



House of Representatives

General Assembly

File No. 164

January Session, 2015

House Bill No. 6377

House of Representatives, March 23, 2015

The Committee on Veterans' Affairs reported through REP. HENNESSY of the 127th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING TAX DEDUCTIONS FOR DONATIONS OF MOTOR VEHICLES TO NONPROFIT VETERANS ORGANIZATIONS.

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

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3 public act 14-47, is repealed and the following is substituted in lieu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

6 (B) There shall be subtracted therefrom (i) to the extent properly
7 includable in gross income for federal income tax purposes, any
8 income with respect to which taxation by any state is prohibited by
9 federal law, (ii) to the extent allowable under section 12-718, exempt
10 dividends paid by a regulated investment company, (iii) the amount of
11 any refund or credit for overpayment of income taxes imposed by this
12 state, or any other state of the United States or a political subdivision
13 thereof, or the District of Columbia, to the extent properly includable
14 in gross income for federal income tax purposes, (iv) to the extent

15 properly includable in gross income for federal income tax purposes
16 and not otherwise subtracted from federal adjusted gross income
17 pursuant to clause (x) of this subparagraph in computing Connecticut
18 adjusted gross income, any tier 1 railroad retirement benefits, (v) to the
19 extent any additional allowance for depreciation under Section 168(k)
20 of the Internal Revenue Code, as provided by Section 101 of the Job
21 Creation and Worker Assistance Act of 2002, for property placed in
22 service after December 31, 2001, but prior to September 10, 2004, was
23 added to federal adjusted gross income pursuant to subparagraph
24 (A)(ix) of this subdivision in computing Connecticut adjusted gross
25 income for a taxable year ending after December 31, 2001, twenty-five
26 per cent of such additional allowance for depreciation in each of the
27 four succeeding taxable years, (vi) to the extent properly includable in
28 gross income for federal income tax purposes, any interest income
29 from obligations issued by or on behalf of the state of Connecticut, any
30 political subdivision thereof, or public instrumentality, state or local
31 authority, district or similar public entity created under the laws of the
32 state of Connecticut, (vii) to the extent properly includable in
33 determining the net gain or loss from the sale or other disposition of
34 capital assets for federal income tax purposes, any gain from the sale
35 or exchange of obligations issued by or on behalf of the state of
36 Connecticut, any political subdivision thereof, or public
37 instrumentality, state or local authority, district or similar public entity
38 created under the laws of the state of Connecticut, in the income year
39 such gain was recognized, (viii) any interest on indebtedness incurred
40 or continued to purchase or carry obligations or securities the interest
41 on which is subject to tax under this chapter but exempt from federal
42 income tax, to the extent that such interest on indebtedness is not
43 deductible in determining federal adjusted gross income and is
44 attributable to a trade or business carried on by such individual, (ix)
45 ordinary and necessary expenses paid or incurred during the taxable
46 year for the production or collection of income which is subject to
47 taxation under this chapter but exempt from federal income tax, or the
48 management, conservation or maintenance of property held for the
49 production of such income, and the amortizable bond premium for the

50 taxable year on any bond the interest on which is subject to tax under
51 this chapter but exempt from federal income tax, to the extent that
52 such expenses and premiums are not deductible in determining federal
53 adjusted gross income and are attributable to a trade or business
54 carried on by such individual, (x) (I) for a person who files a return
55 under the federal income tax as an unmarried individual whose
56 federal adjusted gross income for such taxable year is less than fifty
57 thousand dollars, or as a married individual filing separately whose
58 federal adjusted gross income for such taxable year is less than fifty
59 thousand dollars, or for a husband and wife who file a return under
60 the federal income tax as married individuals filing jointly whose
61 federal adjusted gross income for such taxable year is less than sixty
62 thousand dollars or a person who files a return under the federal
63 income tax as a head of household whose federal adjusted gross
64 income for such taxable year is less than sixty thousand dollars, an
65 amount equal to the Social Security benefits includable for federal
66 income tax purposes; and (II) for a person who files a return under the
67 federal income tax as an unmarried individual whose federal adjusted
68 gross income for such taxable year is fifty thousand dollars or more, or
69 as a married individual filing separately whose federal adjusted gross
70 income for such taxable year is fifty thousand dollars or more, or for a
71 husband and wife who file a return under the federal income tax as
72 married individuals filing jointly whose federal adjusted gross income
73 from such taxable year is sixty thousand dollars or more or for a
74 person who files a return under the federal income tax as a head of
75 household whose federal adjusted gross income for such taxable year
76 is sixty thousand dollars or more, an amount equal to the difference
77 between the amount of Social Security benefits includable for federal
78 income tax purposes and the lesser of twenty-five per cent of the Social
79 Security benefits received during the taxable year, or twenty-five per
80 cent of the excess described in Section 86(b)(1) of the Internal Revenue
81 Code, (xi) to the extent properly includable in gross income for federal
82 income tax purposes, any amount rebated to a taxpayer pursuant to
83 section 12-746, (xii) to the extent properly includable in the gross
84 income for federal income tax purposes of a designated beneficiary,

85 any distribution to such beneficiary from any qualified state tuition
86 program, as defined in Section 529(b) of the Internal Revenue Code,
87 established and maintained by this state or any official, agency or
88 instrumentality of the state, (xiii) to the extent allowable under section
89 12-701a, contributions to accounts established pursuant to any
90 qualified state tuition program, as defined in Section 529(b) of the
91 Internal Revenue Code, established and maintained by this state or
92 any official, agency or instrumentality of the state, (xiv) to the extent
93 properly includable in gross income for federal income tax purposes,
94 the amount of any Holocaust victims' settlement payment received in
95 the taxable year by a Holocaust victim, (xv) to the extent properly
96 includable in gross income for federal income tax purposes of an
97 account holder, as defined in section 31-51ww, interest earned on
98 funds deposited in the individual development account, as defined in
99 section 31-51ww, of such account holder, (xvi) to the extent properly
100 includable in the gross income for federal income tax purposes of a
101 designated beneficiary, as defined in section 3-123aa, interest,
102 dividends or capital gains earned on contributions to accounts
103 established for the designated beneficiary pursuant to the Connecticut
104 Homecare Option Program for the Elderly established by sections 3-
105 123aa to 3-123ff, inclusive, (xvii) to the extent properly includable in
106 gross income for federal income tax purposes, fifty per cent of the
107 income received from the United States government as retirement pay
108 for a retired member of (I) the Armed Forces of the United States, as
109 defined in Section 101 of Title 10 of the United States Code, or (II) the
110 National Guard, as defined in Section 101 of Title 10 of the United
111 States Code, (xviii) to the extent properly includable in gross income
112 for federal income tax purposes for the taxable year, any income from
113 the discharge of indebtedness in connection with any reacquisition,
114 after December 31, 2008, and before January 1, 2011, of an applicable
115 debt instrument or instruments, as those terms are defined in Section
116 108 of the Internal Revenue Code, as amended by Section 1231 of the
117 American Recovery and Reinvestment Act of 2009, to the extent any
118 such income was added to federal adjusted gross income pursuant to
119 subparagraph (A)(x) of this subdivision in computing Connecticut

120 adjusted gross income for a preceding taxable year, (xix) to the extent
121 not deductible in determining federal adjusted gross income, the
122 amount of any contribution to a manufacturing reinvestment account
123 established pursuant to section 32-9zz in the taxable year that such
124 contribution is made, [and] (xx) to the extent properly includable in
125 gross income for federal income tax purposes, for the taxable year
126 commencing January 1, 2015, ten per cent of the income received from
127 the state teachers' retirement system, for the taxable year commencing
128 January 1, 2016, twenty-five per cent of the income received from the
129 state teachers' retirement system, and for the taxable year commencing
130 January 1, 2017, and each taxable year thereafter, fifty per cent of the
131 income received from the state teachers' retirement system, and (xxi)
132 an amount equal to twice the fair market value of any motor vehicle, as
133 determined by the Commissioner of Motor Vehicles, donated in the
134 taxable year to a nonprofit organization serving veterans.

135 Sec. 2. Subdivision (1) of subsection (a) of section 12-217 of the
136 general statutes is repealed and the following is substituted in lieu
137 thereof (*Effective July 1, 2015, and applicable to taxable years commencing*
138 *on or after January 1, 2016*):

139 (a) (1) In arriving at net income as defined in section 12-213, whether
140 or not the taxpayer is taxable under the federal corporation net income
141 tax, there shall be deducted from gross income, (A) all items deductible
142 under the Internal Revenue Code effective and in force on the last day
143 of the income year except (i) any taxes imposed under the provisions
144 of this chapter which are paid or accrued in the income year and in the
145 income year commencing January 1, 1989, and thereafter, any taxes in
146 any state of the United States or any political subdivision of such state,
147 or the District of Columbia, imposed on or measured by the income or
148 profits of a corporation which are paid or accrued in the income year,
149 (ii) deductions for depreciation, which shall be allowed as provided in
150 subsection (b) of this section, (iii) deductions for qualified domestic
151 production activities income, as provided in Section 199 of the Internal
152 Revenue Code, and (iv) in the case of any captive real estate
153 investment trust, the deduction for dividends paid provided under

154 Section 857(b)(2) of the Internal Revenue Code, and (B) additionally, in
155 the case of a regulated investment company, the sum of (i) the exempt-
156 interest dividends, as defined in the Internal Revenue Code, and (ii)
157 expenses, bond premium, and interest related to tax-exempt income
158 that are disallowed as deductions under the Internal Revenue Code,
159 and (C) in the case of a taxpayer maintaining an international banking
160 facility as defined in the laws of the United States or the regulations of
161 the Board of Governors of the Federal Reserve System, as either may
162 be amended from time to time, the gross income attributable to the
163 international banking facility, provided, no expense or loss attributable
164 to the international banking facility shall be a deduction under any
165 provision of this section, and (D) additionally, in the case of all
166 taxpayers, all dividends as defined in the Internal Revenue Code
167 effective and in force on the last day of the income year not otherwise
168 deducted from gross income, including dividends received from a
169 DISC or former DISC as defined in Section 992 of the Internal Revenue
170 Code and dividends deemed to have been distributed by a DISC or
171 former DISC as provided in Section 995 of said Internal Revenue Code,
172 other than thirty per cent of dividends received from a domestic
173 corporation in which the taxpayer owns less than twenty per cent of
174 the total voting power and value of the stock of such corporation, and
175 (E) additionally, in the case of all taxpayers, the value of any capital
176 gain realized from the sale of any land, or interest in land, to the state,
177 any political subdivision of the state, or to any nonprofit land
178 conservation organization where such land is to be permanently
179 preserved as protected open space or to a water company, as defined
180 in section 25-32a, where such land is to be permanently preserved as
181 protected open space or as Class I or Class II water company land, and
182 (F) in the case of manufacturers, the amount of any contribution to a
183 manufacturing reinvestment account established pursuant to section
184 32-9zz in the income year that such contribution is made to the extent
185 not deductible for federal income tax purposes, and (G) in the case of
186 all taxpayers, an amount equal to twice the fair market value of any
187 motor vehicle, as determined by the Commissioner of Motor Vehicles,
188 donated in the taxable year to a nonprofit organization serving

189 veterans.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015</i>	12-701(a)(20)(B)
Sec. 2	<i>July 1, 2015, and applicable to taxable years commencing on or after January 1, 2016</i>	12-217(a)(1)

VA *Joint Favorable*

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:

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$
Department of Revenue Services	GF - Revenue Loss	Up to 750,000	Up to 1.1 million
Department of Motor Vehicles	TF - Potential Cost	0-51,980	0-51,980
State Comptroller - Fringe Benefits ¹	TF - Potential Cost	0-20,090	0-20,090
Department of Revenue Services	GF - Cost	30,000	None

Municipal Impact: None

Explanation

The bill establishes a state income and corporation business tax deduction for certain motor vehicle donations worth twice the donated vehicle's fair market value. This results in a General Fund revenue loss of up to \$750,000 in FY 16 and up to \$1.1 million in FY 17 and annually thereafter. This also results in a potential Special Transportation Fund cost of \$0-\$72,070 annually beginning in FY 16, and a one-time General Fund cost to the Department of Revenue Services (DRS) of \$30,000 in FY 16 only.

The bill requires the Commissioner of the Department of Motor Vehicles (DMV) to determine a motor vehicle's fair market value. However, the bill does not specify how DMV must implement the provisions of the bill. DMV may incur costs for additional staff associated with assessing and inspecting donated vehicles. The cost

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 38.65% of payroll in FY 16 and FY 17.

for a motor vehicle inspector is \$72,070 (\$51,980 for salary and \$20,090 for fringes).

The one-time cost of \$30,000 to DRS in FY 16 is associated with updates to the online Taxpayer Service Center (\$20,000) and scanning and printing costs (\$10,000).

The revenue estimate assumes up to 8,460 vehicles with an average fair market value of approximately \$900 will be donated annually by individuals, resulting in a revenue loss of up to \$750,000. It also assumes up to 400 annual corporate donations at an average fair market value of \$5,000, resulting in a revenue loss of up to \$350,000.

The revenue loss is lower in FY 16 because the bill specifies only the income tax deduction is available beginning with the 2015 income year; the corporation business tax deduction is available the following year.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*Sources: Charity Navigator Guide To Donating Your Car
Department of Revenue Services 2013 Income Tax Data*

OLR Bill Analysis**HB 6377*****AN ACT CONCERNING TAX DEDUCTIONS FOR DONATIONS OF MOTOR VEHICLES TO NONPROFIT VETERANS ORGANIZATIONS.*****SUMMARY:**

This bill allows taxpayers to deduct certain motor vehicle donations from their (1) Connecticut adjusted gross income for state income tax purposes and (2) gross income for state corporate tax purposes. The deduction is an amount equal to twice the fair market value of any motor vehicle donated during the taxable year to a nonprofit organization serving veterans. The motor vehicles commissioner determines the motor vehicle's fair market value. The bill does not define what qualifies as a nonprofit organization serving veterans.

EFFECTIVE DATE: July 1, 2015, and applicable to taxable years beginning on or after January 1, 2015 for the state income tax provision and January 1, 2016 for the corporate tax provision.

COMMITTEE ACTION

Veterans' Affairs Committee

Joint Favorable

Yea 14 Nay 0 (03/05/2015)