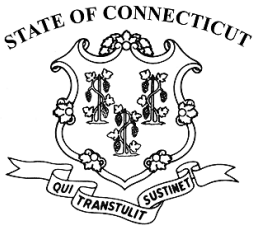

Substitute House Bill No. 5637

Public Act No. 16-146

AN ACT MAKING MINOR AND CONFORMING CHANGES TO CERTAIN TAX STATUTES.

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

Section 1. Section 12-18b of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2016*):

(a) For purposes of this section:

(1) "College and hospital property" means all real property described in subsection (a) of section 12-20a;

(2) "District" means any district, as defined in section 7-324;

(3) "Qualified college and hospital property" means college and hospital property described in subparagraph (B) of subdivision (2) of subsection (b) of this section;

(4) "Qualified state, municipal or tribal property" means state, municipal or tribal property described in subparagraphs (A) to (G), inclusive, of subdivision (1) of subsection (b) of this section;

(5) "Municipality" means any town, city, borough, consolidated town and city and consolidated town and borough;

(6) "Select college and hospital property" means college and hospital property described in subparagraph (A) of subdivision (2) of subsection (b) of this section;

(7) "Select payment in lieu of taxes account" means the account established pursuant to section 12-18c, as amended by this act;

(8) "Select state property" means state property described in subparagraph (H) of subdivision (1) of subsection (b) of this section;

(9) "State, municipal or tribal property" means all real property described in subsection (a) of section 12-19a;

(10) "Tier one districts or municipalities" means the ten districts or municipalities with the highest percentage of tax exempt property on the list of municipalities prepared by the Secretary of the Office of Policy and Management pursuant to subsection (c) of this section and having a mill rate of twenty-five mills or more;

(11) "Tier two districts or municipalities" means the next twenty-five districts or municipalities after tier one districts or municipalities with the highest percentage of tax exempt property on the list of municipalities prepared by the Secretary of the Office of Policy and Management pursuant to subsection (c) of this section and having a mill rate of twenty-five mills or more;

(12) "Tier three districts or municipalities" means all districts and municipalities not included in tier one districts or municipalities or tier two districts or municipalities;

(13) "Tier one municipalities" means the ten municipalities with the highest percentage of tax exempt property on the list of municipalities prepared by the Secretary of the Office of Policy and Management pursuant to subsection (c) of this section and having a mill rate of twenty-five mills or more;

(14) "Tier two municipalities" means the next twenty-five municipalities after tier one municipalities with the highest percentage of tax exempt property on the list of municipalities prepared by the Secretary of the Office of Policy and Management pursuant to subsection (c) of this section and having a mill rate of twenty-five mills or more; **[**and**]**

(15) "Tier three municipalities" means all municipalities not included in tier one municipalities or tier two municipalities; and

(16) "Mill rate" means the mill rate on real property and personal property other than motor vehicles.

(b) Notwithstanding the provisions of sections 12-19a and 12-20a, all funds appropriated for state grants in lieu of taxes shall be payable to municipalities and districts pursuant to the provisions of this section. On or before January first, annually, the Secretary of the Office of Policy and Management shall determine the amount due, as a state grant in lieu of taxes, to each municipality and district in this state wherein college and hospital property is located and to each municipality in this state wherein state, municipal or tribal property, except that which was acquired and used for highways and bridges, but not excepting property acquired and used for highway administration or maintenance purposes, is located.

(1) The grant payable to any municipality for state, municipal or tribal property under the provisions of this section in the fiscal year ending June 30, 2017, and each fiscal year thereafter shall be equal to the total of:

(A) One hundred per cent of the property taxes that would have been paid with respect to any facility designated by the Commissioner of Correction, on or before August first of each year, to be a correctional facility administered under the auspices of the

Department of Correction or a juvenile detention center under direction of the Department of Children and Families that was used for incarcerative purposes during the preceding fiscal year. If a list containing the name and location of such designated facilities and information concerning their use for purposes of incarceration during the preceding fiscal year is not available from the Secretary of the State on August first of any year, the Commissioner of Correction shall, on said date, certify to the Secretary of the Office of Policy and Management a list containing such information;

(B) One hundred per cent of the property taxes that would have been paid with respect to that portion of the John Dempsey Hospital located at The University of Connecticut Health Center in Farmington that is used as a permanent medical ward for prisoners under the custody of the Department of Correction. Nothing in this section shall be construed as designating any portion of The University of Connecticut Health Center John Dempsey Hospital as a correctional facility;

(C) One hundred per cent of the property taxes that would have been paid on any land designated within the 1983 Settlement boundary and taken into trust by the federal government for the Mashantucket Pequot Tribal Nation on or after June 8, 1999;

(D) Subject to the provisions of subsection (c) of section 12-19a, sixty-five per cent of the property taxes that would have been paid with respect to the buildings and grounds comprising Connecticut Valley Hospital in Middletown;

(E) With respect to any municipality in which more than fifty per cent of the property is state-owned real property, one hundred per cent of the property taxes that would have been paid with respect to such state-owned property;

(F) Forty-five per cent of the property taxes that would have been paid with respect to all municipally owned airports; except for the exemption applicable to such property, on the assessment list in such municipality for the assessment date two years prior to the commencement of the state fiscal year in which such grant is payable. The grant provided pursuant to this section for any municipally owned airport shall be paid to any municipality in which the airport is located, except that the grant applicable to Sikorsky Airport shall be paid one-half to the town of Stratford and one-half to the city of Bridgeport;

(G) Forty-five per cent of the property taxes that would have been paid with respect to any land designated within the 1983 Settlement boundary and taken into trust by the federal government for the Mashantucket Pequot Tribal Nation prior to June 8, 1999, or taken into trust by the federal government for the Mohegan Tribe of Indians of Connecticut, provided the real property subject to this subparagraph shall be the land only, and shall not include the assessed value of any structures, buildings or other improvements on such land; and

(H) Forty-five per cent of the property taxes that would have been paid with respect to all other state-owned real property.

(2) (A) The grant payable to any municipality or district for college and hospital property under the provisions of this section in the fiscal year ending June 30, 2017, and each fiscal year thereafter shall be equal to the total of seventy-seven per cent of the property taxes that, except for any exemption applicable to any **[**institution of higher education or general hospital facility**]** college and hospital property under the provisions of section 12-81, would have been paid with respect to college and hospital property on the assessment list in such municipality or district for the assessment date two years prior to the commencement of the state fiscal year in which such grant is payable; and

(B) Notwithstanding the provisions of subparagraph (A) of this subdivision, the grant payable to any municipality or district with respect to a campus of the United States Department of Veterans Affairs Connecticut Healthcare Systems shall be one hundred per cent.

(c) The Secretary of the Office of Policy and Management shall list municipalities, boroughs and districts based on the percentage of real property on the 2012 grand list of each municipality that is exempt from property tax under any provision of the general statutes other than that property described in subparagraph (A) of subdivision (1) of subsection (b) of this section. Boroughs and districts shall have the same ranking as the town, city, consolidated town and city or consolidated town and borough in which such borough or district is located.

(d) For the fiscal year ending June 30, 2017, in the event that the total of grants payable to each municipality and district in accordance with the provisions of subsection (b) of this section exceeds the amount appropriated for the purposes of said subsection (b) for said fiscal year: (1) The amount of the grant payable to each municipality for state, municipal or tribal property and to each municipality or district for college and hospital property shall be reduced proportionately, provided the percentage of the property taxes payable to a municipality or district with respect to such property shall not be lower than the percentage paid to the municipality or district for such property for the fiscal year ending June 30, 2015; and (2) certain municipalities and districts shall receive an additional payment in lieu of taxes grant payable from the select payment in lieu of taxes account. The total amount of the grant payment is as follows:

Municipality/District	Grant Amount
Ansonia	20,543
Bridgeport	3,236,058
Chaplin	11,177

Danbury	620,540
Deep River	1,961
Derby	138,841
East Granby	9,904
East Hartford	214,997
Hamden	620,903
Hartford	12,422,113
Killingly	46,615
Ledyard	3,012
Litchfield	13,907
Mansfield	2,630,447
Meriden	259,564
Middletown	727,324
Montville	26,217
New Britain	2,085,537
New Haven	15,246,372
New London	1,356,780
Newington	176,884
North Canaan	4,393
Norwich	259,862
Plainfield	16,116
Simsbury	21,671
Stafford	43,057
Stamford	552,292
Suffield	53,767
Wallingford	61,586
Waterbury	3,284,145
West Hartford	211,483
West Haven	339,563
Windham	1,248,096
Windsor	9,660
Windsor Locks	32,533
Borough of Danielson (Killingly)	2,232
Borough of Litchfield	143
Middletown: South Fire District	1,172
Plainfield - Plainfield Fire District	309
West Haven First Center (D1)	1,187
West Haven: Allingtown FD (D3)	53,053
West Haven: West Shore FD (D2)	35,065

(e) (1) For the fiscal year ending June 30, 2018, and each fiscal year thereafter, in the event that the total of grants payable to each municipality and district in accordance with the provisions of subsection (b) of this section exceeds the amount appropriated for the purposes of said subsection (b) for said fiscal years:

(A) The amount of the grant payable to each municipality for qualified state, municipal or tribal property and to each municipality or district for qualified college and hospital property shall be reduced proportionately, provided the percentage of the property taxes payable to a municipality or district with respect to such property shall not be lower than the percentage paid to the municipality or district for such property for the fiscal year ending June 30, 2015;

(B) The amount of the grant payable to each municipality or district for select college and hospital property shall be reduced as follows: (i) Tier one districts or municipalities shall each receive a grant in lieu of taxes equal to forty-two per cent of the property taxes that, except for any exemption applicable to any college and hospital property under the provisions of section 12-81, would have been paid to such municipality or district **[**on**]** with respect to select college and hospital property; (ii) tier two districts or municipalities shall each receive a grant in lieu of taxes equal to thirty-seven per cent of the property taxes that, except for any exemption applicable to any college and hospital property under the provisions of section 12-81, would have been paid to such municipality or district **[**on**]** with respect to select college and hospital property; and (iii) tier three districts or municipalities shall each receive a grant in lieu of taxes equal to thirty-two per cent of the property taxes that, except for any exemption applicable to any college and hospital property under the provisions of section 12-81, would have been paid to such municipality or district **[**on**]** with respect to select college and hospital property. Grants in

excess of thirty-two per cent of the property taxes that, except for any exemption applicable to any college and hospital property under the provisions of section 12-81, would have been paid to tier one districts or municipalities and to tier two districts or municipalities **[**on**]** with respect to select college and hospital property shall be payable from the select payment in lieu of taxes account; and

(C) The amount of the grant payable to each municipality for select state property shall be reduced as follows: (i) Tier one municipalities shall each receive a grant in lieu of taxes equal to thirty-two per cent of the property taxes that, except for any exemption applicable to any state property under the provisions of section 12-81, would have been paid to such municipality **[**for**]** with respect to select state property; (ii) tier two municipalities shall each receive a grant in lieu of taxes equal to twenty-eight per cent of the property taxes that, except for any exemption applicable to any state property under the provisions of section 12-81, would have been paid to such municipality **[**for**]** with respect to select state property; and (iii) tier three municipalities shall each receive a grant in lieu of taxes equal to twenty-four per cent of the property taxes that, except for any exemption applicable to any state property under the provisions of section 12-81, would have been paid to such municipality **[**for**]** with respect to select state property. Grants in excess of twenty-four per cent of the property taxes that, except for any exemption applicable to any state property under the provisions of section 12-81, would have been paid to tier one municipalities and to tier two municipalities **[**on**]** with respect to select state property shall be payable from the select payment in lieu of taxes account.

(2) In the event that the total of grants payable to each municipality and district in accordance with the provisions of subsection (b) of this section and subdivision (1) of this subsection exceeds the amount appropriated for the purposes of said subsection and said subdivision and the amount available in the select payment in lieu of taxes account

in any fiscal year, the amount of the grant payable to each municipality for state, municipal or tribal property and to each municipality or district for college and hospital property shall be reduced proportionately, provided (A) the grant payable to tier one districts or municipalities for select college and hospital property shall be ten percentage points more than the grant payable to tier three districts or municipalities for such property, (B) the grant payable to tier two districts or municipalities for select college and hospital property shall be five percentage points more than the grant payable to tier three districts or municipalities for such property, (C) the grant payable to tier one municipalities for select state property shall be eight percentage points more than the grant payable to tier three municipalities for such property, and (D) the grant payable to tier two municipalities for select state property shall be four percentage points more than the grant payable to tier three municipalities for such property. Grants to tier one municipalities or districts and grants to tier two municipalities or districts in excess of grants paid to tier three municipalities or districts **[**that would have been paid on select college and hospital property**]** pursuant to this subsection shall be payable from the select payment in lieu of taxes account. Grants to tier one municipalities and grants to tier two municipalities in excess of grants paid to tier three municipalities **[**that would have been paid on select state property**]** pursuant to this subsection shall be payable from the select payment in lieu of taxes account.

(f) Notwithstanding the provisions of subsections (a) to (d), inclusive, of this section, for any municipality receiving payments under section 15-120ss, property located in such municipality at Bradley International Airport shall not be included in the calculation of any state grant in lieu of taxes pursuant to this section.

(g) For purposes of this section, any real property which is owned by the John Dempsey Hospital Finance Corporation established

pursuant to the provisions of sections 10a-250 to 10a-263, inclusive, or by one or more subsidiary corporations established pursuant to subdivision (13) of section 10a-254 and which is free from taxation pursuant to the provisions of section 10a-259 shall be deemed to be state-owned real property.

(h) The Office of Policy and Management shall report, in accordance with the provisions of section 11-4a, to the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding, on or before July 1, 2017, and on or before July first annually thereafter until July 1, 2020, with regard to the grants distributed in accordance with this section, and shall include in such reports any recommendations for changes in the grants.

Sec. 2. Section 12-18c of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2016*):

There is established an account to be known as the "select payment in lieu of taxes 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 Office of Policy and Management for the purposes of making select grants to municipalities and districts for payments in lieu of taxes as provided for in subdivision (2) of subsection (d) of **[**this section**]** section 12-18b, as amended by this act, subparagraphs (B) and (C) of subdivision (1) of subsection (e) of section 12-18b, as amended by this act, and subdivision (2) of subsection (e) of section 12-18b, as amended by this act.

Sec. 3. Subsections (a) to (c), inclusive, of section 3-55j of the 2016 supplement to the general statutes are repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) Twenty million dollars of the moneys available in the Mashantucket Pequot and Mohegan Fund established by section 3-55i shall be paid to municipalities eligible for a state grant in lieu of taxes pursuant to subsection (b) of section 12-18b, as amended by this act, in addition to the grants payable to such municipalities pursuant to section 12-18b, as amended by this act, subject to the provisions of subsection (b) of this section. Such grant shall be equal to that paid to the municipality pursuant to this **[**section**]** subsection for the fiscal year ending June 30, 2015. Any eligible special services district shall receive a portion of the grant payable under this subsection to the town in which such district is located. The portion payable to any such district under this subsection shall be the amount of the grant to the town under this subsection which results from application of the district mill rate to exempt property in the district. As used in this subsection and subsection (c) of this section, "eligible special services district" means any special services district created by a town charter, having its own governing body and for the assessment year commencing October 1, 1996, containing fifty per cent or more of the value of total taxable property within the town in which such district is located.

(b) No municipality shall receive a grant pursuant to subsection (a) of this section which, when added to the amount of the grant payable to such municipality pursuant to subsection (b) of section 12-18b, as amended by this act, would exceed one hundred per cent of the property taxes which would have been paid with respect to all state-owned real property, except for the exemption applicable to such property, on the assessment list in such municipality for the assessment date two years prior to the commencement of the state fiscal year in which such grants are payable, except that, notwithstanding the provisions of said subsection (a), no municipality shall receive a grant pursuant to said subsection which is less than one thousand six hundred sixty-seven dollars.

(c) Twenty million one hundred twenty-three thousand nine hundred sixteen dollars of the moneys available in the Mashantucket Pequot and Mohegan Fund established by section 3-55i shall be paid to municipalities eligible for a state grant in lieu of taxes pursuant to subsection (b) of section 12-18b, as amended by this act, in addition to the grants payable to such municipalities pursuant to section 12-18b, as amended by this act, subject to the provisions of subsection (d) of this section. Such grant shall be equal to that paid to the municipality pursuant to this **[**section**]** subsection for the fiscal year ending June 30, 2015. Any eligible special services district shall receive a portion of the grant payable under this subsection to the town in which such district is located. The portion payable to any such district under this subsection shall be the amount of the grant to the town under this subsection which results from application of the district mill rate to exempt property in the district.

Sec. 4. Section 12-71e of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

Notwithstanding the provisions of any special act, municipal charter or home rule ordinance, for the assessment year commencing October 1, 2015, and each assessment year thereafter, each municipality and district shall tax motor vehicles in accordance with this section. For the assessment year commencing October 1, 2015, the mill rate for motor vehicles shall not exceed 32 mills. For the assessment year commencing October 1, 2016, and each assessment year thereafter, the mill rate for motor vehicles shall not exceed 29.36 mills. Any municipality or district may establish a mill rate for motor vehicles that is different from its mill rate for real property and personal property other than motor vehicles to comply with the provisions of this section. No district or borough may set a motor vehicle mill rate that if combined with the motor vehicle mill rate of

the **[**municipality**]** town, city, consolidated town and city or consolidated town and borough in which such district is located would result in a combined motor vehicle mill rate above 32 mills for the assessment year commencing October 1, 2015, or above 29.36 mills for the assessment year commencing October 1, 2016, and each assessment year thereafter. For the purposes of this section, "municipality" means any town, city, borough, consolidated town and city, consolidated town and borough and "district" means any district, as defined in section 7-324.

Sec. 5. Section 12-63k of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) As used in this section:

(1) "Average increase in assessed value" means, for the assessment years commencing October 1, 2012, October 1, 2013, and October 1, 2014, the average of the increase in assessed value of commercial and industrial property, and personal property used exclusively for commercial or industrial purposes;

(2) "Base year" means the assessment year commencing October 1, 2014;

(3) "Increase from the base year" means the assessed value of commercial or industrial property for the current assessment year plus the current assessment year assessed value of any personal property acquired after the base year to be used exclusively for commercial or industrial purposes, less the assessed value of the commercial or industrial property for the base year; **[**and**]**

(4) "Improvement to commercial or industrial property" or "improvement" includes, but is not limited to, any personal property acquired after the base year and used exclusively for commercial or

industrial purposes; and

(5) "Mill rate" means the mill rate on real property and personal property other than motor vehicles.

(b) (1) Notwithstanding any provision of the general statutes or any special act, charter or home rule ordinance, a municipality that contains an enterprise zone designated pursuant to section 32-70 may, by vote of its legislative body, or in a municipality where the legislative body is a town meeting, by vote of the board of selectmen, provide that, for improvements to commercial or industrial property that result in an increase from the base year, (A) the assessment of such improvement shall be reduced as provided in subparagraph (B) of subdivision (2) of this subsection, and (B) the increase in tax revenue attributable to such improvement shall be allocated to reduce the assessments and total tax imposed on commercial and industrial properties located within the municipality as provided in subparagraph (C) of subdivision (2) of this subsection. The reduced assessments and allocations shall continue until the earlier of (i) the assessment year in which the mill rate for the municipality is not more than ten per cent greater than the average regional mill rate calculated pursuant to subdivision (2) of this subsection, or (ii) a date determined by such vote of the legislative body or the board of selectmen.

(2) (A) The tax collector of any municipality that has voted to reduce assessments pursuant to subdivision (1) of this subsection shall annually calculate the average regional mill rate based on the average mill rate of the planning region of the state, as designated under the provisions of section 16a-4a, in which the municipality is located.

(B) With respect to an improvement to commercial or industrial property that results in an increase from the base year of at least ten thousand dollars, the assessor of such municipality shall annually (i) determine the amount of the current assessment year increase in

assessed value of the property that exceeds the average increase in assessed value with respect to the property, and (ii) reduce the assessment of the amount determined under clause (i) of this subparagraph to an amount that yields a total tax on such amount equal to the tax that would be imposed at the applicable average regional mill rate.

(C) Each such municipality shall allocate tax revenue attributable to such improvements to reduce the assessments and total tax imposed on each commercial and industrial property located within the municipality, or located within the neighborhood revitalization zone in which the improved property is located, that is not subject to any other form of property tax relief and that has a total assessment of less than fifteen million dollars, except that such municipality may retain the amount equal to the average increase in assessed value on such commercial and industrial properties, and may retain an additional twenty per cent of the current assessment year increase in assessed value that is in excess of the average increase in assessed value.

(c) The assessor of any municipality that has voted to reduce assessments pursuant to subdivision (1) of subsection (b) of this section shall calculate assessed values under this section without regard to any revaluation of real property that takes place on or after the date of such vote.

Sec. 6. Subparagraph (LL) of subdivision (37) of subsection (a) of section 12-407 of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(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;

Sec. 7. Subsection (b) of section 2-36c of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2016*):

(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 legislative 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.

Sec. 8. Subsection (b) of section 2-36c of the 2016 supplement to the general statutes, as amended by section 168 of public act 15-244, is repealed and the following is substituted in lieu thereof (*Effective July 1, 2019*):

(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 legislative 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.

Sec. 9. Subdivision (2) of subsection (f) of section 38a-88a of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(2) The amount of the combined **[**unity**]** unitary tax for all corporations properly included in a combined 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 tax 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. 10. Subparagraph (B) of subdivision (9) of subsection (a) of section 12-700 of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(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 6.9% of the excess over $400,000
Over $800,000	**[**$50,400**]** $50,480, 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 forty 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 four thousand two 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 seven hundred twenty dollars.

Sec. 11. Subparagraph (A) of subdivision (26) of subsection (a) of section 12-407 of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(26) (A) "Telecommunications service" means the electronic

transmission, conveyance or routing of voice, image, data, audio, video or any other information or signals to a point or between or among points. "Telecommunications service" includes such transmission, conveyance or routing in which computer processing applications are used to act on the form, code or protocol of the content for purposes of transmission, conveyance or routing without regard to whether such service is referred to as a voice over Internet protocol service or is classified by the Federal Communications Commission as enhanced or value added. "Telecommunications service" does not include (i) value-added nonvoice data services, (ii) radio and television audio and video programming services, regardless of the medium, including the furnishing of transmission, conveyance or routing of such services by the programming service provider. Radio and television audio and video programming services shall include, but not be limited to, cable service as defined in 47 USC 522(6), audio and video programming services delivered by commercial mobile radio service providers, as defined in 47 CFR 20, and video programming service by certified competitive video service providers, (iii) any telecommunications service (I) rendered by a company in control of such service when rendered for private use within its organization, or (II) used, allocated or distributed by a company within its organization, including in such organization affiliates, as defined in section 33-840, for the purpose of conducting business transactions of the organization if such service is purchased or leased from a company rendering telecommunications service and such purchase or lease is subject to tax under this chapter, (iv) access or interconnection service purchased by a provider of telecommunications service from another provider of such service for purposes of rendering such service, provided the purchaser submits to the seller a certificate attesting to the applicability of this exclusion, upon receipt of which the seller is relieved of any tax liability for such sale so long as the certificate is taken in good faith by the seller, (v) data processing and information services that allow data to be generated, acquired, stored, processed or retrieved and delivered by

an electronic transmission to a purchaser where such purchaser's primary purpose for the underlying transaction is the processed data or information, (vi) installation or maintenance of wiring equipment on a customer's premises, (vii) tangible personal property, (viii) advertising, including, but not limited to, directory advertising, (ix) billing and collection services provided to third parties, (x) Internet access service, (xi) ancillary services, and (xii) digital products delivered electronically, including, but not limited to, software, music, video, reading materials or ring tones.

Sec. 12. Section 12-217o of the 2016 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

There shall be allowed as a credit against the tax imposed on any corporation under this chapter with respect to any taxable year of such corporation commencing on or after January 1, 1997, (1) that has more than two hundred fifty full-time, permanent employees but not more than eight hundred full-time, permanent employees whose wages, salaries or other compensation is paid in this state, as the phrase is used in subsection (b) of section 12-218, an amount equal to five per cent of the amount spent by the corporation on machinery and equipment acquired for and installed in a facility in this state, which amount exceeds the amount spent by such corporation during the preceding income year of the corporation for such expenditures or (2) that has not more than two hundred fifty full-time, permanent employees whose wages, salaries or other compensation is paid in this state, as the phrase is used in subsection (b) of section 12-218, an amount equal to ten per cent of the amount spent by the corporation on machinery and equipment acquired for and installed in a facility in this state, which amount exceeds the amount spent by such corporation during the preceding income year of the corporation for such expenditures. In addition, any amount spent **[**(1)**]** (A) by a

corporation whose income year, for federal income tax purposes, commences on the first day of January, February, March, April or May, **[**(2)**]** (B) on machinery and equipment acquired for and installed in a facility in this state, **[**(3)**]** (C) during that portion of its income year in 1995 that expired on May 31, 1995, shall be deemed to have been spent during its income year commencing in 1997 and shall be added to any amount actually spent on machinery and equipment acquired for and installed in a facility in this state during its income year commencing in 1997, provided the credit percentage to which such corporation shall be entitled for its income year commencing in 1997 shall be based on the number of full-time, permanent employees during its income year commencing in 1997.

Approved June 9, 2016