



STATE TAX CHANGES 2011-2016

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ISSUE

Summarize the changes in state taxes from 2011 through 2016.

STATE TAX CHANGES 2011-2016

The legislature made many changes in state taxes during the last six years, enacting new taxes (e.g., ambulatory surgical center tax in 2015); increasing existing tax rates (e.g., marginal income tax rates in 2011 and 2015); extending existing taxes to new products, services, and entities (e.g., sales tax on services for creating, developing, hosting, and maintaining websites in 2015); and eliminating, reducing, or limiting tax credits and deductions (e.g., income tax credit for property taxes in 2011 and 2015). The legislature also reduced taxes (e.g., business entity tax in 2011); reduced tax rates (e.g., sales tax on boats costing over \$100,000 in 2013); and added and expanded existing exemptions, credits, and deductions (e.g., manufacturing apprenticeship credit in 2013).

Table 1 presents the changes for each tax by year. It does not include changes or clarifications to definitions and criteria, administrative or procedural requirements, and local property tax laws.



Table 1: State Tax Changes 2011-2016

Admissions Tax					
2011	2012	2013	2014	2015	2016
Eliminated exemptions for specified facilities and events	---	---	Exempted admissions to: <ul style="list-style-type: none"> • XL Center (Hartford) • Webster Bank Arena (Bridgeport) 	Exempted admissions to Atlantic League professional baseball games played at Bridgeport's Harbor Yard Ballpark	Exempted admissions to: <ul style="list-style-type: none"> • events at Hartford's Dunkin Donuts Stadium • Atlantic League baseball at New Britain Stadium
Alcoholic Beverages Tax					
2011	2012	2013	2014	2015	2016
Increased excise tax on beer, wine, and liquor by 20%	---	---	---	---	---
Ambulatory Surgical Center Tax					
2011	2012	2013	2014	2015	2016
---	---	---	---	Imposed 6% gross receipts tax on ambulatory surgical centers, excluding: <ul style="list-style-type: none"> • first \$1 million of gross receipts for applicable fiscal year and • net patient revenue of a hospital subject to hospital tax Capped amount of tax liability centers can reduce through credits to 50.01%, but raised cap on the amount by which they can use certain credits each year to reduce tax liability: <ul style="list-style-type: none"> • 2016, 55% • 2017, 60% • 2018, 65% • 2019, 70% 	---

Table 1 (continued)

Business Entity Tax					
2011	2012	2013	2014	2015	2016
Starting with the 2013 tax year, required \$250 tax to be payable biennially instead of annually, thus cutting tax in half	---	---	---	---	---
Cigarette Tax					
2011	2012	2013	2014	2015	2016
Increased tax from \$3.00 to \$3.40 per pack	---	---	---	Increased tax in two steps: <ul style="list-style-type: none"> • from \$3.40 to \$3.65 per pack as of October 1, 2015 • \$3.65 to \$3.90 per pack as of July 1, 2016 	---

Table 1 (continued)

Corporation Business Tax					
2011	2012	2013	2014	2015	2016
<p>Imposed 20% surcharge for 2012 and 2013 tax years</p> <p>For businesses that created jobs in 2011 and 2012, waived the statutory 70% limit on the amount of credits that can be claimed to reduce tax liability</p>	---	<p>Extended the temporary 20% tax surcharge for two more years, to 2014 and 2015</p>	---	<p>Extended 20% surcharge for two more years to 2016 and 2017, followed by a one-year 10% surcharge for 2018</p> <p>Beginning in the 2016 tax year, required the members of a corporate group to determine Connecticut tax liability based on group's net income or capital base (combined reporting), but limited to \$2.5 million the amount by which the tax liability can exceed a group's liability if each member separately calculated its liability</p> <p>With few exceptions, required all multistate corporations to apportion their Connecticut income based only on their unweighted Connecticut sales (i.e., single-factor formula)</p> <p>Limited amount of net operating loss (NOL) that may be carried forward</p> <p>Allowed qualified combined groups to apply their NOLs sooner</p> <p>Reduced, from 70% to 50.01%, cap on total amount of tax liability businesses can reduce through tax credits, but subsequently raised it in four steps for certain credits:</p> <ul style="list-style-type: none"> • 2016, 55% • 2017, 60% • 2018, 65% • 2019, 70% 	<p>Required businesses selling goods and services in Connecticut and other states to source service sales based on where their customers are located or received the service's benefits (market-based sourcing)</p>

Table 1 (continued)

Electric Generation Tax					
2011	2012	2013	2014	2015	2016
Imposed temporary two-year ¼ of a cent per net kilowatt hour tax on facilities generating electricity and uploading it onto regional bulk power grid at Connecticut facilities, but exempted certain power sources (e.g., fuel cells)	---	Extended the temporary tax for three more months, from July 1, 2013 to October 1, 2013	---	---	---
Estate and Gift Taxes					
2011	2012	2013	2014	2015	2016
<ul style="list-style-type: none"> Reduced, from \$3.5 million to \$2 million, the estate and gift tax threshold Extended existing 7.2% rate to estates and gifts valued at between \$2 million and \$3.5 million 	---	---	<p>Modified starting point for calculating the estate tax for people dying on or after 1/1/15:</p> <ul style="list-style-type: none"> Excluded Connecticut taxable gifts included in decedent's gross estate for federal estate tax included Connecticut estate tax decedent or estate paid during three prior to decedent's death <p>Provided credit for certain gift taxes decedent's spouse paid</p>	<p>Capped at \$20 million maximum amount of tax imposed on:</p> <ul style="list-style-type: none"> estates of residents and nonresidents who die on or after January 1, 2016 and taxable gifts donors make after that date 	Authorized 50% tax reduction, up to \$5 million, for decedents making qualified investments in state's quasi-public venture capital agency

Table 1 (continued)

Hospital Tax					
2011	2012	2013	2014	2015	2016
<ul style="list-style-type: none"> Established quarterly tax on the amount of accrued payments a hospital earns for providing inpatient and outpatient services (i.e., net patient revenue) Set the rate at up to 6% of the maximum allowed under federal law 	---	---	---	<p>Increased rate from 5.5% on inpatient revenues and 3.83% of outpatient revenues to 6% of all net patient revenue and updated tax's base year from 2009 to 2013 for net patient revenue</p> <p>Capped amount of tax liability hospitals can reduce through credits to 50.01%, but then raised this cap in four steps for certain credits:</p> <ul style="list-style-type: none"> 2016, 55% 2017, 60% 2018, 65% 2019, 70% 	---
Insurance Premium Tax Credits					
2011	2012	2013	2014	2015	2016
<p>For 2011 and 2012, lowered, from 70% to 30%, the amount of credits insurers can use to reduce their annual tax liability</p> <p>Limited 4% tax on gross premiums charged by nonadmitted insurers on policies procured directly or through a licensed surplus lines broker where Connecticut is the insured's home state</p> <p>For captive insurers:</p> <ul style="list-style-type: none"> imposed a tax on their assumed reinsurance premiums Established \$7,500 nonrefundable credit for first year they are domiciled or licensed in Connecticut 	---	Extended to 2013 and 2014, the temporary cap on the maximum amount of tax liability insurers can offset with tax credits	---	Extended, to 2015 and 2016, the temporary cap on the maximum amount of tax liability insurers can reduce through credits	---

Table 1 (continued)

Mixed Martial Arts (MAA) Promoters and Sponsors Gross Receipts Tax					
2011	2012	2013	2014	2015	2016
---	---	Imposed 5% gross receipts tax on MMA admissions	---	---	---
Motor Fuel Tax					
2011	2012	2013	2014	2015	2016
Increased the base tax on diesel fuel, from 26 cents to 29 cents per gallon	---	---	---	---	---
Occupational Tax					
2011	2012	2013	2014	2015	2016
---	---	Increased, from \$450 to \$1,000, the maximum amount a nonpracticing Connecticut licensed attorney can earn in legal fees and other compensation without having to file a return and pay the \$565 tax	---	---	---

Table 1 (continued)

Personal Income Tax					
2011	2012	2013	2014	2015	2016
<p>Increased marginal income tax rates for those with taxable incomes over:</p> <ul style="list-style-type: none"> • \$100,000 for joint filers, • \$80,000 for heads of households, and • \$50,000 for single filers and married people filing separately <p>Phased out lowest 3% bracket for taxpayers over certain adjusted income tax thresholds</p> <p>Increased flat tax on estates and trusts from 5% to 6.5%</p> <p>Added provision to recapture benefits higher income people receive from having a portion of their income taxed at lower marginal rates</p> <p>Reduced property tax credit from \$500 to \$300 and phased out the credit at a steeper rate, thus reducing the number of credit-eligible taxpayers</p> <p>Established refundable earned income tax credit equal to 30% of federal credit</p>		<p>Reduced earned income tax credit from 30% to 25% in 2013, increased it to 27.5% in 2014, and restored it to 30% in subsequent years</p>	<p>Exempted portion of state teachers' retirement income in three steps:</p> <ul style="list-style-type: none"> • 10% in 2015 • 25% in 2016 • 50% in 2017 and thereafter <p>Extended tax to income nonresidents derive from:</p> <ul style="list-style-type: none"> • nonqualified deferred compensation plans • gains or losses from sale or disposition of an interest in an entity that owns certain real property in the state <p>Modified how nonresidents apportion business income to Connecticut</p> <p>Required trust or estate taxpayers to determine Connecticut adjusted gross income by adding any lump sum distributions received during tax year that were not included in trust's or estate's federal taxable income before deductions for distributions to individuals</p>	<p>Increased marginal tax rates for taxpayers with incomes above specified amounts:</p> <ul style="list-style-type: none"> • \$500,000, for joint filers, • \$400,000, for heads of households, and • \$250,000 for single filers and married filing separately <p>Increased 6.7% marginal rate to 6.9% and added seventh higher-income tax bracket subject to a 6.99% marginal tax rate</p> <p>Increased flat rate for trusts and estates from 6.7% to 6.99%</p> <p>Delayed:</p> <ul style="list-style-type: none"> • scheduled single filer income tax deductions by one year • scheduled increase in earned income tax credit by two years <p>Fully exempted federally taxable military retirement pay</p> <p>Beginning in 2016 income year, reduced, from \$300 to \$200, the maximum property tax credit against the personal income tax</p> <p>Exempted income nonresidents present in Connecticut for less than 15 days derive for personal services rendered here</p>	<p>Changed formula pass-through business entity partners and investors must use to apportion entity's gains and losses attributed to Connecticut</p> <p>Changed rules for determining location of service sales for apportioning Connecticut derived income</p>

Table 1 (continued)

Petroleum Products Gross Earnings Tax					
2011	2012	2013	2014	2015	2016
---	Capped at \$3 per gallon the amount of gross earnings from gasoline and gasohol subject to tax	Exempted: <ul style="list-style-type: none"> • first sale of cosmetic grade mineral oil sold on or after 7/1/13 • propane gas used to fuel school buses Extended credit to first sale of petroleum products to buyer who incorporates them into paint, coating, or adhesive material for sale or use outside state	Exempted bunker fuel oil, intermediate fuel, marine diesel oil, and marine gas oil used in vessels primarily engaged in interstate commerce	---	---
Real Estate Conveyance Tax					
2011	2012	2013	2014	2015	2016
Increased state tax rate by 0.25% percentage points Made 0.25% base municipal rate permanent	---	---	Exempted transfers made under a foreclosure by market sale	---	Exempted transfers resulting from judgments of loss mitigation

Table 1 (continued)

Sales and Use Tax					
2011	2012	2013	2014	2015	2016
<p>Increased rate from 6% to 6.35%</p> <p>Imposed a 7% tax on certain luxury goods costing more than specified amounts</p> <p>Increased hotel tax from 12% to 15%</p> <p>Imposed additional 3% tax on short-term car rentals (9.35% total)</p> <p>Eliminated the exemption for certain services and extended the tax to other specified services</p> <p>Set conditions under which remote sellers, such as Amazon.com, must collect sales tax on taxable goods or services</p> <p>For people with disabilities, exempted any part of the sales price of a vehicle that (1) has special equipment for their exclusive use and (2) is sold to them</p>	<p>Extended:</p> <ul style="list-style-type: none"> sales tax exemption for winter storage of noncommercial vessels by two months use tax exemption for winter storage, maintenance, and repair of vessels brought into state for those purposes by one month <p>Expanded eligibility for existing aircraft industry joint venture sales tax exemption to more types of ventures and extended exemption period from 30 years to 40 years</p>	<p>Exempted:</p> <ul style="list-style-type: none"> clothing and footwear costing less than \$50 boats docked in state for 60 days or less <p>Extended:</p> <ul style="list-style-type: none"> length of time boats stored during the winter are exempted from sales and use tax use tax exemption for boats brought into state only to be stored, maintained, or repaired by ending the period one month later <p>Reduced, from 7% to 6.35%, sales and use tax rate on boats costing more than \$100,000</p>	<p>Delayed, from June 1, 2015 to July 1, 2015, effective date of exemption for clothing and footwear costing less than \$50</p> <p>Exempted:</p> <ul style="list-style-type: none"> nonprescription drugs and medicines goods and services sold to Connecticut credit unions for FY 15 to FY 17, sale of personal property by Sharon Hospital 	<p>Imposed tax on:</p> <ul style="list-style-type: none"> car wash services creating, developing, hosting, and maintaining websites <p>Clothing and footwear exemptions:</p> <ul style="list-style-type: none"> Eliminated for items costing less than \$50, effective July 1, 2015 Limited for items purchased during "sales-tax-free-week" to items costing less than \$100, rather than \$300 <p>Eliminated exemption for:</p> <ul style="list-style-type: none"> non-metered parking in seasonal lots with 30 or more spaces operated by specified entities goods and services purchased by water companies meeting specified criteria residential weatherization products and compact fluorescent light bulbs <p>Increased, from 7% to 7.75%, rate on specified luxury items</p> <p>Made permanent exemption of sales of services and tangible personal property to and by Sharon Hospital</p>	<p>Exempted:</p> <ul style="list-style-type: none"> disposable and reusable diapers and feminine hygiene products non-metered motor vehicle parking in (1) seasonal lots with 30 or more spaces operated by specified government entities and (2) municipally owned lots with 30 or more spaces <p>Eliminated exemption for residential weatherization products and compact fluorescent light bulbs</p>

Table 1 (continued)

<i>Rental Surcharge</i>					
<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
---	---	---	---	Limited surcharge to people or businesses generating at least 51% of their total annual income from rentals Expanded range of machinery rentals subject to tax	---
<i>Tobacco Products Tax</i>					
<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Increased tax from: <ul style="list-style-type: none"> • 55 cents to \$1 per ounce of snuff tobacco • 27.5% to 50% of wholesale price for other tobacco products Capped cigar tax at 50 cents per cigar	Extended the tobacco products tax to retail and commercial establishments that uses cigarette rolling machines (i.e., roll-your-own)	---	---	---	---

Table 1 (continued)

Business Tax Credits and Exemptions					
2011	2012	2013	2014	2015	2016
<p>Phased out three job creation tax credit programs and replaced them with a new job expansion tax credit program</p> <p>Made more types of businesses eligible for enterprise zone and Neighborhood Assistance Act tax credits</p> <p>Expanded the range of property and reuses eligible for historic preservation tax credits</p> <p>Deferred taxes on funds deposits in manufacturing reinvestment accounts (MRAs) and taxed funds withdrawn from them at a lower rate if used to purchase manufacturing machinery and equipment, train workers, and improve plants</p> <p>Insurance Premium Tax Credits:</p> <ul style="list-style-type: none"> • With certain exceptions, for 2011 and 2012, lowered, from 70% to 30%, the amount by which insurers can use tax credits to reduce their tax liability • Established maximum tax liability insurers could offset in 2011 and 2012 with one or more types of credits and specified the order in which they had to be claimed 	<p>Extended job creation tax credit to businesses hiring people receiving services from the Department of Mental Health and Addiction services or participating in Department of Social Service job and day services</p> <p>Exempted 50% of funds withdrawn from MRAs used for eligible purposes</p>	<p>Historic Preservation:</p> <ul style="list-style-type: none"> • made credits available statewide • reduced minimum required rehabilitation expenditure • increased maximum per unit credit for businesses contributing funds for historic home rehabilitation <p>Increased manufacturing apprenticeship credit and raised the annual cap on the amount of credits that can be claimed for each apprentice</p> <p>Extended, from 15 to 25 years, the maximum period businesses can carry forward credit for donating land for educational purposes</p> <p>Repealed obsolete or rarely used tax credits</p> <p>Extended to 2014 cap on the amount of insurance premium tax liability insurers can offset with tax credits</p> <p>Imposed two-year moratorium on film production tax credits</p> <p>Reduced time during which businesses could claim job expansion tax credits for hiring certain types of employees and changed the cap on these credits from an annual cap to one that applied to all the years in which they were available</p>	<p>Increased, from 50% to 100%, MRA exemption</p> <p>Allowed pass-through entities to earn and transfer to other taxpayers apprenticeship tax credits</p> <p>Consolidated two historic preservation credit programs into a new program</p> <p>Extended NAA tax credits to businesses investing in comprehensive college access loan forgiveness programs</p> <p>Increased, from \$650 million to \$800 million, limit on total available Urban and Industrial Site Reinvestment credits</p> <p>Created program compensating large manufacturers proposing industrial reinvestment projects for unused R&D tax credits</p> <p>Extended angel investor tax credit sunset date to 2016</p>	<p>Extended from four to six years the time during which film production tax credits issued on July 1, 2015 may be claimed</p> <p>Extended temporary moratorium on issuing film and digital media production to FYs 16 and 17</p> <p>Increased cap on Insurance Reinvestment Act credits from \$200 million to \$350 million</p> <p>Increased, from \$5 million to \$10 million, annual cap on NAA credits</p> <p>Increased, from \$800 to \$950 million, limit on total available Urban and Industrial Sites Reinvestment credits</p>	<p>Extended sunset date for Angel Investor credits from June 30, 2016 to June 30, 2019</p>

Table 1 (continued)

Business Tax Credits and Exemptions (continued)					
2011	2012	2013	2014	2015	2016
<p>Film and Digital Media Tax Credits</p> <ul style="list-style-type: none"> • With certain exceptions, limited amount of film production credits businesses could annually transfer • Extended film production credits to relocated television productions • Gave businesses more options for claiming film infrastructure credits • Allowed three-year carry-forward for film infrastructure tax credit and imposed a two-year moratorium on film production tax credits for FYs 14 and 15 <p>Reduced, from \$100,000 to \$25,000, minimum required cash investment to qualify for an angel investor tax credit against the personal income tax</p>					

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