



# Senate

General Assembly

**File No. 673**

February Session, 2016

Substitute Senate Bill No. 49

*Senate, April 19, 2016*

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 AN EXEMPTION FOR CERTAIN SMALL HOSPITALS FROM THE TAX ON NET PATIENT REVENUE.***

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

1 Section 1. Section 12-263b of the 2016 supplement to the general  
2 statutes is repealed and the following is substituted in lieu thereof  
3 (*Effective July 1, 2016, and applicable to calendar quarters commencing on or*  
4 *after July 1, 2016*):

5 (a) [For] Except as provided in subsection (c) of this section, for each  
6 calendar quarter commencing on or after July 1, 2011, there is hereby  
7 imposed a tax on the net patient revenue of each hospital in this state  
8 to be paid each calendar quarter. The rate of such tax shall be up to the  
9 maximum rate allowed under federal law. The Commissioner of Social  
10 Services shall determine the base year on which such tax shall be  
11 assessed. The Commissioner of Social Services may, in consultation  
12 with the Secretary of the Office of Policy and Management and in  
13 accordance with federal law, exempt a hospital from the tax on

14 payment earned for the provision of outpatient services based on  
15 financial hardship. Effective July 1, 2012, and for the succeeding fifteen  
16 months, the rates of such tax, the base year on which such tax shall be  
17 assessed, and the hospitals exempt from the outpatient portion of the  
18 tax based on financial hardship shall be the same tax rates, base year  
19 and outpatient exemption for hardship in effect on January 1, 2012.

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

33 (c) To the extent permitted by federal law, for each calendar quarter  
34 commencing on or after July 1, 2016, the tax set forth in subsection (a)  
35 of this section shall not be imposed on any hospital in this state that is  
36 not part of a hospital system, as defined in section 19a-486i, if such  
37 hospital (1) has one hundred sixty or fewer beds, (2) is located in a  
38 municipality that is not contiguous to any other municipality with a  
39 hospital located in such other municipality, and (3) had less than  
40 thirty-five million dollars of annual net patient revenue for the  
41 provision of inpatient services in the base year determined under  
42 subsection (a) of this section.

43 [(c)] (d) Notwithstanding any other provision of law, for each  
44 calendar quarter commencing on or after July 1, 2015, and prior to  
45 January 1, 2016, the amount of tax credit or credits otherwise allowable  
46 against the taxes imposed under sections 12-263a to 12-263e, inclusive,

47 and 12-263i shall not exceed fifty and one one-hundredths per cent of  
 48 the amount of tax due under sections 12-263a to 12-263e, inclusive, and  
 49 12-263i with respect to such calendar quarter prior to the application of  
 50 such credit or credits. For each calendar quarter commencing on or  
 51 after January 1, 2016, and prior to January 1, 2017, the amount of tax  
 52 credit or credits otherwise allowable against the taxes imposed under  
 53 sections 12-263a to 12-263e, inclusive, and 12-263i shall not exceed  
 54 fifty-five per cent of the amount of tax due under sections 12-263a to  
 55 12-263e, inclusive, and 12-263i with respect to such calendar quarter  
 56 prior to the application of such credit or credits. For each calendar  
 57 quarter commencing on or after January 1, 2017, and prior to January  
 58 1, 2018, the amount of tax credit or credits otherwise allowable against  
 59 the taxes imposed under sections 12-263a to 12-263e, inclusive, and 12-  
 60 263i shall not exceed sixty per cent of the amount of tax due under  
 61 sections 12-263a to 12-263e, inclusive, and 12-263i with respect to such  
 62 calendar quarter prior to the application of such credit or credits. For  
 63 each calendar quarter commencing on or after January 1, 2018, and  
 64 prior to January 1, 2019, the amount of tax credit or credits otherwise  
 65 allowable against the taxes imposed under sections 12-263a to 12-263e,  
 66 inclusive, and 12-263i shall not exceed sixty-five per cent of the amount  
 67 of tax due under sections 12-263a to 12-263e, inclusive, and 12-263i  
 68 with respect to such calendar quarter prior to the application of such  
 69 credit or credits. For each calendar quarter commencing on or after  
 70 January 1, 2019, the amount of tax credit or credits otherwise allowable  
 71 against the taxes imposed under sections 12-263a to 12-263e, inclusive,  
 72 and 12-263i shall not exceed seventy per cent of the amount of tax due  
 73 under sections 12-263a to 12-263e, inclusive, and 12-263i with respect  
 74 to such calendar quarter prior to the application of such credit or  
 75 credits.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2016, and applicable to calendar quarters commencing on or after July 1, 2016</i>	12-263b

**Statement of Legislative Commissioners:**

In Section 1(c), "net inpatient revenue" was changed to "net patient revenue for the provision of inpatient services", for clarity.

**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:**

Agency Affected	Fund-Effect	FY 17 \$	FY 18 \$
Social Services, Dept.	GF - Revenue Loss	\$3.9 Million	\$3.9 Million

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill will result in a revenue loss of \$3.9 million in FY 17 and FY 18. The revenue loss is based on the FY 16 hospital inpatient user fee which is currently 6% of a hospital's 2013 net inpatient revenue. Currently, the bill's provisions exempt Milford Hospital and Day Kimball Hospital.

**The Out Years**

The annualized ongoing fiscal impact identified above will continue into the future subject to net inpatient revenue reflected for the year the inpatient user fee is calculated for eligible hospitals.

**OLR Bill Analysis****sSB 49*****AN ACT CONCERNING AN EXEMPTION FOR CERTAIN SMALL HOSPITALS FROM THE TAX ON NET PATIENT REVENUE.*****SUMMARY:**

Beginning July 1, 2016, this bill exempts from the hospital tax hospitals that are not part of a “hospital system” and:

1. have no more than 160 beds,
2. are located in municipalities that are not contiguous to other municipalities with a hospital (i.e., a hospital subject to the tax), and
3. had less than \$35 million in annual net patient revenue for providing inpatient services in the base year for assessing the tax (currently federal fiscal year 2013).

By law, a hospital system is a (1) parent corporation of one or more hospitals and any entity affiliated with that corporation through ownership, governance, or membership or (2) hospital and any entity affiliated with it through these means.

Under the bill, the exemption applies to the extent permitted by federal law. Current law exempts from the tax children’s general hospitals and short-term acute care hospitals the state exclusively operates, except those the state operates as a receiver (i.e., Connecticut Children’s Medical Center and John Dempsey Hospital).

EFFECTIVE DATE: July 1, 2016 and applicable to calendar quarters beginning on or after July 1, 2016

**BACKGROUND**

**Hospital Tax**

Connecticut's hospital tax applies to most health care facilities and institutions licensed by the Department of Public Health as short-term general hospitals (CGS §§ 12-263a to 12-263e). The tax is based on a hospital's net patient revenue (defined as the amount of accrued payments a hospital earned for providing inpatient and outpatient services). The Department of Social Services determines each hospital's net patient revenue; the tax rate, which cannot exceed the rate allowed under federal law (currently 6%); and the base year on which the tax is assessed. Hospitals must pay the tax on a quarterly basis.

**Related Bill**

sHB 5046, favorably reported by the Finance, Revenue and Bonding Committee, contains an identical provision.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 34 Nay 16 (04/07/2016)