



General Assembly

February Session, 2016

**Raised Bill No. 5494**

LCO No. 2277



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:  
(FIN)

***AN ACT CONCERNING THE SALES TAX ON SERVICES RENDERED BETWEEN CERTAIN PARENT COMPANIES AND SUBSIDIARIES.***

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

1 Section 1. Subdivision (62) of section 12-412 of the 2016 supplement  
2 to the general statutes is repealed and the following is substituted in  
3 lieu thereof (*Effective October 1, 2016*):

4 (62) (A) Sales of any of the services enumerated in subparagraph (I),  
5 (K) or (L) of subdivision (2) of subsection (a) of section 12-407 that are  
6 rendered for a business entity affiliated with the business entity  
7 rendering such service in such manner that (i) either business entity in  
8 such transaction owns a controlling interest in the other business  
9 entity, or (ii) a controlling interest in each business entity in such  
10 transaction is owned by the same person or persons or business entity  
11 or business entities.

12 (B) For purposes of this subdivision, (i) "business entity" means a  
13 corporation, trust, estate, partnership, limited partnership, limited

14 liability partnership, limited liability company, single member limited  
15 liability company, sole proprietorship, nonstock corporation or a  
16 federally-recognized Indian tribe; (ii) "controlling interest" means, in  
17 the case of a business entity that is a corporation, ownership of stock  
18 possessing [one hundred] more than fifty per cent of the total  
19 combined voting power of all classes of stock entitled to vote or [one  
20 hundred] more than fifty per cent of the total value of shares of all  
21 classes of stock of such corporation; in the case of a business entity that  
22 is a trust or estate, ownership of a beneficial interest of one hundred  
23 per cent in such trust or estate; in the case of a business entity that is a  
24 partnership, limited partnership or limited liability partnership,  
25 ownership of [one hundred] more than fifty per cent of the profits  
26 interest or capital interest in such partnership, limited partnership or  
27 limited liability partnership; in the case of a limited liability company  
28 with more than one member, ownership of [one hundred] more than  
29 fifty per cent of the profits interest, capital interest or membership  
30 interests in such limited liability company; in the case of a business  
31 entity that is a sole proprietorship or single member limited liability  
32 company, ownership of such sole proprietorship or single member  
33 limited liability company; in the case of a business entity that is a  
34 nonstock corporation with voting members, control of one hundred  
35 per cent of all voting membership interests in such corporation; and in  
36 the case of a business entity that is a nonstock corporation with no  
37 voting members, control of one hundred per cent of the board of  
38 directors of such corporation; (iii) whether a controlling interest in a  
39 business entity is owned shall be determined in accordance with  
40 Section 267 of the Internal Revenue Code of 1986, or any subsequent  
41 corresponding internal revenue code of the United States, as from time  
42 to time amended, provided where a controlling interest is owned in a  
43 business entity other than a stock corporation, the term "stock" as used  
44 in said Section 267 of the Internal Revenue Code means, in the case of a  
45 partnership, limited partnership, limited liability partnership or  
46 limited liability company treated as a partnership for federal income  
47 tax purposes, the profits interest or capital interest in such partnership,

48 in the case of a business entity that is a trust or estate, the beneficial  
49 interests in such trust or estate, and in the case of a business entity that  
50 is a nonstock corporation, the voting membership interests in such  
51 corporation, or if it has no voting members, the control of the board of  
52 directors; (iv) a business entity has "control of" the board of directors of  
53 a nonstock corporation if one hundred per cent of the voting members  
54 of the board of directors are either representatives of, including ex-  
55 officio directors, or persons appointed by such business entity, or  
56 "control of" one hundred per cent of the voting membership interests  
57 in a nonstock corporation if one hundred per cent of the voting  
58 membership interests are held by the business entity or by  
59 representatives of, including ex-officio members, or persons appointed  
60 by such business entity.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2016</i>	12-412(62)

**Statement of Purpose:**

To expand the exemption from the sales and use tax on services rendered between parent companies and wholly owned subsidiaries to include services rendered between parent companies and subsidiaries that are certain stock corporations, partnerships and limited liability companies where the controlling interest in such subsidiary is more than fifty per cent.

*[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]*