenue from the Community Investment Account during the 2016-2017 Biennium.[3]	General	6.75	13.5
32	Transfers part of the balance of the Private Occupational Student Protection Account.[4]	General	2.5	0.0
33	Permanently diverts 3/5 revenue from the Municipal Video Competition Account.[5]	General	3.0	3.0
		Municipal Grants	(3.0)	(3.0)
34-37, 110	Shifts revenue from the Palliative Marijuana Account which is generated by fees imposed for growing, distributing and use of palliative marijuana.	General	0.6	0.6
38-40	Authorizes (effective upon passage) certain entities to sell sealed containers of draught beer i.e. "growlers", which is anticipated to increase the volume of beer consumed.	General	1.8	1.8
41-44	Authorizes keno gaming, which is anticipated to generate revenue through direct sales of the keno game in addition to having an indirect positive impact on lottery ticket sales.	General	13.6	30.0
45	Limits the applicability of the rental surcharge to people or businesses generating at least 51% of their total annual revenue from rentals.	General	(0.1)	(0.1)

[3] The Community Investment Account is a separate, non-lapsing state fund established by PA 05-3 to fund a variety of programs. As of 2/27/15 the account had a balance of $48.3 million. Annual revenues are approximately $27 million.

[4] CGS 10a-22u requires each private occupational school to pay ½ of 1% of its quarterly net tuition revenue to the State Treasurer for deposit into a special account from which students can get tuition reimbursement if a school fails. The account had a balance of approximately $6 million earlier this year.

[5] CGS 16-331bb requires the State Comptroller to deposit up to $5 million each fiscal year from the Gross Earning Tax on certified video service providers (i.e., certain cable TV companies) to be distributed to municipalities for property tax relief. Funds are allocated by a ratio of total number of subscribers to competitive video service in a given town to the total number of such subscribers in the entire state. The 2014-2015 Biennial Budget eliminated this transfer entirely in each fiscal year to help balance the General Fund budget.

			($ - millions)	
Sec.	Action(s)	Fund	FY 16	FY 17
46-49	Requires manufacturers and sellers of electronic nicotine delivery devices to register with the Department of Consumer Protection and annually renew their registration accompanied by fees.	General	2.0	1.6
50-75	Increases license renewal fees by $5 for various professionals licensed by the Department of Public Health (DPH). Revenue collected from the increase is to be transferred to the newly established professional assistance program account for DPH to provide grants- in-aid to program providers and medical review committees under the assistance program of health care professionals.	Professional assistance program Account	0.6	0.7
76-101	Implements mandatory combined reporting under the Corporation Business Tax.	General	38.6	23.7
102-107	Establishes an ongoing, potential revenue diversion from the General Fund to the Budget Reserve Fund based on revenue trends. More details below.	Budget Reserve "Rainy Day" Fund; General	None	Potential
108	Requires Connecticut Innovations, Inc. to issue Tax Increment Financing bonds to support development in downtown north Hartford, which would result in a state General Fund cost to service the debt in the future.	General	None	Potential Cost
109	Requires the Department of Social Services to refund a portion of the Hospital Tax.	General	0.0	(56.0)
111	Eliminates the Sales and Use Tax exemption for clothing and footwear costing less than $50.	General	136.8	142.6

Further Information on Sales Tax Changes

The bill restores funding to the Municipal Revenue Sharing Account by establishing a separate "municipal revenue" Sales and Use Tax rate effective October 1, 2015. The bill adjusts the state revenue portion of the Sales and Use Tax rate by reducing it over time. See below for an illustration of how these two separate rates interact.

Total Effective Sales Tax Rates per the Bill				
	Current	7/1/2015 – 9/30/2015	10/1/2015 - 6/30/2016	7/1/2016 thereafter
State Revenue	6.35%	6.35%	5.85%	5.35%
Municipal Revenue	0%	0%	0.5%	0.5%
Total	6.35%	6.35%	6.35%	5.85%

The bill raises several hundred million dollars in tax revenue by repealing certain exemptions from the Sales and Use Tax and expanding the scope of the Sales and Use Tax to include more professional services.

Partial / Full Exemptions to be Eliminated ($ - millions)			
		FY 16	**FY 17**
Computer & Data Processing	Eliminate the reduced rate (1.00%) of taxation	116.6	148.2
World Wide Web	Eliminate the exemption	45.5	57.8
Clothing & Footwear Costing Less than $50	Eliminate the exemption	136.8	142.6
Sales Tax Holiday	Reduce the per-item exemption from $300 to $100	1.0	1.0
TOTAL		**299.9**	**349.6**

Additional Professional Services to be Subject to Sales and Use Tax ($ - millions)		
Pursuant to Section 18 of the Bill, Effective 10/1/15	**FY 16**	**FY 17**
Offices of Certified Public Accountants	44.1	56.0
Other Accounting Services	10.5	13.4
Architectural Services	16.0	20.4
Engineering Services	73.0	92.5
Drafting Services	0.5	0.6
Building Inspection Services	1.3	1.6
Geophysical Surveying and Mapping Services	1.8	2.3
Surveying and Mapping (except Geophysical) Services	3.3	4.3

Additional Professional Services (cont.) to be Subject to Sales and Use Tax ($ - millions)		
Interior Design Services	4.5	5.7
Industrial Design Services	1.0	1.3
Other Specialized Design Services	0.8	1.0
Administrative Management and General Management Consulting Services	30.4	38.6
Human Resources Consulting Services	4.6	5.9
Marketing Consulting Services	9.1	11.6
Process, Physical Distribution, and Logistics Consulting Services	4.3	5.4
Other Management Consulting Services	1.0	1.3
Other Scientific and Technical Consulting Services	4.4	5.6
Direct Mail Advertising	6.6	8.4
Advertising Material Distribution Services	2.2	2.8
Marketing Research and Public Opinion Polling	9.5	12.0
Translation and Interpretation Services	1.6	2.0
Veterinary Services	17.1	21.8
All Other Professional, Scientific, and Technical Services	3.0	3.9
Other Gambling Industries	5.1	6.5
Golf Courses and Country Clubs	11.9	15.1
Dry cleaning and Laundry Services (except Coin-Operated)	4.4	5.5
TOTAL	**272.0**	**345.5**

Further information on the Budget Reserve Fund Provisions

Beginning in FY 17, the bill establishes a transfer of General Fund (GF) revenue to the Budget Reserve Fund (BRF) and the State Employees Retirement Fund (SERF), which is determined by a statutory formula. This results in a potentially significant diversion of revenue from the GF to the BRF and SERF in FY 17 and annually thereafter.[6]

In order for a revenue transfer to be triggered, total "combined revenue"[7] must be in excess of a calculated threshold based on the average difference (as a percentage) between actual revenue and the ten year average. The bill allows for the threshold to be adjusted for

[6] Per the bill, BRF revenue can be accessed in the event of a decrease in GF revenue greater than 2% over the prior year (for example, during a recession).

[7] For the purposes of the bill "combined revenue" is equal to the sum of: 1) the corporation business tax, and 2) the estimated & final payments portion of the personal income tax.

changes in tax policy that impact the corporation business tax or the personal income tax.

Based on current revenue estimates the bill will not result in a GF revenue transfer until FY 18, at which point approximately $10 million will be diverted. Under this scenario, the FY 17 threshold is $5,086 million while combined revenue is $4,930 million, or approximately $156 million less than the threshold. Due to the historical volatility of combined revenue the bill may still result in a transfer from the General Fund in FY 17 depending on actual revenue collected.

Based on historical data, the transfer of GF revenue to the BRF and SERF may exceed $800 million in a fiscal year. The table below compares actual deposits into the BRF to deposits that would have occurred under the provisions of the bill.

FY	Actual Deposit into BRF $	Transfers as Calculated Under the Bill $
04	302,200,000	24,557,248
05	363,900,000	433,646,700
06	446,500,000	697,097,504
07	269,200,000	815,841,033
08	-	818,479,382
09	-	-
10	(1,278,500,000)	-
11	(103,200,000)	-
12	93,500,000	74,994,072
13	177,200,000	200,364,682
14	248,500,000	-

The breakout of the transfer from the GF to the BRF or SERF varies based on the amount of funds currently in the BRF relative to total GF appropriations, which is illustrated in the table below.

BRF Balance / Appropriations	Budget Reserve Fund	State Employees Retirement Fund
0 to 5%	95%	5%
5 to 10%	90%	10%
10 to 15%	85%	15%
Greater than 15%	0%	100%

The ongoing fiscal impact identified above would continue into the future subject to the degree in which actual revenues exceed the threshold calculated by the formula. The bill also increases the maximum amount allowed to be in the BRF from 10% to 15% of appropriations. This allows for additional funds to be transferred from the GF to the BRF.

OLR Bill Analysis

sSB 946

AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE BIENNIAL BUDGET.

SUMMARY:

This bill makes various changes to state taxes and fees.

It makes several changes to the personal income tax, including:

1. increasing, from 6.7% to 6.99%, the marginal income tax rate for certain higher income filers;

2. establishing an additional 2% income tax on federally taxable capital gains for such filers;

3. delaying by three years scheduled income tax reductions for single filers;

4. fully exempting federally taxable military retirement pay from the state income tax; and

5. delaying by two years the scheduled increase in the earned income tax credit (EITC).

The bill also makes a number of changes to the state's business taxes and fees. Among its changes to the corporation income tax, the bill:

1. imposes a new combined reporting requirement for corporations meeting certain criteria;

2. extends the 20% corporation income tax surcharge for two additional years, to the 2016 and 2017 income years;

3. imposes a temporary 10% surcharge for the 2018 income year;

and

4. limits the amount of net operating loss (NOL) deduction and business tax credits corporations may use to reduce their tax liability.

Additionally, bill (1) extends the temporary cap on the maximum insurance premium tax liability that an insurer may offset through tax credits, (2) extends the temporary moratorium on issuing film and digital media production tax credits, (3) imposes a cap on the use of tax credits to reduce hospital tax liability, and (4) cuts the business entity tax in half. It also increases certain business filing fees for pass-through entities.

Beginning October 1, 2015, the bill restructures the sales and use tax by (1) splitting the 6.35% rate into a 5.85% "state revenue tax" and 0.5% "municipal revenue tax" and (2) directing the revenue from the municipal revenue tax to the municipal revenue sharing account. It lowers the state revenue tax from 5.85% to 5.35% beginning July 1, 2016. It also (1) extends the tax to a range of professional services, (2) increases the rate on computer and data processing services, (3) eliminates the exemption for clothing and footwear costing less than $50, and (4) limits the exemption for clothing and footwear during "sales-tax-free-week."

The bill also:

1. establishes a mechanism for diverting projected surpluses in certain tax revenues to the Budget Reserve (i.e. "Rainy Day") Fund;

2. establishes a framework for regulating the manufacture and sale of electronic nicotine delivery systems and vapor products;

3. allows the Connecticut Lottery Corporation to offer Keno games;

4. allows certain alcohol permittees to sell growlers of beer;

5. modifies the rental surcharge that applies to car, truck, and machinery rentals;

6. transfers funds from various accounts to the General Fund;

7. increases license renewal fees for various Department of Public Health (DPH) licensed professionals; and

8. requires Connecticut Innovations to enter into a tax increment financing (TIF) agreement with the city of Hartford.

EFFECTIVE DATE: July 1, 2015, unless otherwise noted below.

§§ 1-6 — INCOME TAX

Marginal Rate Increase (§ 1)

The bill increases, from 6.7% to 6.99%, the marginal tax rate for taxable incomes over (1) $1,000,000 for joint filers, (2) $500,000 for single filers and married people filing separately, and (3) $800,000 for heads of household. The bill also increases the flat income tax rate for trusts and estates from 6.7% to 6.99%.

Table 1 shows the marginal tax rates and income brackets under current law and the bill.

Table 1: Current and Proposed Tax Rates and Brackets

CT TAXABLE INCOME				TAX RATES	
Married Filing Jointly		Single			
Over	But Not Over	Over	But Not Over	Current Law	Bill
$0	$20,000	$0	$10,000	3.00%	3.00%
20,000	100,000	10,000	50,000	5.00%	5.00%
100,000	200,000	50,000	100,000	5.50%	5.50%
200,000	400,000	100,000	200,000	6.00%	6.00%
400,000	500,000	200,000	250,000	6.50%	6.50%
500,000	1,000,000	250,000	500,000	6.70%	6.7%
Over $1,000,000		Over $500,000			6.99%
CT TAXABLE INCOME				TAX RATES	
Head of Household		Married Filing Separately			
Over	But Not Over	Over	But Not Over	Current Law	Bill
$0	$16,000	$0	$10,000	3.00%	3.00%
16,000	80,000	10,000	50,000	5.00%	5.00%

80,000	160,000	50,000	100,000	5.50%	5.50%
160,000	320,000	100,000	200,000	6.00%	6.00%
320,000	400,000	200,000	250,000	6.50%	6.50%
400,000	800,000	250,000	500,000	6.70%	6.70%
Over $800,000		Over $500,000			6.99%

Benefit Recapture (§ 1)

By law, taxpayers whose annual Connecticut adjusted gross income (CT AGI) exceeds specified thresholds are subject to a "benefit recapture" which eliminates the benefits they receive from having a portion of their taxable income taxed at lower marginal rates. These taxpayers must add specified amounts to their tax liability.

The bill establishes an additional benefit recapture schedule to reflect the new marginal rate and income bracket. Table 2 shows, for each filer type, the (1) CT AGI starting point for the additional recapture amounts, (2) CT AGI intervals and the recapture amount to be added at each interval, and (3) maximum recapture amount taxpayers must add to their tax liability. These amounts apply in addition to the benefit recapture amounts under existing law.

Table 2: Additional Benefit Recapture Amounts

	Married Filing Jointly	*Single/ Married Filing Separately*	*Head of Household*
Starting point: (CT AGI) over	$1,000,000	$500,000	$800,000
Recapture amount	$100 per $10,000 of CT AGI over starting point	$50 per $5,000 of CT AGI over starting point	$80 per $8,000 over CT AGI starting point
Maximum additional recapture amount	$2,900	$1,450	$2,320

Capital Gains Surcharge (§ 1)

The bill establishes an additional 2% income tax on capital gains income for those with taxable incomes over (1) $1,000,000 for joint filers, (2) $500,000 for single filers and married people filing separately, and (3) $800,000 for heads of household.

The bill defines capital gains as the federally taxable net gain from the sale or exchange, or other taxable transaction, of certain capital assets and property. Specifically, it applies to the federal net gain, after allowing for losses and holding periods, from:

1. selling or exchanging capital assets or assets treated as such, excluding state or municipal bonds;

2. transactions or events taxed as a sale or exchange of a capital asset for which the net amount is included in the taxpayer's federal AGI, excluding gains or losses from (a) holding or trading dealer equity options and (b) nonresident taxpayers, other than from the sale or exchange of real property in Connecticut; and

3. selling or exchanging certain business property, excluding sales included in the categories above.

Delay in Scheduled Income Tax Reductions for Single Filers (§§ 2-4)

The bill delays scheduled income tax reductions for single filers for three years. It does so by delaying increases in (1) AGI exempt from the tax and (2) income thresholds for phasing out (a) personal exemptions and credits and (b) maximum property tax credits.

Personal Exemption (§ 2). Under current law, the maximum personal exemption for single filers is scheduled to increase from $14,500 to $15,000 on January 1, 2015. The bill instead maintains the $14,500 exemption for three more years through the 2017 tax year.

By law, the personal exemption amounts gradually phase out at higher income levels until they are completely eliminated. The bill delays the scheduled increase in the personal exemption reduction threshold, from $29,000 to $30,000, to correspond to the three year delay. (The income tax personal exemption is reduced by $1,000 for each $1,000 of AGI over the specified threshold.)

Personal Credit (§ 3). The bill delays by three years scheduled

increases in income ranges that allow single filers to qualify for personal credits against their income tax. Personal credits range from 1% to 75% of tax liability, depending on AGI. Filers with AGIs above specified thresholds do not qualify for a credit. Table 3 shows the qualifying personal credit income ranges for single filers under current law and the bill.

Table 3: Personal Credits for Single Filers

Tax Years		*Qualifies for the Personal Credit (AGI)*	
Current Law	*The Bill*	*Over*	*But Not Over*
2014	Through 2017	$14,500	$62,500
2015 and after	2018 and after	15,000	64,500

Property Tax Credit (§ 4). The bill delays by three years a scheduled increase in the AGI threshold above which single filers receive reduced property tax credits. By law, the maximum property tax credit is $300. Certain taxpayers qualify for a reduced credit or no credit depending on their AGI and filing status, with the maximum credit reduced by 15% for each $10,000 of AGI over the specified threshold. Under current law, the AGI threshold at which a single filer's maximum property tax credit is reduced increases in 2015 from $62,500 to $64,500. The bill delays this scheduled increase to 2018.

EITC (§ 5)

The bill delays by two years the scheduled increase in the EITC. Under current law, the EITC is scheduled to increase to 30% for the 2015 tax year. The bill instead maintains it at 27.5% for two more years, through the 2016 tax year.

Military Retirement Income (§ 6)

The bill fully exempts federally taxable military retirement pay from the state income tax. Current law exempts 50% of this retirement pay.

The exemption applies to federal retirement pay for retired members of the U.S. Army, Navy, Air Force, Marine Corps, Coast Guard, and Army and Air National Guard.

EFFECTIVE DATE: Upon passage and applicable to tax years beginning on or after January 1, 2015, except for the military retirement income provision, which is effective July 1, 2015 and applicable to the same tax years.

§§ 7-8 & 22-23 — CORPORATION INCOME TAX

Surcharge (§§ 7-8)

The bill (1) extends the 20% corporation income tax surcharge for two additional years to the 2016 and 2017 income years and (2) imposes a temporary 10% surcharge for the 2018 income year.

As under current law, the surcharge generally applies to companies that have more than $250 in corporation tax liability. Companies that have less than $100 million in annual gross income in those years are exempt from the surcharge, unless they file combined or unitary returns.

Net Operating Loss (NOL) (§ 22)

The law allows corporations to deduct NOLs (the excess of allowable deductions over gross income for a taxable year), thereby reducing their tax liability. Corporations may carry forward NOLs for 20 years. Beginning with the 2015 income year, the bill limits the amount of NOL a corporation may carry forward to the lesser of (1) 50% of net income, or for companies with taxable income in other states, 50% of the net income apportioned to Connecticut, and (2) the excess of NOL over the NOL being carried forward from prior income years.

Tax Credit Limit (§ 23)

Current law allows corporations to use tax credits to reduce their corporation tax liability by up to 70% in any income year. The bill reduces the tax credit limit to 50.01% beginning with the 2015 income year.

EFFECTIVE DATE: Upon passage; tax surcharge provisions are applicable to income years starting on or after January 1, 2016.

§ 9 — INSURANCE PREMIUM TAX CREDIT LIMIT

The bill extends, to 2015 and 2016, the temporary cap on the maximum insurance premium tax liability that an insurer may offset through tax credits.

The caps are part of a structure that, by law, (1) classifies insurance premium tax credits into three types, (2) specifies the order in which an insurer must apply the three credit types to offset liability, and (3) establishes the maximum liability that an insurer can offset by claiming one or more of these types of credits.

By law, (1) type one credits are film and digital media production, entertainment infrastructure, and digital animation tax credits; (2) type two credits are insurance reinvestment credits; and (3) type three credits are all other tax credits. Table 4 shows the order and reduction schedule under current law and the bill.

Table 4: Order and Reduction Schedule for Claiming Insurance Premium Tax Credits under Current Law and the Bill

Credit Types Claimed	*Order of Applying Credits*	*Maximum Reduction in Tax Liability*
Type 3	Not applicable	30%
Types 1& 3	1. Type 3 2. Type 1	Type 3 = 30% Sum of two types = 55%
Types 2 & 3	1. Type 3 2. Type 2	Type 3 = 30% Sum of two types = 70%
Types 1, 2, & 3	1. Type 3 2. Type 1 3. Type 2	Type 3 = 30% Type 1 & 3 = 55% Sum of all types = 70%
Type 1 & 2	1. Type 1 2. Type 2	Type 1 = 55% Sum of two types = 70%

EFFECTIVE DATE: Upon passage and applicable to calendar years starting on or after January 1, 2015.

§ 10 — FILM AND DIGITAL MEDIA PRODUCTION TAX CREDIT MORATORIUM

The bill extends, to FY 16 and FY 17, the temporary moratorium on issuing film and digital media production tax credits for certain motion pictures. Under current law, the moratorium expires at the end of FY 15.

As under current law, the moratorium (1) bars the issuance of tax credit vouchers for motion pictures that were not designated as state-certified productions before July 1, 2013 and (2) excludes motion pictures that conduct at least 25% of their principal photography days in a Connecticut facility that (a) receives at least $25 million in private investment and (b) opens for business on or after July 1, 2013. Other types of qualified productions continue to be eligible for tax credits during FY 16 and FY 17, including documentaries; long-form, specials, mini-series, series, music videos, or interstitial television programming; relocated television productions; interactive television or games; videogames; commercials or infomercials; and any digital media format created primarily for public viewing or distribution.

EFFECTIVE DATE: Upon passage

§§ 11-21 & 111 — SALES AND USE TAX

Rate (§§ 11-17)

Beginning October 1, 2015, the bill splits the 6.35% sales and use tax rate into a 5.85% "state revenue tax" and 0.5% "municipal revenue tax." As under existing law, the total 6.35% tax is levied and administered by the state.

Beginning July 1, 2016, the bill lowers the state revenue tax rate from 5.85% to 5.35% and maintains the municipal revenue tax rate at 0.5%, resulting in a total combined rate of 5.85%.

To conform to these new rates, the bill makes technical changes to the flat sales tax on items sold for less than $3.

By law, a person who owes use tax to the state, but who pays sales or use tax to another state at a rate less than the Connecticut rate, must pay the difference to Connecticut. The bill does not specify how to

apportion this difference among the state and municipal rates.

EFFECTIVE DATE: Upon passage, provided that the (1) October 1, 2015 rate split is applicable to sales occurring on or after October 1, 2015 and to sales of services billed to customers for a period that includes October 1, 2015; (2) July 1, 2016 rate decrease is applicable to sales occurring on or after July 1, 2016 and to sales of services billed to customers for a period that includes July 1, 2016; and (3) conforming changes to the flat sales tax rate are applicable to sales occurring on or after (a) October 1, 2015 for the October 1, 2015 rate split and (b) July 1, 2016 for the July 1, 2016 rate decrease.

Municipal Revenue Sharing Account (MRSA) (§ 11)

For calendar quarters ending on or after December 31, 2015, the bill requires the Department of Revenue Services (DRS) commissioner to deposit the revenue attributed to the 0.5% municipal revenue tax into MRSA. (sSB 1, reported favorably by the Finance, Revenue and Bonding Committee, apportions the revenue deposited in MRSA to municipalities and the state's nine regional councils of government (see BACKGROUND).)

EFFECTIVE DATE: Upon passage and applicable to sales occurring on or after October 1, 2015 and sales of services billed to customers for a period that includes October 1, 2015.

Computer and Data Processing Services (§§ 18-20)

The bill increases, from 1% to 6.35%, the sales and use tax rate on computer and data processing services. It also expands the types of computer and data processing services subject to the tax to include the creation, development, hosting, and maintenance of a web site.

EFFECTIVE DATE: October 1, 2015 and applicable to sales occurring on or after October 1, 2015 and sales of services billed to customers for a period that includes October 1, 2015.

Clothing and Footwear Exemptions (§§ 21 & 111)

The bill eliminates the sales and use tax exemption for clothing and

footwear costing less than $50, currently scheduled to take effect on July 1, 2015. It also limits the exemption for clothing and footwear during the "sales-tax-free-week" to items costing less than $100, rather than $300.

New Taxable Services (§ 18)

The bill extends the sales and use tax to additional professional services, as shown in Table 5.

Table 5: Service Extensions

New Services Taxed
Certified public accountants and other accounting services
Architectural services
Engineering services
Drafting services
Building inspection services
Geophysical surveying and mapping services
Surveying and mapping services, except geophysical services
Interior design services
Industrial design services and other specialized design services
Administrative management and general management consulting services
Human resources consulting services
Marketing consulting services
Process, physical distribution, and logistics consulting services
Other management consulting services (certain management consulting services are taxable under existing law)
Other scientific and technical consulting services (The law, unchanged by the bill, specifies that environmental consulting is not taxable.)
Direct mail advertising (The law, unchanged by the bill, specifies that cooperative direct mail advertising is not taxable.)
Advertising material distribution services
Marketing research and public opinion polling
Translation and interpretation services
Veterinary services
All Other professional, scientific, and technical services having a North American Industrial Classification System code of 541990
Other gambling industries
Golf courses and country clubs
Dry cleaning and laundry services, except coin-operated services

EFFECTIVE DATE: October 1, 2015, and applicable to sales on or after that date and sales of services that are billed to customers for a period that includes October 1, 2015.

§§ 24 & 109 — HOSPITAL TAX

Credit Limit (§ 24)

For calendar quarters beginning on or after July 1, 2015, the bill imposes a 50.01% limit on the amount of hospital tax liability that hospitals may reduce by using tax credits.

EFFECTIVE DATE: Upon passage

FY 17 Refund (§ 109)

The bill requires the social services commissioner to refund to hospitals a pro rata share of $56 million in FY 17 hospital tax revenue. Each hospital's refund must be proportionate to the amount of hospital tax it paid in FY 17.

EFFECTIVE DATE: July 1, 2016

§ 25 — BUSINESS ENTITY TAX

Starting with the 2015 tax year, the bill reduces the business entity tax from $250 to $125. As under current law, the tax is due the 15th day of the fourth month after the close of the applicable tax year.

By law, businesses pay the tax every other year. It applies to foreign and domestic limited liability corporations (LLC), limited liability partnerships (LLP), limited partnerships (LP), and S corporations that are required to register with the secretary of the state.

EFFECTIVE DATE: Upon passage

§§ 26-28 — BUSINESS FILING FEES

The bill increases, from $20 to $100, the fee that foreign and domestic LPs, LLCs, and LLPs pay for filing an annual report with the secretary of the state.

EFFECTIVE DATE: October 1, 2015

§ 29 — TOBACCO SETTLEMENT FUND DISBURSEMENTS

For FY 16 and FY 17, the bill eliminates the $12 million disbursement from the Tobacco Settlement Fund to the Tobacco and Health Trust Fund. Beginning in FY 18, it reduces the disbursement to

$6 million per year, thus making permanent the temporary reduction to the disbursement made for FY 14 and FY 15.

The bill also reduces, from $10 million to $5 million, the FY 16 disbursement from the Tobacco Settlement Fund to the Smart Start competitive grant account.

§ 30 — TRANSFERS FROM THE GENERAL FUND TO THE SPECIAL TRANSPORTATION FUND (STF)

Beginning in FY 17, the bill adjusts the amounts annually transferred from the General Fund to the STF, as shown in Table 6.

Table 6: Annual Transfers from the General Fund To STF (Millions)

Fiscal Year	*Current Law*	*Bill*	*Difference*
2017	$162.8	$137.8	($25)
2018	162.8	274.8	112
2019	162.8	417.8	255
2020 and thereafter	162.8	562.8	400

§ 31 — COMMUNITY INVESTMENT ACCOUNT (CIA)

From January 1, 2016 to June 30, 2017, the bill diverts to the General Fund, on a quarterly basis, 50% of the funds deposited in the CIA.

By law, the CIA contains land use document recording fees town clerks remit to the state treasurer. Money from the account is distributed quarterly to the agriculture sustainability account for milk producer grants and to the departments of (1) Economic and Community Development, for certain historic preservation purposes; (2) Housing, for affordable housing programs; (3) Energy and Environmental Protection, for municipal open space grants; and (4) Agriculture, for various agricultural and farmland preservation purposes.

§§ 32-33 — TRANSFERS TO THE GENERAL FUND

The bill transfers to the General Fund (1) $2.5 million from the private occupational school student protection account in FY 16, on or before October 1, 2015, and (2) $3 million from the municipal video competition trust account each fiscal year beginning in FY 16.

EFFECTIVE DATE: Upon passage, except the municipal video competition trust account transfer is effective July 1, 2015.

§§ 34-37 & 110 — PALLIATIVE MARIJUANA FEES

Under current law, all fees the Department of Consumer Protection (DCP) collects under its regulation of palliative marijuana are credited to the palliative marijuana administration account. The bill eliminates the account and requires the fees to be credited to the General Fund.

§§ 38-40 — BEER GROWLERS

The bill allows restaurant, café, and tavern alcohol permittees to sell at retail permittee-provided sealed containers of draught beer for off-premises consumption.

These retail sales are limited to (1) four liters of beer per day to any individual and (2) the authorized hours for off-premises alcohol consumption sales. By law, off-premises sale and dispensing of alcohol are allowed only on Monday to Saturday from 8:00 a.m. to 9:00 p.m. and Sundays from 10:00 a.m. to 5:00 p.m. Permittees cannot sell or dispense alcohol for off-premises consumption on Thanksgiving Day, New Year's Day, or Christmas Day.

EFFECTIVE DATE: Upon passage

§§ 41-44 — KENO

The bill allows the Connecticut Lottery Corporation (CLC) to offer Keno games, generally subject to the same requirements as other state lottery games, including those concerning lottery sales agents, advertisements, and prizes. In Keno, players win prizes by correctly guessing some of the numbers generated by a central computer system using a random number generator, wheel system, or other drawing device. Under the bill, Keno is not operated on a video facsimile machine.

Under the bill, the CLC may not operate Keno until the state, through the Office of Policy and Management (OPM), enters agreements with the Mashantucket Pequot and Mohegan tribes

regarding CLC's operation of Keno. The bill also gives CLC the exclusive right to operate and manage the sale of all lottery games in Connecticut, except on the Mashantucket Pequot and Mohegan reservations.

§ 45 — RENTAL SURCHARGE

Under current law, the state imposes a surcharge on short-term car, truck, and machinery rentals (i.e., 30 days or less). The surcharge is (1) 3% for car and truck rentals and (2) 1.5% for machinery rentals.

The bill limits the rental companies subject to the surcharge to people or businesses generating at least 51% of their total annual revenue from rentals, excluding retail or wholesale rental equipment sales. As under current law, the surcharge applies to companies that (1) are in the business of renting cars, trucks, or machinery and (2) have a fleet of at least five cars, trucks, or pieces of machinery in Connecticut.

Under current law, the 1.5% surcharge applies to rentals for 30 days or less of heavy construction, mining, and forestry equipment without an operator. The bill expands it to cover (1) all equipment a rental company owns and (2) rentals of 364 days or less. It eliminates a provision specifying that the rental period for the equipment runs from the date the machinery is rented to the date it is returned to the rental company.

By law, the surcharge reimburses the rental company for Connecticut property taxes and Department of Motor Vehicles (DMV) licensing and titling fees paid on the equipment. The company must annually report to DRS on (1) the aggregate amounts of personal property taxes paid to towns and registration and titling fees paid to DMV, and (2) the aggregate amount of rental surcharges collected in the previous year on the rental machinery, along with any other information DRS requires. The bill requires the amounts and information to be submitted in a consolidated report.

§§ 46-49 — SALE AND MANUFACTURING OF ELECTRONIC CIGARETTES

Electronic Nicotine Delivery Systems and Vapor Products (§ 46)

By law, an "electronic nicotine delivery system" is an electronic device used to simulate smoking while delivering nicotine or another substance to a person who inhales from it. Under current law, delivery systems include electronic (1) cigarettes; (2) cigars; (3) cigarillos; (4) pipes; (5) hookahs; and (6) related devices, cartridges, or other components. The bill expands this list to include electronic cigarette liquid used in such a delivery system or vapor product.

Under existing law, a "vapor product" uses a heating element; power source; electronic circuit; or other electronic, chemical, or mechanical means, regardless of shape or size, to produce a vapor the user inhales. The vapor may or may not include nicotine.

Existing law bans (1) people from selling, giving, or delivering such systems or products to minors and (2) minors from buying or possessing them in public.

Dealer and Manufacturer Registration (§§ 47-48)

Beginning March 1, 2016, the bill requires electronic nicotine delivery system dealers and manufacturers to register with DCP and annually renew their registration in order to sell or manufacture an electronic nicotine delivery system or vapor product. Under the bill, a manufacturer is anyone who mixes, compounds, repackages, or resizes any nicotine-containing electronic nicotine delivery system or vapor product.

Application. Beginning January 1, 2016, anyone seeking a dealer or manufacturer registration or registration renewal must apply to DCP, using a DCP-prescribed form. The application must include (1) the applicant's name and address; (2) the business' location; (3) a financial statement detailing any business transactions connected to the application; (4) the applicant's criminal convictions; and (5) proof that the business location will meet state and local building, fire, and

zoning requirements. The bill authorizes DCP to conduct an investigation to determine whether to issue an applicant's registration.

The DCP commissioner must issue the registration within 30 days after the application date, unless he finds that the applicant (1) willfully made a materially false statement in the registration application or any other DCP-application, (2) owes state taxes, (3) was convicted of violating any state or federal cigarette or tobacco products tax laws, or (4) is not suitable because of his or her criminal record. The bill prohibits the commissioner from denying a registration due to a prior conviction of a crime except as permitted by law.

Fees. The bill requires applicants to pay a nonrefundable application fee of $75, in addition to the $400 annual fee for registered dealers and manufacturers. There is no application fee to renew a registration.

Dealer Posting Requirement. The bill requires dealers to post their registrations in a prominent location next to the electronic nicotine delivery system products or vapor products they sell.

Transferability and Attachment. A registration is not transferable under the bill, except for when a registered dealer or manufacturer dies, in which case the registration transfers to his or her estate.

The bill provides that a dealer or manufacturer registration is not property or subject to attachment and execution.

Partnerships. Under the bill, if the registration is issued to a partnership and the partnership adds one or more new partners, it must submit a new application and pay new application and annual fees. If one or more of the partners dies or retires, the remaining partners do not need to file a new application or pay an additional fee for the registration's unexpired portion. But they must notify DCP of the change, and DCP must endorse the registration to reflect the correct ownership.

Late Renewals. DCP may renew an expired registration if the

applicant pays both the annual fee and the standard late renewal penalty the commissioner may impose. By law, the penalty must equal 10% of the renewal fee and must be at least $10 and no more than $100.

Dealers and manufacturers subject to administrative or court proceedings are not eligible for a late renewal.

Fines and Penalties for Violations. The bill makes it illegal to manufacture, sell, offer for sale, or possess with intent to sell an electronic nicotine delivery system or vapor product without a manufacturer or dealer registration. The penalty for each knowing violation is a fine of up to $50 per day. The commissioner may waive all or part of the fine if he is satisfied that the failure to obtain or renew the registration was due to reasonable cause.

Under the bill, the penalty is an infraction with a $90 fine for a manufacturer or dealer who operates for no more than 90 days after his or her license expires.

Prior to imposing a penalty, the bill requires the DCP commissioner to notify the dealer or manufacturer of the violation and give 60 days to comply. He must send the notice, within available appropriations, with a certificate of mailing or a similar U.S. Postal Service form that verifies the date on which it was sent. (A certificate of mailing is a receipt that provides evidence of the date that mail was presented to the U.S. Postal Service for mailing.)

Suspending or Revoking a Registration. DCP may, at its discretion, suspend or revoke a registration. Anyone aggrieved by a denial, suspension, or revocation may appeal by following the appeal process for liquor sale permits.

Public Hearing (§ 49)

The bill requires the Public Health Committee to hold a public hearing on any proposed federal rule changes deeming tobacco products subject to the Food, Drug, and Cosmetic Act. The committee

must hold the hearing within 30 days after a rule becomes final and determine if Connecticut law needs to be changed to conform to this rule.

EFFECTIVE DATE: January 1, 2016, except the provision requiring the public hearing takes effect upon passage.

§§ 50-75 — DPH LICENSE RENEWAL FEES

The bill (1) increases by $5 license renewal fees for various DPH-licensed professionals, as shown in Table 7, and (2) directs the revenue generated to fund the professional assistance program for DPH-regulated professionals (currently, the Health Assistance InterVention Education Network (HAVEN)). By law, the program is an alternative, voluntary, and confidential rehabilitation program that provides support services to health professionals with a chemical dependency, emotional or behavioral disorder, or physical or mental illness.

The DPH commissioner must certify the amount of revenue received as a result of the fee increase each January, April, July, and October and transfer it to the professional assistance program account, which the bill establishes. She must use the funds to provide grants to program providers and medical review committees under the assistance program.

Table 7: DPH License Renewals Subject To Fee Increase

§	*License Renewal*	*Current Fee*	*Proposed Fee*
50	Dentist	570	575
50	Optometrist	375	380
50	Midwife	15	20
50	Dental hygienist	100	105
50	Physician	570	575
50	Surgeon	570	575
50	Podiatrist	565	570
50	Chiropractic	565	570
50	Naturopathic	565	570
50	Registered Nurse	105	110
50	Advanced Practice Registered Nurse	125	130
50	Licensed Practical Nurse	65	70

50	Nurse Midwife	125	130
50	Physical Therapist	100	105
50	Physical Therapist Assistant	60	65
50	Physician Assistant	150	155
50, 58	Perfusionist	315	320
51	Nursing home administrator	200	205
52	Athletic trainer	200	205
53	Radiographer	100	105
54	Occupational therapist	200	205
54	Occupational therapy assistant	200	205
55	Alcohol and drug counselor	190	195
55	Certified alcohol and drug counselor	190	195
56	Licensed optician	200	205
57	Respiratory care practitioner	100	105
59	Psychologist	565	570
60	Marital and family therapist	315	320
61	Clinical social worker	190	195
61	Master social worker	190	195
62	Professional counselor	190	195
63	Veterinarian	565	570
64	Massage therapist	250	255
66	Dietician-nutritionist	100	105
67	Acupuncturist	250	255
68	Paramedic	150	155
69	Embalmer	110	115
69	Funeral director	230	235
69	Funeral services business inspection certificate	190	195
70	Electrologist	200	205
71	Audiologist	200	205
72	Hearing instrument specialist	250	255
73	Speech and language pathologist	200	205

§§ 76-101 — COMBINED REPORTING

The bill requires any company that is (1) a member of a corporate group of related companies meeting certain criteria and (2) subject to the Connecticut corporation tax (a "taxable member") to determine its Connecticut corporation tax liability based on the net income or capital base of the entire group. Under the bill, a company must use this method of computing tax liability if it is part of a corporate group

engaged in a "unitary business," as defined in the bill. Under current law, a company doing business in Connecticut that is part of a larger group determines its Connecticut net income separately but may file a combined return under certain circumstances.

Unitary Business and Combined Group (§ 76)

The bill defines a "unitary business" as a single economic enterprise that is interdependent, integrated, or interrelated enough through its activities to provide mutual benefit and produce significant sharing or exchanges of value among its entities or a significant flow of value among its separate parts. A unitary business can be either separate parts of a single entity or a group of separate entities under common ownership. Businesses conducted or connected through partnerships or S corporations ("pass-through entities") may be considered unitary if they meet certain conditions.

Under the bill, businesses are considered to be under common ownership if the same entity or entities directly or indirectly own more than 50% of voting control of each of them. The owners do not themselves have to be members of the combined group. Indirect control must be determined according to the federal tax law.

A "combined group" is all the companies that (1) have common ownership, (2) are engaged in a unitary business, and (3) have at least one member that is subject to the Connecticut corporation tax.

Group Filing Requirements (§ 78)

For purposes of a unitary tax filing, the bill gives a combined group the option of determining its members' net income, capital base, and apportionment factors on a (1) world wide basis (i.e., including foreign affiliates) or (2) "affiliated group" basis (see below). The group's designated taxable member must make a world wide or affiliated group election for unitary filing on an original, timely filed tax return for an income year. The election is binding for the income year in which it is made and the following 10 years.

If the group does not elect a world wide basis or affiliated group

basis, it must determine the net income, capital base, and apportionment factors of each of its taxable members on a "water's-edge basis." Under the bill, a water's-edge basis means that a group must include the net income, capital base, and apportionment factors of nontaxable members only if they:

1. are incorporated in, or formed under the laws of, the United States, any state, the District of Columbia, or a U. S. territory or possession or

2. directly or indirectly earn more than 20% of their gross income from intangible property or service-related activities whose costs are generally deductible from federal taxes against the income of other group members, either currently or over a period of time. (These nontaxable members must be included only to the extent of this income and its related apportionment factors.)

Affiliated Group Election. Under the bill, an "affiliated group" is generally any group treated as an affiliated group for federal tax purposes (as described below), except that it also includes domestic corporations that are commonly owned, directly or indirectly, by any member of the group, regardless of whether the group includes corporations (1) included in more than one federal consolidated return, (2) engaged in one or more unitary business, or (3) not engaged in a unitary business with any other affiliated group member. A group making an affiliated group election must include the net income or loss and apportionment factors of all of its members that are subject to tax or would be if they were conducting business in the state, regardless of whether they are engaged in a unitary business.

Under federal tax law, an "affiliated group" is a group of corporations or corporate chains connected to the same parent corporation in which (1) one or more of the corporations included in the group directly owns at least 80% of the voting power and 80% of the total value of the common stock of each of the other included corporations and (2) their common parent directly owns at least 80% of

the voting power and 80% of the total value of the common stock of at least one of the included corporations (IRC § 1504).

Net Income and Capital Base (§ 77)

Net Income or Loss. When determining the total income or loss subject to apportionment for Connecticut corporation tax purposes, the bill requires the combined group to include and aggregate the following.

1. For each group member incorporated in the United States and included in a consolidated federal corporate return, its gross income minus Connecticut corporation tax deductions as if it were not consolidated for federal tax purposes.

2. For each group member not included in a consolidated federal return but required to file its own return, its gross income minus Connecticut corporation tax deductions.

3. For each member incorporated outside the United States, not included in a federal consolidated return and not required to file its own federal return, the income determined from regularly maintained profit and loss statements for each foreign office or branch adjusted on any reasonable basis to conform to U.S. accounting standards and expressed in U.S. dollars. Reasonable alternative procedures may be applied if the DRS commissioner determines that the reported income reasonably approximates the income determined under the Connecticut corporation tax law.

4. If the unitary business has income from a pass-through entity, the members' direct and indirect share of that entity's unitary business income.

Under current combined filings, most income and deductions from inter-company transactions within a combined group must be eliminated. The bill establishes requirements for treating the following income and deductions in a unitary filing.

1. Dividends paid by one group member to another must be eliminated.

2. Business income from an intercompany transaction with another group member must be deferred as required under federal tax rules unless the object of the transaction is sold or otherwise removed from the unitary business or the buyer and seller cease to be members of the same combined group.

3. Charitable expenses incurred by a group member may be deducted from the combined group's net income, subject to federal income limits applicable to the entire group's business income. If the part of the deduction is carried over to a later year, it must be treated in that year as incurred by the same group member.

4. Capital gains and losses must be combined for all members without netting among classes of gains and losses, apportioned to Connecticut, and applied to the income or loss of the Connecticut taxable members. If the deduction for a loss is limited and a loss carryover is required, the loss must be treated in a later year as being incurred by the same member.

5. Expenses directly or indirectly attributable to federally tax-exempt income must be disallowed in determining the combined group's net income.

Income Apportionment Factors. By law, multistate companies subject to the Connecticut corporation tax must apportion their net income or loss and alternate capital base using statutory apportionment formulas. Most companies must use a formula that combines the ratios of their property, payroll, and sales (receipts) in Connecticut to all their property, payroll, and sales. However, some types of businesses, including manufacturers, broadcasters, and financial institutions, are allowed to use a single factor apportionment formula based entirely on the ratio of their sales in Connecticut to all their sales.

In apportioning its income or loss for the Connecticut corporation tax, the bill requires each taxable member of a combined group to use the otherwise applicable Connecticut statutory apportionment percentage. It specifies how taxable members of the combined group must incorporate the property, payroll, and sales of nontaxable group members into the apportionment factors they use to apportion the group's income for purposes of the taxable members' Connecticut corporation tax liability.

Under the bill, though each taxable member's apportionment is based on the Connecticut apportionment formula that applies to that member, the taxable member must add in a share of the nontaxable members' sales, property, and payroll factors as follows.

1. Each taxable member must add to its sales factor numerator a share of the aggregate sales of the groups' nontaxable members. This share is the ratio of the taxable member's Connecticut sales to the Connecticut sales of all the group's taxable members.

2. The property and payroll factor denominators are the aggregate property and payrolls for the entire group, including taxable and nontaxable members, even if some group members are subject to single-factor apportionment (i.e., based on sales only).

3. Transactions between or among group members must be eliminated in determining the apportionment factors.

Once the applicable apportionment factors for each taxable member have been determined, they must be applied to the combined group's taxable income to determine each taxable member's net income or loss apportioned to Connecticut.

Net Operating Loss. Once it calculates its share of net income or loss apportioned to Connecticut, the bill allows each taxable group member to deduct its share of the group's net operating loss (NOL) from that income. It allows the following NOL carryovers.

1. For income years starting on or after January 1, 2015, if the

combined group's net income computation results in a net operating loss, the taxable members can carry forward the share apportioned to Connecticut consistent with NOL carryover limits (see § 22). If the taxable member has more than one NOL carryover, it must apply them in the order they were incurred, deducting the older one first. The bill allows a taxable member who has an NOL carryover derived from the combined group in an income year beginning on or after January 1, 2015, to share it with other taxable group members if they were part of the group when the loss was incurred. Any such sharing reduces the taxable member's original NOL carryover.

2. A taxable member can deduct an NOL carryover derived from either pre-January 1, 2015 losses or losses incurred before the taxable member joined the combined group and can share it with other members that were part of the same combined group in the year the loss was incurred.

Net Income Tax Calculation. As under current law, each taxable member must calculate its net income tax liability by multiplying its Connecticut apportioned net income or loss by the statutory corporation tax rate of 7.5%.

Capital Base Apportionment. By law, corporations must calculate their Connecticut corporation tax liability on the basis of both their net income and capital base and pay the higher of the two amounts.

The bill requires combined groups to determine their alternative capital bases by combining their separate bases, including those of the nontaxable members, as determined under current law, but excluding deductions for inter-corporate or private company stockholdings in the combined group. Group members that are financial services companies must calculate the value of their annual capital base as required by existing law.

A taxable member must apportion the combined group's capital base according to the ratio of the taxable member's individual capital

base to that of the combined capital bases of all taxable members of the group. As with the income apportionment, a share of the nontaxable members' capital bases must be included according to the ratio of the taxable member's Connecticut capital base to the combined Connecticut capital bases of all the group's taxable members.

As under existing law, the maximum aggregate tax calculated under the capital base method is $1 million.

Minimum Tax. Under the bill, as under existing law, taxable members must pay a minimum tax of $ 250 regardless of tax credits. In addition, no taxable member may use tax credits to reduce its tax liability by more than the applicable tax credit limit.

Tax Credits. The bill requires each taxable member to separately apply its tax credits, subject to the tax credit limit, but allows it to share tax credits and credit carryover with other taxable members under certain conditions.

The bill allows a taxable member to share tax credits it earns beginning on or after the 2015 income year with other taxable members in the group. Any credit amount used by another taxable member reduces the amount of credit carryover available to the taxable member that originally earned it. If the taxable member has a credit carryover derived from an income year beginning on or after 2015, it may share the carryover credit with the group's taxable members as long they were taxable members in the income year in which the credit was earned.

A taxable member with a credit carryover derived from an income year prior to 2015 or during which it was not a member of the combined group may (1) continue to use the carryover and (2) share it with other group members that were part of its combined group under current law.

Deduction for Certain Publicly-Traded Companies (§ 79)

The bill allows certain unitary groups to offset any increase in their

members' "net deferred tax liability" or decrease in their "net deferred tax assets" resulting from the newly imposed unitary reporting requirements. It does so by allowing them to deduct the increase or decrease from their net income over seven years, beginning in the 2018 income year.

Under the bill, a member's "net deferred tax liability" is the amount by which its deferred tax liabilities exceed the group's deferred tax assets, while its "net deferred tax assets" are its deferred tax assets that exceed the group's deferred tax liabilities. Both must be determined according to generally accepted accounting principles (GAAP).

The deduction applies only to unitary groups that are publicly-traded companies, including companies whose results are reported in a publicly-traded company's financial statements, prepared according to GAAP. From the 2018 to 2024 income years, such groups may deduct from their net income an amount equal to one-seventh of the amount necessary to offset the increase in net deferred tax liability or decrease in net deferred tax asset or the aggregate of both, resulting from unitary reporting. They may carry forward any excess deduction to future income years until it is fully utilized.

The groups must calculate the deduction regardless of its impact on federal taxes and without altering the tax basis of any asset. Any events that occur after the deduction is calculated, including the disposition or abandonment of assets, must not reduce it.

Annual Return (§ 94)

The bill requires a combined group to designate one of its Connecticut taxable members to file the unitary return and pay the tax on behalf of all its taxable members. To this end, the designated member may, on the taxable and nontaxable members' behalf, (1) sign a unitary return, (2) apply for filing extensions, (3) agree to an examination or assessment of the return, (4) make offers of compromise and closing agreements regarding tax liability, and (5) receive refunds and credits for tax overpayments.

A combined group member whose income year is different from that of the rest of the group must report amounts from its return for its income year that ends during the "group income year." Under the bill, the "group income year is (1) the designated taxable member's income year or (2) if two or more members in the group file in the same federal consolidated tax return, the income year used on the federal return. No such reporting is required until the beginning of the member's first income year starting on or after January 1, 2015.

The bill allows the designated taxable member to recover the payments from the other taxable members and prohibits those members from holding the designated taxable member liable for the payments. However, each taxable member of the combined group is jointly and severally liable for the taxes plus any interest, penalties, or additions due from any other taxable member.

A combined group required to name a designated member must give the DRS commissioner written notice of the selection by the date the tax is due. The commissioner must approve any change in the designated member.

The bill gives the commissioner the sole discretion to (1) send notices, make deficiency assessments, and provide tax refunds and credits to the designated member or any other group member and (2) require a unitary return to be filed electronically and any tax payment to be made by electronic funds transfer.

Estimated Tax (§ 100)

The bill applies estimated tax requirements to taxable members of combined groups required to file unitary returns. It makes the designated taxable member responsible for paying the estimated tax installments.

By law, corporations must pay the following percentages of their annual taxes by the following dates: 30% by March 15, 40% by June 15, 10% by October 15, and 20% by December 15. The bill extends the due dates for the first estimated tax payment for combined groups whose

2015 group income years start in January, February, or March 2015 to June 15, 2015; July 15, 2015; and August 15, 2015, respectively. Such groups must pay 70% (i.e., a combination of the first and second payment) of the required annual payment on those dates.

Under the bill, taxable members of combined groups required to file unitary returns are not subject to interest and penalties for underpaying estimated tax in 2015 if:

1. they pay estimated taxes equal to at least 90% of that shown on their unitary tax filing for the 2015 group income year or

2. if the 2014 income year was a 12-month year, the taxable members of the combined group pay estimated taxes of 100% of the tax liability, before credits, shown on either their individual separate 2014 returns or their optional 2014 combined return, as applicable.

Current Combined Reporting Provisions and Conforming Sections (§§ 80-93, 95-99, & 101)

Under current law, a corporate group doing business in Connecticut that files a consolidated federal corporate tax return has the option of filing a combined Connecticut return but first has to separately apportion each member's net income or capital base separately among the states where the member operates. The separately apportioned Connecticut shares of income and losses of group members doing business here are then combined to determine their corporation tax liability. The DRS commissioner can also require groups that do not file consolidated federal returns to file combined Connecticut reports under certain circumstances. The bill eliminates these combined return provisions for income years starting on or after January 1, 2015 (when the bill's unitary reporting requirements begin).

The bill makes additional statutory changes to conform to the mandatory unitary filing requirements and the elimination of current combined reporting provisions.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2015.

§ 102-107 — BUDGET RESERVE FUND

The bill establishes a mechanism for diverting projected surpluses in certain tax revenues to the Budget Reserve (i.e. "Rainy Day") Fund (BRF). It establishes a (1) formula and process for calculating the revenue diversion and (2) Restricted Grants Fund (RGF) to hold the diverted funds until after the close of General Fund accounts each fiscal year, at which point they transfer to the BRF.

The bill applies to revenue (referred to as "combined revenue") from the (1) corporation income tax and (2) personal income tax's estimated and final payments (i.e., income tax revenue generated from taxpayers who make estimated income tax payments on a quarterly basis).

Threshold Level for BRF Deposits

Beginning in FY 16, the bill requires the state comptroller to annually certify the threshold level for BRF deposits using a formula based on (1) a 10-year average of the state's combined revenue and (2) the rate of growth in combined revenue. Under the bill, a "10-year average" is the average amount of combined revenue in the 10 fiscal years preceding a given fiscal year.

Formula. The comptroller must determine the threshold using a three-step calculation. The first step is to calculate the 10-year average for the current fiscal year.

The second step is to calculate the rate of growth in combined revenue over the preceding 10 years. To do so, the comptroller must:

1. calculate the 10-year average for each fiscal year preceding the current fiscal year;

2. calculate, for each of these years, the difference between the actual combined revenue for the given fiscal year and the 10-

year average for that same fiscal year, divided by the 10-year average for that fiscal year ("differential"); and

3. take the average of these 10 differentials and add one.

The last step is to multiply the two numbers derived from steps one and two. The threshold level for BRF deposits is the product of this multiplication.

Certifying and Reporting the Threshold Level. Beginning in FY 16, the bill requires the comptroller to include a statement certifying the threshold level for the current fiscal year in the annual report he submits to the governor on the state's financial condition. By law, he must submit this report by September 30 and make a published copy available to the public by December 31.

The bill requires the OPM secretary and OFA director to annually report the comptroller's certified threshold level by November 10, after adjusting for enacted laws projected to impact the estimated and final portion of the income tax or corporation income tax revenue by more than 1%. Presumably, the threshold is adjusted upward by the amount of a projected revenue increase and downward by the amount of a projected revenue decrease.

The OPM secretary and OFA director may (1) recalculate their threshold level adjustments to reflect any consensus revenue (see BACKGROUND) revisions in January and April impacting these revenue sources and (2) continue making the adjustments (a) for up to 10 fiscal years following the implementation of the law that created the revenue impact or (b) until there is no longer a revenue impact of more than 1%, whichever comes first. They must report any such revisions in their January and April consensus revenue estimates and include information on how (1) they determined the revenue impact and (2) used that information to adjust the threshold level.

The bill also requires the OPM secretary and OFA director to each report the estimated threshold level, using the bill's formula, for the

three fiscal years following the current fiscal year.

Required Transfers from General Fund to RGF and BRF

Beginning in FY 17, the bill diverts, to the newly created RGF, projected surpluses in combined revenue based on January and April consensus revenue estimates. The bill requires the state treasurer to transfer the surpluses from the RGF to the BRF after the close of General Fund accounts each fiscal year. As with the BRF under existing law, the bill authorizes the treasurer to invest all or part of the RGF in certain statutorily prescribed investments and directs her to credit all investment interest to the General Fund.

January. The bill requires the state treasurer to transfer funds from the General Fund to the RGF if the January 15 consensus revenue estimate projects combined revenue for the current fiscal year that exceeds the threshold level. The treasurer must transfer the amount projected to exceed this level annually by January 31.

Under the bill, there is no transfer if (1) combined revenue is projected to be less than or equal to the threshold level or (2) the consensus revenue estimate for the current fiscal year projects a year-end General Fund deficit.

April. The bill requires the treasurer to adjust the amount diverted to the RGF in January based on the April 30 revised consensus estimate for combined revenue. It does so by requiring the state treasurer to transfer (1) additional funds from the General Fund to the RGF or (2) funds out of the RGF and back into the General Fund. In certain cases, it requires a transfer to the RGF after the April 30 estimate even if no transfer was made in January.

As Table 8 shows, the transfer depends on whether the (1) January estimate was more or less than the threshold level and (2) April estimate (a) increases or decreases the January estimate or (b) is more or less than the threshold level. The treasurer must transfer the required amounts to or from the RGF annually by May 15. As with the January estimate, there is no transfer if the April 30 estimate for the

current fiscal year projects a year-end General Fund deficit.

Table 8: Transfers Required Following April 30 Consensus Revenue Estimate

January 15 Combined Revenue Projection	*April 30 Combined Revenue Projection*	*Transfer Required Under the Bill*
Exceeded the threshold level	Revised upward	Difference between January and April combined revenue projection must be transferred to RGF
	Revised downward but still more than the threshold level for deposits	Difference between January and April combined revenue projection must be transferred from RGF to the General Fund
	Revised downward to a level less than the threshold level for deposits	Difference between January combined revenue projection and the threshold level must be transferred from RGF to the General Fund
Less than or equal to the threshold level	Revised upward to a level exceeding the threshold level	Difference between April combined revenue projection and threshold level must be transferred to the RGF
	Revised upward but remaining less than the threshold level	No transfer to RGF

Deficit Mitigation Plan. The bill authorizes the governor to direct the treasurer to transfer money in the RGF to the General Fund as part of a required deficit mitigation plan. By law, the governor must submit a deficit mitigation plan whenever the comptroller projects a current year deficit of more than 1% of General Fund appropriations.

Reducing or Eliminating Transfers to RGF or BRF. The bill requires at least three-fifths of the members of the Appropriations and Finance, Revenue and Bonding committees to approve any bill that, if passed, would reduce or eliminate the amount of any deposit to the BRF or RGF. It is unclear whether this provision is enforceable against future legislatures (see BACKGROUND).

BRF

Purpose. The bill expressly provides that the BRF is to be maintained and invested to reduce revenue volatility in the General

Fund and reduce the need for tax increases and state aid cuts due to economic changes.

Maximum Balance. The bill increases the BRF's maximum balance from 10% to 15% of net General Fund appropriations for the current fiscal year but appears to allow the balance to exceed 15% under certain circumstances. Specifically, if a required transfer to the BRF would cause the balance to exceed 15%, the bill appears to allow such a transfer to be made in whole, thus causing the balance to exceed 15%. As under existing law, once the BRF reaches the maximum, the treasurer may not transfer additional funds to it. Any remaining funds must go towards (1) the State Employee Retirement Fund's unfunded liability and (2) paying off outstanding state debt.

Authorized Use of Funds in the BRF. Beginning in FY 17, the bill provides statutory authority for the legislature to transfer funds from the BRF to the General Fund in the three fiscal years following a fiscal year in which the April 30 consensus revenue estimate projects a 2% drop in General Fund tax revenue from the current fiscal year to the next fiscal year.

Directing BRF Transfers to Pay Unfunded Pension Liability. By law, any unappropriated surplus that remains after the BRF reaches its maximum balance must be used for paying the State Employee Retirement Fund's unfunded liability. Beginning in FY 17, the bill additionally earmarks for that purpose a percentage of any amount transferred to the BRF. The percentage depends on the BRF's balance, as shown in Table 9.

Table 9: BRF Transfer Directed to Unfunded Pension Liabilities

BRF's Balance as a % of Net General Fund Appropriations	*Percentage of BRF Transfer Directed to State Employee Retirement Fund*
Less than 5%	5%
5% ≤ balance < 10%	10%
10% ≤ balance < 15%	15%

Reports to the Legislature and Governor

Beginning by December 15, 2020, and every five years thereafter, the bill requires the OPM secretary, OFA director, and state comptroller to each report to the Finance, Revenue and Bonding Committee and the governor on the bill's BRF deposit formula and include any recommended changes to the formula or BRF cap that are consistent with the BRF's purpose, as described above.

The reports must analyze the:

1. formula's impact on General Fund tax revenue volatility,
2. adequacy of the formula's required deposits to replace potential future revenue declines resulting from economic downturns,
3. amount of additional payments toward unfunded liability made as a result of the formula, and
4. adequacy of the BRF's cap.

§ 108 — TAX INCREMENT FINANCING (TIF) FOR HARTFORD DEVELOPMENT

TIF Bonds for Hartford Downtown North Development Project

With the State Bond Commission's approval, the bill requires Connecticut Innovations, Inc. (CI) to help finance Hartford's Downtown North Development Project by issuing bonds backed by incremental sales tax revenue the project generates. This incremental revenue includes lodgings tax revenue but not the sales tax revenue generated by the project's proposed stadium. The bill does not describe the project's end use, specify its location, or indicate its cost but requires CI to determine the amount of bonds it will issue for the project based its economic and revenue impact.

CI-Hartford Agreement

CI must enter into an agreement with Hartford under which incremental sales tax revenue generated by the Downtown North Development Project may be used to repay the bonds CI issued to help finance the project. CI must determine the amount of bonds it will

issue for the project based on its funding plan and impact on Hartford and the capital region. To help CI make this determination, Hartford must provide any information CI needs about the project, including:

1. the types of businesses proposed to be established in the project area;

2. the number of jobs that will be created or retained and their average wage rates;

3. feasibility studies, business plans, or other information needed to determine the project's financial viability;

4. the amount and types of bonds proposed for the project and how the proceeds will be used;

5. other sources for repaying the bonds, including incremental property tax revenue;

6. a description of the project area and the firms operating there;

7. an assessment of the project's local and regional economic impact and its projected incremental sales taxes;

8. an analysis of the infrastructure needed to support the project and any available funding sources; and

9. information that demonstrates the incremental sales tax revenue the project generates plus any funds Hartford provides are enough to repay the bonds.

The agreement (1) may require Hartford to reimburse CI for the cost of conducting the independent financial assessment described below and (2) must require Hartford to reimburse OPM for the annual independent financial analysis, which is also described below.

CI Review

CI must review the information Hartford provided about the project and obtain any other information it needs to determine the amount of

bonds it will issue for the project, whether the bonds can be repaid with the incremental sales taxes the project will generate, and how the project will affect the city and the region.

CI must also retain financial advisors and other experts it deems necessary to assess independently Hartford's information, including incremental sales tax projections, assessments of the project's economic viability, and whether the project will generate enough incremental revenue to repay the bonds.

Lastly, CI must prepare a revenue impact assessment that estimates the:

1. project's projected incremental sales tax revenues;
2. other state and local tax revenue the project will generate;
3. foregone sales tax revenue resulting from the project; and
4. the economic benefits resulting from the project's construction, including its revenue impact.

CI's board of directors must consider all of the above information to determine the amount and type of bonds it will issue to support the project, how Hartford must use the bond proceeds, and the amount of incremental sales tax revenue CI allocated for repaying the bonds' principal and interest. That amount cannot exceed the projected incremental sales taxes, and the bill deems that amount appropriated from the General Fund.

Besides issuing bonds for the project, CI can use any of its other powers to assist the project, including providing other forms of financial assistance, which, together with the bond proceeds, may be combined with other federal, state, and private funds to support the project.

Bond Authorization

CI may issue one or more taxable or tax-exempt bonds as the law

allows backed by incremental sales tax revenue and any funds Hartford contributes toward the project. It can also issue bonds to refund the initial ones. In conjunction with the state treasurer, CI, before issuing the bonds, must determine:

1. their interest rates;
2. maturity dates;
3. payment medium;
4. redemption terms and privileges;
5. whether CI will sell the bonds by negotiation or competitive sale; and
6. any other terms and conditions for issuing the bonds that are consistent with the bill, including pledging a special capital reserve to secure their repayment.

State Bond Commission Approval

CI cannot issue the bonds without the State Bond Commission's approval. It must notify the commission about the amount of bonds it proposes to issue for the project, and the commission may approve the issuance only if CI submits the proposal and the supporting information to the commission at least 10 days before it meets to consider the proposal. During that time, CI must also give the commission any other information it deems appropriate. The commission may consider the information from CI in deciding whether to approve the bonds, which require no subsequent approvals.

Bond Proceeds

CI may grant the bond proceeds to the city, which may use them to acquire, construct, or equip the project. It may also allow Hartford to use an unspecified portion of the proceeds to implement or administer redevelopment or development plans the law authorizes.

Repaying Bonds

While the bonds are outstanding, the treasurer must make principal and interest payments to the trustee when they are due, up to the amounts deemed appropriated for that year from the General Fund.

Hartford may contribute incremental property tax revenues toward repaying the bonds according to the method the statutes prescribe for using such revenues to repay municipal bonds issued to finance redevelopment or municipal development projects. That method allows municipalities to use the increase in property tax revenue generated by property that was improved under a redevelopment or municipal development plan to repay the municipal bonds issued to finance development activities the plans authorize (CGS §§ 8-134a and 8-192a).

Annual Report

By July 1 during each year that the bonds are outstanding, CI must report to Hartford's mayor and the OPM secretary about the project's operations, finances, and progress toward meeting the project's economic development objectives. In doing so, CI must review and evaluate the project's progress, devising and using forecasting techniques and relevant performance indices. The review must:

1. compare actual and estimated expenditures;
2. identify significant cost overruns;
3. track the number of jobs the project created or expects to create;
4. determine the actual or estimated job creation costs for CI;
5. calculate the private dollars invested in the project, the private investment it stimulated, and how those direct and indirect investments compare to the public investment;
6. determine the number of new businesses and jobs that were created; and

7. assess how the project affected tourism.

Annual Independent Revenue Analysis

By July 1 during each year that the bonds are outstanding, OPM must hire independent financial analysts to assess the project's financial status, including whether the:

1. actual incremental sales tax revenue meets the projected revenue,
2. project is economically viable, and
3. incremental sales tax and other revenue sources are generating enough revenue to repay the bonds.

BACKGROUND

Consensus Revenue Estimates

By law, the OPM secretary and OFA director must annually issue consensus revenue estimates by November 10 and any necessary consensus revisions of those estimates by January 15 and April 30. The estimates must (1) cover the current biennium and the three following years and (2) be the basis for the governor's proposed budget and the revenue statement included in the budget act the legislature passes.

Legislative Entrenchment

Legislative entrenchment refers to one legislature restricting a future legislature's ability to enact legislation. For example, CGS § 2-35 previously prohibited appropriations bills from containing general legislation. (This provision has since been repealed.) In *Patterson v. Dempsey*, 152 Conn. 431 (1965), the Connecticut Supreme Court held that this provision of CGS § 2-35 was unenforceable, writing that, "to hold otherwise would be to hold that one General Assembly could effectively control the enactment of legislation by a subsequent General Assembly. This obviously is not true, except where vested rights, protected by the constitution, have accrued under the earlier act."

Related Bills

sSB 1, reported favorably by the Planning and Development and Finance, Revenue and Bonding committees, establishes a mechanism for sharing state sales and use tax revenue in the Municipal Revenue Sharing Account with municipalities and the state's nine regional councils of government.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 27 Nay 21 (04/30/2015)