



House of Representatives

General Assembly

File No. 640

February Session, 2018

Substitute House Bill No. 5433

House of Representatives, April 23, 2018

The Committee on Finance, Revenue and Bonding reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING MINOR AND TECHNICAL CHANGES TO THE TAX AND RELATED STATUTES.

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

1 Section 1. Section 12-35a of the general statutes is amended by
2 adding subsection (h) as follows (*Effective from passage*):

3 (NEW) (h) The commissioner may use an electronic signature, as
4 defined in section 1-267, for any filing authorized under this section.

5 Sec. 2. Subsections (b) to (d), inclusive, of section 12-217mm of the
6 2018 supplement to the general statutes are repealed and the following
7 is substituted in lieu thereof (*Effective from passage*):

8 (b) For income years commencing on and after January 1, 2012, [but
9 prior to December 1, 2017,] there may be allowed a credit for all
10 taxpayers against any tax due under the provisions of this chapter for
11 the construction or renovation of an eligible project that meets the
12 requirements of subsection (c) of this section, and, in the case of a

13 newly constructed building, for which a certificate of occupancy has
14 been issued not earlier than January 1, 2010.

15 (c) (1) To be eligible for a tax credit under this section a project shall:
16 (A) Not have energy use that exceeds (i) seventy per cent of the energy
17 use permitted by the state building code for new construction, or (ii)
18 eighty per cent of the energy use permitted by the state energy code
19 for renovation or rehabilitation of a building; and (B) use equipment
20 and appliances that meet Energy Star standards, if applicable,
21 including, but not limited to, refrigerators, dishwashers and washing
22 machines.

23 (2) The credit shall be equivalent to a base credit as follows: (A) For
24 new construction or major renovation of a building but not other site
25 improvements certified by the LEED Green Building Rating System or
26 other system determined by the Commissioner of Energy and
27 Environmental Protection to be equivalent, (i) eight per cent of
28 allowable costs for a gold rating or other rating determined by the
29 Commissioner of Energy and Environmental Protection to be
30 equivalent, and (ii) ten and one-half per cent of allowable costs for a
31 platinum rating or other rating determined by the Commissioner of
32 Energy and Environmental Protection to be equivalent; and (B) for core
33 and shell or commercial interior projects, (i) five per cent of allowable
34 costs for a gold rating or other rating determined by the Commissioner
35 of Energy and Environmental Protection to be equivalent, and (ii)
36 seven per cent of allowable costs for a platinum rating or other rating
37 determined by the Commissioner of Energy and Environmental
38 Protection to be equivalent. There shall be added to the base credit
39 one-half of one per cent of allowable costs for a development project
40 that is (I) a mixed-use development, (II) located in a brownfield or
41 enterprise zone, (III) does not require a sewer extension of more than
42 one-eighth of a mile, or (IV) located within one-quarter of a mile
43 walking distance of publicly available bus transit service or within
44 one-half of a mile walking distance of adequate rail, light rail, streetcar
45 or ferry transit service, provided, if a single project has more than one
46 building, at least one building shall be located within either such

47 distance. Allowable costs shall not exceed two hundred fifty dollars
48 per square foot for new construction or one hundred fifty dollars per
49 square foot for renovation or rehabilitation of a building.

50 (d) (1) The Secretary of the Office of Policy and Management may
51 issue an initial credit voucher upon determination that the applicant is
52 likely, within a reasonable time, to place in service property qualifying
53 for a credit under this section. Such voucher shall state: (A) The first
54 income year for which the credit may be claimed, (B) the maximum
55 amount of credit allowable, and (C) the expiration date by which such
56 property shall be placed in service. The expiration date may be
57 extended at the discretion of the secretary. Such voucher shall reserve
58 the credit allowable for the applicant named in the application until
59 the expiration date. If the expiration date is extended, the reservation
60 of the tax credit may also be extended at the discretion of the secretary.
61 No initial credit voucher may be issued by the secretary after
62 November 30, 2017.

63 (2) The aggregate amount of all tax credits in initial credit vouchers
64 issued by the secretary shall not exceed twenty-five million dollars.

65 (3) For each income year for which a taxpayer claims a credit under
66 this section, the taxpayer shall obtain an eligibility certificate from an
67 architect or professional engineer licensed to practice in this state and
68 accredited through the LEED Accredited Professional Program or
69 other program determined by the Commissioner of Energy and
70 Environmental Protection to be equivalent. Such certificate shall
71 consist of a certification, under the seal of such architect or engineer,
72 that the building, base building or tenant space with respect to which
73 the credit is claimed, meets or exceeds the applicable LEED Green
74 Building Rating System gold certification, or other certification
75 determined by the Commissioner of Energy and Environmental
76 Protection to be equivalent in effect at the time such certification is
77 made. Such certification shall set forth the specific findings upon
78 which the certification is based and shall state that the architect or
79 engineer is accredited through the LEED Accredited Professional

80 Program or other program determined by the Commissioner of Energy
81 and Environmental Protection to be equivalent.

82 (4) To obtain the credit, the taxpayer shall file the initial credit
83 voucher described in subdivision (1) of this subsection, the eligibility
84 certificate described in subdivision (3) of this subsection and an
85 application to claim the credit with the Commissioner of Revenue
86 Services. The commissioner shall approve the claim upon
87 determination that the taxpayer has submitted the voucher and
88 certification required under this subdivision. The applicant shall send
89 a copy of all such documents to the secretary.

90 Sec. 3. Subsection (a) of section 12-204 of the general statutes is
91 repealed and the following is substituted in lieu thereof (*Effective from*
92 *passage*):

93 (a) The commissioner shall, [within] not later than three years after
94 the due date for the filing of a return or [within] not later than three
95 years after the date of receipt of such return by [him] the
96 commissioner, whichever period expires later, examine it and, in case
97 any error is disclosed by such examination, shall, [within] not later
98 than thirty days after such disclosure, notify the taxpayer [and the
99 State Comptroller thereof] of such error. When it appears that any part
100 of the deficiency for which a deficiency assessment is made is due to
101 negligence or intentional disregard of the provisions of this chapter or
102 regulations promulgated thereunder, there shall be imposed a penalty
103 equal to ten per cent of the amount of such deficiency assessment, or
104 fifty dollars, whichever is greater. When it appears that any part of the
105 deficiency for which a deficiency assessment is made is due to fraud or
106 intent to evade the provisions of this chapter or regulations
107 promulgated thereunder, there shall be imposed a penalty equal to
108 twenty-five per cent of the amount of such deficiency assessment. No
109 taxpayer shall be subject to more than one penalty under this section in
110 relation to the same tax period. [Within] Not later than thirty days [of]
111 after the mailing of such notice, the taxpayer shall pay to the
112 commissioner, in cash or by check, draft or money order drawn to the

113 order of the Commissioner of Revenue Services, any additional
114 amount of tax shown to be due by the examination, or shall be paid by
115 the State Treasurer, upon order of the Comptroller, any amount shown
116 to be due it by such examination. The failure of the taxpayer to receive
117 any notice required by this section shall not relieve [it] the taxpayer of
118 the obligation to pay the tax or any interest or penalties thereon. If,
119 before the expiration of the time prescribed by this section for the
120 examination of the return or the assessment of the tax, both the
121 commissioner and the taxpayer consent in writing to such examination
122 or assessment after such time, the return may be examined and the tax
123 may be assessed at any time prior to the expiration of the period
124 agreed upon. The period so agreed upon may be extended by
125 subsequent agreements in writing made before the expiration of the
126 period agreed upon. The commissioner may also in such a case extend
127 the period during which a claim for refund may be made by such
128 taxpayer.

129 Sec. 4. Section 12-340 of the general statutes is repealed and the
130 following is substituted in lieu thereof (*Effective from passage*):

131 (a) The provisions of this chapter shall apply only to estates of
132 decedents dying on or prior to January 1, 2005, that, prior to October 1,
133 2018, have filed a return under section 12-359 or been assessed a tax
134 under section 12-367.

135 (b) A tax is imposed, under the conditions and subject to the
136 exemptions and limitations hereinafter prescribed, upon transfers, in
137 trust or otherwise, of the following property or any interest therein or
138 income therefrom: [(a)] (1) When the transfer is from a resident of this
139 state, [; (1)] (A) real property situated in this state; [(2)] (B) tangible
140 personal property, except such as has an actual situs without this state;
141 [(3)] and (C) all intangible personal property; [(b)] and (2) when the
142 transfer is from a nonresident of this state, [; (1)] (A) real property
143 situated in this state; [(2)] and (B) tangible personal property which has
144 an actual situs in this state. No tax shall be imposed or collected when
145 the amount due is less than ten dollars.

146 Sec. 5. Subdivision (2) of subsection (a) of section 12-728 of the
147 general statutes is repealed and the following is substituted in lieu
148 thereof (*Effective from passage*):

149 (2) (A) When it appears that any part of the deficiency for which a
150 deficiency assessment is made is due to negligence or intentional
151 disregard of the provisions of this chapter or regulations adopted
152 thereunder, there shall be imposed a penalty equal to ten per cent of
153 the amount of such deficiency assessment. When it appears that any
154 part of the deficiency for which a deficiency assessment is made is due
155 to fraud or intent to evade the provisions of this chapter or regulations
156 adopted thereunder, there shall be imposed a penalty equal to
157 twenty-five per cent of the amount of such deficiency assessment.

158 (B) (i) For audits of returns commencing on or after January 1, 2006,
159 and prior to January 1, 2018, when it appears that any part of the
160 deficiency for which a deficiency assessment is made is due to failure
161 to disclose a listed transaction, as defined in Section 6707A of the
162 Internal Revenue Code of 1986, or any subsequent corresponding
163 internal revenue code of the United States, as amended from time to
164 time, [amended,] on the taxpayer's federal tax return, there shall be
165 imposed a penalty equal to seventy-five per cent of the amount of such
166 deficiency assessment.

167 (ii) For audits of returns commencing on or after January 1, 2018,
168 when it appears that any part of the deficiency for which a deficiency
169 assessment is made is due to failure to disclose a reportable
170 transaction, as defined in said Section 6707A, on the taxpayer's federal
171 tax return, there shall be imposed a penalty equal to seventy-five per
172 cent of the amount of such deficiency assessment.

173 Sec. 6. Subdivision (3) of subsection (c) of section 12-733 of the
174 general statutes is repealed and the following is substituted in lieu
175 thereof (*Effective from passage*):

176 (3) If a taxpayer fails to disclose a [listed] reportable transaction, as
177 defined in Section 6707A of the Internal Revenue Code, on the

178 taxpayer's federal tax return, a notice of deficiency assessment may be
179 mailed to the taxpayer at any time not later than six years after the
180 return required under this chapter for the same taxable year was filed.

181 Sec. 7. Subsection (a) of section 12-705 of the 2018 supplement to the
182 general statutes is repealed and the following is substituted in lieu
183 thereof (*Effective from passage*):

184 (a) (1) Each employer, as defined in section 12-707, maintaining an
185 office or transacting business within this state and making payment of
186 any wages taxable under this chapter to a resident or nonresident
187 individual shall deduct and withhold from such wages for each
188 payroll period a tax computed in such manner as to result, so far as
189 practicable, in withholding from the employee's wages during each
190 calendar year an amount substantially equivalent to the tax reasonably
191 estimated to be due from the employee under this chapter with respect
192 to the amount of such wages during the calendar year. The method of
193 determining the amount to be withheld shall be prescribed by
194 regulations of the Commissioner of Revenue Services adopted in
195 accordance with chapter 54.

196 (2) Each payer, as defined in section 12-707, of distributions from a
197 profit-sharing plan, a stock bonus, a deferred compensation plan, an
198 individual retirement arrangement, an endowment or a life insurance
199 contract, or of pension payments or annuity distributions, [including
200 distributions from an employer pension, an annuity, a profit-sharing
201 plan, a stock bonus, a deferred compensation plan, an individual
202 retirement arrangement, an endowment or a life insurance contract,]
203 that (A) maintains an office or transacts business within this state, and
204 (B) makes payment of any amounts taxable under this chapter to a
205 resident individual, shall deduct and withhold from the taxable
206 portion of any such distribution a tax computed in such manner as to
207 result, so far as practicable, in withholding from the distributions paid
208 during each calendar year an amount substantially equivalent to the
209 tax reasonably estimated to be due from the payee, as defined in
210 section 12-707, under this chapter with respect to such distributions

211 during the calendar year. The method of determining the amount to be
212 withheld from taxable payments, other than lump sum distributions,
213 shall be [the same as the method used by employers with respect to the
214 payment of wages, except that] determined in accordance with
215 instructions provided by the commissioner. The amount to be
216 withheld from a lump sum distribution shall be equal to the taxable
217 [at] portion of the distribution multiplied by the highest marginal rate,
218 [unless] except that no withholding shall be required if (i) any portion
219 of the lump sum distribution was previously subject to tax, or (ii) the
220 lump sum distribution is a rollover that is effected as a direct trustee-
221 to-trustee transfer or as a direct rollover in the form of a check made
222 payable to another qualified account. For purposes of this section,
223 "lump sum distribution" means a payment from a payer to a resident
224 payee of such resident payee's entire [retirement] account balance,
225 exclusive of any other tax withholding and any administrative charges
226 and fees.

227 (3) In no event shall the requirements of this subsection result in
228 nonpayment of any distribution to a resident individual. For the
229 calendar year ending December 31, 2018, no taxpayer shall be assessed
230 interest by the commissioner pursuant to section 12-722 solely on the
231 basis of a payer's failure to comply with the provisions of this
232 subsection.

233 Sec. 8. Subdivision (2) of subsection (b) of section 12-35 of the 2018
234 supplement to the general statutes is repealed and the following is
235 substituted in lieu thereof (*Effective October 1, 2018*):

236 (2) Any such warrant on any intangible personal property of any
237 person may be served by electronic mail or facsimile machine on any
238 third person in possession of, or obligated with respect to, receivables,
239 bank accounts, evidences of debt, securities, salaries, wages,
240 commissions, compensation or other intangible personal property
241 subject to such warrant, ordering such third person to forthwith
242 deliver such property or pay the amount due or payable to the state
243 collection agency that has made out such warrant, provided such

244 warrant may be issued only after the state collection agency making
245 out such warrant has notified the person owning such property, in
246 writing, of its intention to issue such warrant. The notice of intent shall
247 be: (A) Given in person; (B) left at the dwelling or usual place of
248 business of such person; or (C) sent by certified mail, return receipt
249 requested, to such person's last-known address, not less than thirty
250 days before the day the warrant is to be issued. Any such warrant for
251 tax due may further include an order to such third person to
252 continually deliver, during the one hundred eighty days immediately
253 following the date of issuance of the warrant or until the tax is fully
254 paid, whichever occurs earlier, all intangible personal property that is
255 due and that becomes due to the person owing the tax. Except as
256 otherwise provided in this subdivision, such warrant shall have the
257 same force and effect as an execution issued pursuant to chapter 906.

258 Sec. 9. Subparagraph (B) of subdivision (72) of section 12-81 of the
259 2018 supplement to the general statutes is repealed and the following
260 is substituted in lieu thereof (*Effective October 1, 2018*):

261 (B) Any person who on October first in any year holds title to
262 machinery and equipment for which such person desires to claim the
263 exemption provided in this subdivision shall file with the assessor or
264 board of assessors in the municipality in which the machinery or
265 equipment is located, on or before the first day of November in such
266 year, a list of such machinery or equipment together with written
267 application claiming such exemption. Such application shall include
268 the taxpayer identification number assigned to the claimant by the
269 Commissioner of Revenue Services and the federal employer
270 identification number assigned to the claimant by the Secretary of the
271 Treasury. If title to such equipment is held by a person other than the
272 person claiming the exemption, the claimant shall include on such
273 person's application information as to the portion of the total
274 acquisition cost incurred by such person, and on or before the first day
275 of November in such year, the person holding title to such machinery
276 and equipment shall file a list of such machinery with the assessor of
277 the municipality in which the manufacturing facility of the claimant is

278 located. Such person shall include on the list information as to the
279 portion of the total acquisition cost incurred by such person.
280 Commercial or financial information in any application or list filed
281 under this section shall not be open for public inspection, provided
282 such information is given in confidence and is not available to the
283 public from any other source. The provisions of this subdivision
284 regarding the filing of lists and information shall not supersede the
285 requirements to file tax lists under sections 12-41, 12-42 and 12-57a. In
286 substantiation of such claim, the claimant and the person holding title
287 to machinery and equipment for which exemption is claimed shall
288 present to the assessor or board of assessors such supporting
289 documentation as the assessor or board of assessors may require,
290 including, but not limited to, invoices, bills of sale, contracts for lease
291 and bills of lading and shall, upon request, present to the [the] assessor
292 or board of assessors a copy of each applicable federal income tax
293 return and accompanying schedules. In lieu of submitting each
294 applicable federal income tax return and accompanying schedules, a
295 claimant and person holding title to machinery and equipment for
296 which an exemption is claimed may, upon approval of the assessor or
297 board of assessors, submit copies of applicable schedules accompanied
298 by a sworn affidavit stating that such schedules were filed as part of
299 such claimant's or person's federal income tax return. Failure to file
300 such application in this manner and form within the time limit
301 prescribed shall constitute a waiver of the right to such exemption for
302 such assessment year, unless an extension of time is allowed pursuant
303 to section 12-81k. If title to exempt machinery is conveyed subsequent
304 to October first in any assessment year, entitlement to such exemption
305 shall terminate for the next assessment year and there shall be no pro
306 rata application of the exemption unless such machinery or equipment
307 continues to be leased by the manufacturer who claimed and was
308 approved for the exemption in the previous assessment year.
309 Machinery or equipment shall not be eligible for exemption upon
310 transfer from a seller to a related business or from a lessor to a lessee
311 except to the extent it would have been eligible for exemption by the
312 seller or the lessor, as the case may be. For the purposes of this

313 subdivision, "related business" means: (i) A corporation, limited
314 liability company, partnership, association or trust controlled by the
315 taxpayer; (ii) an individual, corporation, limited liability company,
316 partnership, association or trust that is in control of the taxpayer; (iii) a
317 corporation, limited liability company, partnership, association or trust
318 controlled by an individual, corporation, limited liability company,
319 partnership, association or trust that is in control of the taxpayer; or
320 (iv) a member of the same controlled group as the taxpayer. For
321 purposes of this subdivision, "control", with respect to a corporation,
322 means ownership, directly or indirectly, of stock possessing fifty per
323 cent or more of the total combined voting power of all classes of the
324 stock of such corporation entitled to vote. "Control", with respect to a
325 trust, means ownership, directly or indirectly, of fifty per cent or more
326 of the beneficial interest in the principal or income of such trust. The
327 ownership of stock in a corporation, of a capital or profits interest in a
328 partnership or association or of a beneficial interest in a trust shall be
329 determined in accordance with the rules for constructive ownership of
330 stock provided in Section 267(c) of the Internal Revenue Code of 1986,
331 or any subsequent corresponding internal revenue code of the United
332 States, as from time to time amended, other than paragraph (3) of said
333 Section 267(c);

334 Sec. 10. Subdivision (3) of subsection (a) of section 12-217 of the 2018
335 supplement to the general statutes is repealed and the following is
336 substituted in lieu thereof (*Effective October 1, 2018*):

337 (3) Notwithstanding any provision of this section to the contrary, no
338 dividend received from a real estate investment trust shall be
339 deductible under this section by the recipient unless the dividend is:
340 (A) Deductible under Section 243 of the Internal Revenue Code; (B)
341 received by a qualified dividend recipient from a qualified real estate
342 investment trust and, as of the last day of the period for which such
343 dividend is paid, persons, not including the qualified dividend
344 recipient or any person that is either a related person to, or an
345 employee or director of, the qualified dividend recipient, have
346 outstanding cash capital contributions to the qualified real estate

347 investment trust that, in the aggregate, exceed five per cent of the fair
348 market value of the aggregate real estate assets, valued as of the last
349 day of the period for which such dividend is paid, then held by the
350 qualified real estate investment trust; or (C) received from a captive
351 real estate investment trust that is subject to the tax imposed under this
352 chapter. For purposes of this section, a "related person" is as defined in
353 subdivision (7) of subsection (a) of section 12-217m, "real estate assets"
354 is as defined in Section 856 of the Internal Revenue Code, a "qualified
355 dividend recipient" means a dividend recipient who has invested in a
356 qualified real estate investment trust prior to April 1, 1997, and a
357 "qualified real estate investment trust" means an entity that both was
358 incorporated and had contributed to it a minimum of five hundred
359 million [dollars] dollars' worth of real estate assets prior to April 1,
360 1997, and that elects to be a real estate investment trust under Section
361 856 of the Internal Revenue Code prior to April 1, 1998.

362 Sec. 11. Subsection (l) of section 12-218b of the general statutes is
363 repealed and the following is substituted in lieu thereof (*Effective*
364 *October 1, 2018*):

365 (l) For all other receipts not otherwise sourced by this [subsection]
366 section, the numerator of the receipts factor includes all other receipts
367 if the billing address of the customer is in this state; otherwise the
368 numerator will include all other receipts pursuant to the provisions of
369 section 12-218.

370 Sec. 12. Subdivision (1) of subsection (b) of section 12-263i of the
371 2018 supplement to the general statutes is repealed and the following
372 is substituted in lieu thereof (*Effective October 1, 2018*):

373 (b) (1) For each calendar quarter commencing on or after October 1,
374 2015, there is hereby imposed a tax on each ambulatory surgical center
375 in this state to be paid each calendar quarter. The tax imposed by this
376 section shall be at the rate of six per cent of the gross receipts of each
377 ambulatory surgical center, except that such tax shall not be imposed
378 on any amount of such gross receipts that constitutes either (A) the
379 first million dollars of gross receipts of the ambulatory surgical center

380 in the applicable fiscal year, or (B) net revenue of a hospital that is
381 subject to the tax imposed under section [602 of public act 17-2 of the
382 June special session] 12-263q. Nothing in this section shall prohibit an
383 ambulatory surgical center from seeking remuneration for the tax
384 imposed by this section.

385 Sec. 13. Subparagraph (D) of subdivision (1) of section 12-408 of the
386 2018 supplement to the general statutes is repealed and the following
387 is substituted in lieu thereof (*Effective October 1, 2018*):

388 (D) (i) With respect to the sales of computer and data processing
389 services occurring on or after [July 1, 2000, and prior to July 1, 2001, at
390 the rate of two per cent, on or after] July 1, 2001, at the rate of one per
391 cent, and (ii) with respect to sales of Internet access services, on and
392 after July 1, 2001, such services shall be exempt from such tax;

393 Sec. 14. Subparagraph (I) of subdivision (1) of section 12-408 of the
394 2018 supplement to the general statutes is repealed and the following
395 is substituted in lieu thereof (*Effective October 1, 2018*):

396 (I) The rate of tax imposed by this chapter shall be applicable to all
397 retail sales upon the effective date of such rate, except that a new rate
398 which represents an increase in the rate applicable to the sale shall not
399 apply to any sales transaction wherein a binding sales contract without
400 an escalator clause has been entered into prior to the effective date of
401 the new rate and delivery is made within ninety days after the effective
402 date of the new rate. For the purposes of payment of the tax imposed
403 under this section, any retailer of services taxable under [subparagraph
404 (I) of subdivision (2)] subdivision (37) of subsection (a) of section 12-
405 407, who computes taxable income, for purposes of taxation under the
406 Internal Revenue Code of 1986, or any subsequent corresponding
407 internal revenue code of the United States, as from time to time
408 amended, on an accounting basis which recognizes only cash or other
409 valuable consideration actually received as income and who is liable
410 for such tax only due to the rendering of such services may make
411 payments related to such tax for the period during which such income
412 is received, without penalty or interest, without regard to when such

413 service is rendered;

414 Sec. 15. Subsection (g) of section 12-409 of the 2018 supplement to
415 the general statutes is repealed and the following is substituted in lieu
416 thereof (*Effective October 1, 2018*):

417 (g) Whenever any seller files returns for four successive monthly or
418 quarterly periods, or for two successive annual periods, as the case
419 may be, showing no sales, the commissioner, upon hearing, after
420 giving such seller thirty [days] days' notice, in writing, specifying the
421 time and place of hearing and requiring such seller to show cause why
422 such seller's permit or permits should not be cancelled, may cancel one
423 or more of the permits held by such seller. The notice may be served
424 personally or by mail. The commissioner shall not issue a new permit
425 after the cancellation of a permit unless the commissioner is satisfied
426 that the former holder of the permit will make sales subject to the
427 provisions of this chapter relating to the sales tax and the regulations
428 of the commissioner.

429 Sec. 16. Subdivisions (5) and (6) of section 12-410 of the general
430 statutes are repealed and the following is substituted in lieu thereof
431 (*Effective October 1, 2018*):

432 (5) (A) For the purpose of the proper administration of this chapter
433 and to prevent evasion of the sales tax, a sale of any service described
434 in [subparagraph (I) of subdivision (2)] subdivision (37) of subsection
435 (a) of section 12-407 shall be considered a sale for resale only if the
436 service to be resold is an integral, inseparable component part of a
437 service described in said [subparagraph (I) which] subdivision that is
438 to be subsequently sold by the purchaser to an ultimate consumer. The
439 purchaser of the service for resale shall maintain, in such form as the
440 commissioner requires, records [which] that substantiate: (i) From
441 whom the service was purchased and to whom the service was sold,
442 (ii) the purchase price of the service, and (iii) the nature of the service
443 to demonstrate that the services were an integral, inseparable
444 component part of a service described in [subparagraph (I) of
445 subdivision (2)] subdivision (37) of subsection (a) of section 12-407

446 [which] that was subsequently sold to a consumer.

447 (B) Notwithstanding the provisions of subparagraph (A) of this
448 subdivision, no sale of a service described in [subparagraph (I) of
449 subdivision (2)] subdivision (37) of subsection (a) of section 12-407 by a
450 seller shall be considered a sale for resale if such service is to be
451 subsequently sold by the purchaser to an ultimate consumer that is
452 affiliated with the purchaser in the manner described in subparagraph
453 (A) of subdivision (62) of [subsection (a) of] section 12-412.

454 (6) For the purpose of the proper administration of this chapter and
455 to prevent evasion of the sales tax, no sale of any service by a seller
456 shall be considered a sale for resale if such service is to be
457 subsequently sold by the purchaser, without change, to an ultimate
458 consumer that is affiliated with the purchaser in the manner described
459 in subparagraph (A) of subdivision (62) of [subsection (a) of] section
460 12-412.

461 Sec. 17. Subparagraph (K) of subdivision (1) of section 12-411 of the
462 2018 supplement to the general statutes is repealed and the following
463 is substituted in lieu thereof (*Effective October 1, 2018*):

464 (K) (i) For calendar months commencing on or after July 1, 2017, the
465 commissioner shall deposit into said Special Transportation Fund
466 seven and nine-tenths per cent of the amounts received by the state
467 from the tax imposed under subparagraph (A) of this subdivision;

468 (ii) For calendar months commencing on or after July 1, 2020, but
469 prior to July 1, 2021, the commissioner shall deposit into the Special
470 Transportation Fund established under section 13b-68 twenty per cent
471 of the amounts received by the state from the tax imposed under
472 subparagraphs (A) and (H) of this subdivision on the [sale] acceptance
473 or receipt in this state of a motor vehicle;

474 (iii) For calendar months commencing on or after July 1, 2021, but
475 prior to July 1, 2022, the commissioner shall deposit into the Special
476 Transportation Fund established under section 13b-68 forty per cent of

477 the amounts received by the state from the tax imposed under
478 subparagraphs (A) and (H) of this subdivision on the [sale] acceptance
479 or receipt in this state of a motor vehicle;

480 (iv) For calendar months commencing on or after July 1, 2022, but
481 prior to July 1, 2023, the commissioner shall deposit into the Special
482 Transportation Fund established under section 13b-68 sixty per cent of
483 the amounts received by the state from the tax imposed under
484 subparagraphs (A) and (H) of this subdivision on the [sale] acceptance
485 or receipt in this state of a motor vehicle;

486 (v) For calendar months commencing on or after July 1, 2023, but
487 prior to July 1, 2024, the commissioner shall deposit into the Special
488 Transportation Fund established under section 13b-68 eighty per cent
489 of the amounts received by the state from the tax imposed under
490 subparagraphs (A) and (H) of this subdivision on the [sale] acceptance
491 or receipt in this state of a motor vehicle; and

492 (vi) For calendar months commencing on or after July 1, 2024, the
493 commissioner shall deposit into the Special Transportation Fund
494 established under section 13b-68 one hundred per cent of the amounts
495 received by the state from the tax imposed under subparagraphs (A)
496 and (H) of this subdivision on the [sale] acceptance or receipt in this
497 state of a motor vehicle.

498 Sec. 18. Subdivisions (14) and (15) of section 12-411 of the 2018
499 supplement to the general statutes are repealed and the following is
500 substituted in lieu thereof (*Effective October 1, 2018*):

501 (14) (A) For the purpose of the proper administration of this chapter
502 and to prevent evasion of the use tax, a purchase of any service
503 described in [subparagraph (I) of subdivision (2)] subdivision (37) of
504 subsection (a) of section 12-407 shall be considered a purchase for
505 resale only if the service to be resold is an integral, inseparable
506 component part of a service described in said [subparagraph (I) which]
507 subdivision that is to be subsequently sold by the purchaser to an
508 ultimate consumer. The purchaser of the service for resale shall

509 maintain, in such form as the commissioner requires, records [which]
510 that substantiate: (i) From whom the service was purchased and to
511 whom the service was sold; (ii) the purchase price of the service; and
512 (iii) the nature of the service to demonstrate that the service was an
513 integral, inseparable component part of a service described in
514 [subparagraph (I) of subdivision (2)] subdivision (37) of subsection (a)
515 of section 12-407 [which] that was subsequently sold to a consumer.

516 (B) Notwithstanding the provisions of subparagraph (A) of this
517 subdivision, no purchase of a service described in [subparagraph (I) of
518 subdivision (2)] subdivision (37) of subsection (a) of section 12-407 by a
519 purchaser shall be considered a purchase for resale if such service is to
520 be subsequently sold by the purchaser to an ultimate consumer that is
521 affiliated with the purchaser in the manner described in subparagraph
522 (A) of subdivision (62) of [subsection (a) of] section 12-412.

523 (15) For the purpose of the proper administration of this chapter
524 and to prevent evasion of the use tax, no purchase of any service by a
525 purchaser shall be considered a purchase for resale if such service is to
526 be subsequently sold by the purchaser, without change, to an ultimate
527 consumer that is affiliated with the purchaser in the manner described
528 in subparagraph (A) of subdivision (62) of [subsection (a) of] section
529 12-412.

530 Sec. 19. Subdivision (14) of section 12-412 of the 2018 supplement to
531 the general statutes is repealed and the following is substituted in lieu
532 thereof (*Effective October 1, 2018*):

533 (14) (A) Nonreturnable containers and returnable dairy product
534 containers when sold without the contents to persons who place the
535 contents in the container and sell the contents together with the
536 container; (B) containers when sold with the contents if the sales price
537 of the contents is not required to be included in the measure of the
538 taxes imposed by this chapter; (C) returnable containers when sold
539 with the contents in connection with a retail sale of the contents or
540 when resold for refilling. As used herein, "returnable containers"
541 means containers of a kind customarily returned by the buyer of the

542 contents for reuse, but does not mean nonrefillable beverage
543 containers, as defined in [subdivision (10) of] section 22a-243. All other
544 containers are "nonreturnable containers". Nothing in this subsection
545 shall be construed so as to tax the gross receipts from the sale of or the
546 storage, use or other consumption in this state of bags in which feed
547 for livestock and poultry [, as defined in subdivision (12) of this
548 section,] is customarily contained.

549 Sec. 20. Subdivision (19) of section 12-412 of the 2018 supplement to
550 the general statutes is repealed and the following is substituted in lieu
551 thereof (*Effective October 1, 2018*):

552 (19) Sales of and the storage, use or other consumption of (A)
553 oxygen, blood or blood plasma when sold for medical use in humans
554 or animals; (B) artificial devices individually designed, constructed or
555 altered solely for the use of a particular person with physical disability
556 so as to become a brace, support, supplement, correction or substitute
557 for the bodily structure, including the extremities of the individual,
558 and repair or replacement parts and repair services rendered to
559 property described in this subparagraph; (C) artificial limbs, artificial
560 eyes and other equipment worn as a correction or substitute for any
561 functioning portion of the body, custom-made wigs or hairpieces for
562 persons with medically diagnosed total and permanent hair loss as a
563 result of disease or the treatment of disease, artificial hearing aids
564 when designed to be worn on the person of the owner or user, closed
565 circuit television equipment used as a reading aid by persons who are
566 visually impaired and repair or replacement parts and repair services
567 rendered to property described in this subparagraph; (D) canes,
568 crutches, walkers, [wheel chairs] wheelchairs and inclined stairway
569 chairlifts for the use of any person with physical disability, and repair
570 or replacement parts and repair services to property described in this
571 subparagraph; (E) any equipment used in support of or to supply vital
572 life functions, including oxygen supply equipment used for humans or
573 animals, kidney dialysis machines and any other such device used in
574 necessary support of vital life functions, and apnea monitors, and
575 repair or replacement parts and repair services rendered to property

576 described in this subparagraph; and (F) support hose that is specially
577 designed to aid in the circulation of blood and is purchased by a
578 person who has a medical need for such hose. Repair or replacement
579 parts are exempt whether purchased separately or in conjunction with
580 the item for which they are intended, and whether such parts continue
581 the original function or enhance the functionality of such item. As used
582 in this subdivision, "repair services" means services that are described
583 in subparagraph (Q) or (CC) of subdivision (37) of subsection (a) of
584 section 12-407.

585 Sec. 21. Section 12-416a of the general statutes is repealed and the
586 following is substituted in lieu thereof (*Effective October 1, 2018*):

587 The Commissioner of Revenue Services is authorized to pay to a
588 municipal agency an amount not to exceed fifty per cent of the tax
589 actually collected as the result of an assessment made under section 12-
590 415 or 12-416 against the purchaser of a vessel, as defined in
591 subdivision (24) of subsection (a) of section 12-407, if said
592 commissioner, in the commissioner's sole discretion, determines that
593 information provided by such agency was instrumental in the making
594 of such assessment. Notwithstanding the provisions of section 12-15,
595 the commissioner may disclose to a municipal agency that receives a
596 payment under this section the name and address of the person
597 against whom the assessment is made, the amount of the tax actually
598 assessed and the amount of the tax actually collected with respect to
599 which such a payment may be made.

600 Sec. 22. Subdivisions (3) to (5), inclusive, of section 12-426 of the
601 general statutes are repealed and the following is substituted in lieu
602 thereof (*Effective October 1, 2018*):

603 (3) (A) Every seller, every retailer as [defined] described in
604 subparagraph (B) of subdivision (12) of subsection (a) of section 12-407
605 and every person storing, accepting, consuming or otherwise using in
606 this state services or tangible personal property purchased from a
607 retailer shall keep such records, receipts, invoices and other pertinent
608 papers in such form as the commissioner requires.

609 (B) In addition any records required pursuant to subparagraph (A)
610 of this subdivision, each materialman collecting tax as allowed under
611 the provisions of subparagraph (C) of subdivision (2) of section 12-408
612 shall keep the following records with respect to each sale of building
613 materials or services described in said subparagraph (C): (i) The date
614 of such sale; (ii) proof that the sale meets the qualifications described in
615 said subparagraph (C); (iii) the amount of credit, if any, extended by
616 such materialman to such contractor, subcontractor or repairman for
617 each such sale; (iv) the terms for payment of the purchase price or
618 repayment of any such credit; and (v) the date or dates on which such
619 purchase price is paid or such credit is repaid, in whole or in part, and
620 the amount of each such payment or repayment. Such records shall be
621 kept for a period of three years from the date the tax on each such sale
622 is paid [over] to the commissioner in full, provided the commissioner
623 may consent to their destruction within that period or may require that
624 they be kept longer.

625 (4) The commissioner or any person authorized by [him] the
626 commissioner may examine the books, papers, records and equipment
627 of any person selling services or tangible personal property and any
628 person liable for the use tax, and may investigate the character of the
629 business of the person [in order] to verify the accuracy of any return
630 made or, if no return is made by the person, to ascertain and determine
631 the amount required to be paid.

632 (5) In administration of the use tax the commissioner may require
633 the filing of information reports by any person or class of persons
634 having in [his or their] the person's or persons' possession or custody
635 information relating to sales of services or tangible personal property
636 the storage, acceptance, consumption or other use of which is subject
637 to the tax. Such reports shall be filed when the commissioner requires
638 and shall set forth the names and addresses of purchasers of the
639 services or tangible personal property, the sales price of the services or
640 property, the date of sale and such other information as the
641 commissioner may require.

642 Sec. 23. Section 12-432a of the general statutes is repealed and the
643 following is substituted in lieu thereof (*Effective October 1, 2018*):

644 No retailer, as [defined in subdivision (g) of subsection (12)]
645 described in subparagraph (K) of subdivision (12) of subsection (a) of
646 section 12-407, who fails to comply with the provisions of this chapter
647 shall maintain any action in law or equity in this state on any sale or
648 transaction included under said [subdivision (g) of subsection (12)]
649 subparagraph.

650 Sec. 24. Subsection (e) of section 12-667 of the general statutes is
651 repealed and the following is substituted in lieu thereof (*Effective*
652 *October 1, 2018*):

653 (e) The commissioner, if [he] the commissioner deems it necessary
654 in order to [insure] ensure payment to or facilitate the collection by the
655 state of the amount of surcharges, may permit or require returns and
656 payment of the amount of surcharges for other than monthly or
657 quarterly periods.

658 Sec. 25. Clause (i) of subparagraph (C) of subdivision (9) of
659 subsection (a) of section 12-700 of the general statutes is repealed and
660 the following is substituted in lieu thereof (*Effective October 1, 2018*):

661 (C) (i) For any husband and wife who file a return under the federal
662 income tax for such taxable year as married individuals filing jointly or
663 any person who files a return under the federal income tax for such
664 taxable year as a surviving spouse, as defined in Section 2(a) of the
665 Internal Revenue Code:

T1	Connecticut Taxable Income	Rate of Tax
T2	Not over \$20,000	3.0%
T3	Over \$20,000 but not	\$600.00, plus 5.0% of the
T4	over \$100,000	excess over \$20,000
T5	Over \$100,000 but not	\$4,600, plus 5.5% of the
T6	over \$200,000	excess over \$100,000

T7	Over \$200,000 but not	\$10,100, plus 6.0% of the
T8	over \$400,000	excess over \$200,000
T9	Over \$400,000 but not	\$22,100, plus 6.5% of the
T10	over \$500,000	excess over \$400,000
T11	Over \$500,000 but not	\$28,600, plus 6.9% of the
T12	over \$1,000,000	excess over [\$500,00] <u>\$500,000</u>
T13	Over \$1,000,000	\$63,100, plus 6.99% of the
T14		excess over \$1,000,000

666 Sec. 26. Subdivision (2) of subsection (c) of section 12-700 of the
 667 general statutes is repealed and the following is substituted in lieu
 668 thereof (*Effective October 1, 2018*):

669 (2) For purposes of subdivision (1) of this subsection and subsection
 670 (a) of this section, the Connecticut adjusted gross income of a part-year
 671 resident (A) changing [his] such resident's status from resident to
 672 nonresident shall be increased or decreased, as the case may be, by the
 673 items accrued under subdivision (1) of subsection (c) of section 12-717,
 674 to the extent not otherwise includable in Connecticut adjusted gross
 675 income for the taxable year, and (B) changing [his] such resident's
 676 status from nonresident to resident shall be increased or decreased, as
 677 the case may be, by the items accrued under subdivision (2) of
 678 subsection (c) of section 12-717, to the extent included in Connecticut
 679 adjusted gross income for the taxable year.

680 Sec. 27. Subdivision (20) of subsection (a) of section 12-701 of the
 681 2018 supplement to the general statutes is repealed and the following
 682 is substituted in lieu thereof (*Effective October 1, 2018*):

683 (20) "Connecticut adjusted gross income" means adjusted gross
 684 income, with the following modifications:

685 (A) There shall be added thereto:

686 (i) [to] To the extent not properly includable in gross income for
 687 federal income tax purposes, any interest income from obligations
 688 issued by or on behalf of any state, political subdivision thereof, or

689 public instrumentality, state or local authority, district or similar public
690 entity, exclusive of such income from obligations issued by or on
691 behalf of the state of Connecticut, any political subdivision thereof, or
692 public instrumentality, state or local authority, district or similar public
693 entity created under the laws of the state of Connecticut and exclusive
694 of any such income with respect to which taxation by any state is
695 prohibited by federal law; [.]

696 (ii) [any] Any exempt-interest dividends, as defined in Section
697 852(b)(5) of the Internal Revenue Code, exclusive of such exempt-
698 interest dividends derived from obligations issued by or on behalf of
699 the state of Connecticut, any political subdivision thereof, or public
700 instrumentality, state or local authority, district or similar public entity
701 created under the laws of the state of Connecticut and exclusive of
702 such exempt-interest dividends derived from obligations, the income
703 with respect to which taxation by any state is prohibited by federal
704 law; [.]

705 (iii) [any] Any interest or dividend income on obligations or
706 securities of any authority, commission or instrumentality of the
707 United States which federal law exempts from federal income tax but
708 does not exempt from state income taxes; [.]

709 (iv) [to] To the extent included in gross income for federal income
710 tax purposes for the taxable year, the total taxable amount of a lump
711 sum distribution for the taxable year deductible from such gross
712 income in calculating federal adjusted gross income; [.]

713 (v) [to] To the extent properly includable in determining the net
714 gain or loss from the sale or other disposition of capital assets for
715 federal income tax purposes, any loss from the sale or exchange of
716 obligations issued by or on behalf of the state of Connecticut, any
717 political subdivision thereof, or public instrumentality, state or local
718 authority, district or similar public entity created under the laws of the
719 state of Connecticut, in the income year such loss was recognized; [.]

720 (vi) [to] To the extent deductible in determining federal adjusted

721 gross income, any income taxes imposed by this state; [.]

722 (vii) [to] To the extent deductible in determining federal adjusted
723 gross income, any interest on indebtedness incurred or continued to
724 purchase or carry obligations or securities the interest on which is
725 exempt from tax under this chapter; [.]

726 (viii) [expenses] Expenses paid or incurred during the taxable year
727 for the production or collection of income which is exempt from
728 taxation under this chapter or the management, conservation or
729 maintenance of property held for the production of such income, and
730 the amortizable bond premium for the taxable year on any bond the
731 interest on which is exempt from tax under this chapter to the extent
732 that such expenses and premiums are deductible in determining
733 federal adjusted gross income; [.]

734 (ix) [for] For property placed in service after September 10, 2001, but
735 prior to September 11, 2004, in taxable years ending after September
736 10, 2001, any additional allowance for depreciation under subsection
737 (k) of Section 168 of the Internal Revenue Code, as provided by Section
738 101 of the Job Creation and Worker Assistance Act of 2002, to the
739 extent deductible in determining federal adjusted gross income; [.]

740 (x) [to] To the extent deductible in determining federal adjusted
741 gross income, the deduction allowable as qualified domestic
742 production activities income, pursuant to Section 199 of the Internal
743 Revenue Code; [.]

744 (xi) [to] To the extent not properly includable in gross income for
745 federal income tax purposes for the taxable year, any income from the
746 discharge of indebtedness, in taxable years ending after December 31,
747 2008, in connection with any reacquisition, after December 31, 2008,
748 and before January 1, 2011, of an applicable debt instrument or
749 instruments, as those terms are defined in Section 108 of the Internal
750 Revenue Code, as amended by Section 1231 of the American Recovery
751 and Reinvestment Act of 2009, the inclusion of which income in federal
752 gross income for the taxable year is deferred, as provided by said

753 Section 1231; []

754 (xii) [to] To the extent not properly includable in gross income for
755 federal income tax purposes, an amount equal to (I) any distribution
756 from a manufacturing reinvestment account not used in accordance
757 with subdivision (3) of subsection (c) of section 32-9zz to the extent
758 that a contribution to such account was subtracted from federal
759 adjusted gross income pursuant to clause (xix) of subparagraph (B) of
760 this subdivision in computing Connecticut adjusted gross income for
761 the current or a preceding taxable year, and (II) any return of money
762 from a manufacturing reinvestment account pursuant to subsection (d)
763 of section 32-9zz to the extent that a contribution to such account was
764 subtracted from federal adjusted gross income pursuant to clause (xix)
765 of subparagraph (B) of this subdivision in computing Connecticut
766 adjusted gross income for the current or a preceding taxable year; []
767 and

768 (xiii) [to] To the extent not properly includable in gross income for
769 federal income tax purposes, an amount equal to any compensation
770 required to be recognized under Section 457A of the Internal Revenue
771 Code that is attributable to services performed within this state.

772 (B) There shall be subtracted therefrom:

773 (i) [to] To the extent properly includable in gross income for federal
774 income tax purposes, any income with respect to which taxation by
775 any state is prohibited by federal law; []

776 (ii) [to] To the extent allowable under section 12-718, exempt
777 dividends paid by a regulated investment company; []

778 (iii) To the extent properly includable in gross income for federal
779 income tax purposes, the amount of any refund or credit for
780 overpayment of income taxes imposed by this state, or any other state
781 of the United States or a political subdivision thereof, or the District of
782 Columbia; [, to the extent properly includable in gross income for
783 federal income tax purposes,]

784 (iv) [to] To the extent properly includable in gross income for
785 federal income tax purposes and not otherwise subtracted from federal
786 adjusted gross income pursuant to clause (x) of this subparagraph in
787 computing Connecticut adjusted gross income, any tier 1 railroad
788 retirement benefits; [.]

789 (v) [to] To the extent any additional allowance for depreciation
790 under Section 168(k) of the Internal Revenue Code, as provided by
791 Section 101 of the Job Creation and Worker Assistance Act of 2002, for
792 property placed in service after December 31, 2001, but prior to
793 September 10, 2004, was added to federal adjusted gross income
794 pursuant to subparagraph (A)(ix) of this subdivision in computing
795 Connecticut adjusted gross income for a taxable year ending after
796 December 31, 2001, twenty-five per cent of such additional allowance
797 for depreciation in each of the four succeeding taxable years; [.]

798 (vi) [to] To the extent properly includable in gross income for
799 federal income tax purposes, any interest income from obligations
800 issued by or on behalf of the state of Connecticut, any political
801 subdivision thereof, or public instrumentality, state or local authority,
802 district or similar public entity created under the laws of the state of
803 Connecticut; [.]

804 (vii) [to] To the extent properly includable in determining the net
805 gain or loss from the sale or other disposition of capital assets for
806 federal income tax purposes, any gain from the sale or exchange of
807 obligations issued by or on behalf of the state of Connecticut, any
808 political subdivision thereof, or public instrumentality, state or local
809 authority, district or similar public entity created under the laws of the
810 state of Connecticut, in the income year such gain was recognized; [.]

811 (viii) [any] Any interest on indebtedness incurred or continued to
812 purchase or carry obligations or securities the interest on which is
813 subject to tax under this chapter but exempt from federal income tax,
814 to the extent that such interest on indebtedness is not deductible in
815 determining federal adjusted gross income and is attributable to a
816 trade or business carried on by such individual; [.]

817 (ix) [ordinary] Ordinary and necessary expenses paid or incurred
818 during the taxable year for the production or collection of income
819 which is subject to taxation under this chapter but exempt from federal
820 income tax, or the management, conservation or maintenance of
821 property held for the production of such income, and the amortizable
822 bond premium for the taxable year on any bond the interest on which
823 is subject to tax under this chapter but exempt from federal income tax,
824 to the extent that such expenses and premiums are not deductible in
825 determining federal adjusted gross income and are attributable to a
826 trade or business carried on by such individual; [.]

827 (x) (I) [for] For taxable years commencing prior to January 1, 2019,
828 for a person who files a return under the federal income tax as an
829 unmarried individual whose federal adjusted gross income for such
830 taxable year is less than fifty thousand dollars, or as a married
831 individual filing separately whose federal adjusted gross income for
832 such taxable year is less than fifty thousand dollars, or for a husband
833 and wife who file a return under the federal income tax as married
834 individuals filing jointly whose federal adjusted gross income for such
835 taxable year is less than sixty thousand dollars or a person who files a
836 return under the federal income tax as a head of household whose
837 federal adjusted gross income for such taxable year is less than sixty
838 thousand dollars, an amount equal to the Social Security benefits
839 includable for federal income tax purposes;

840 (II) [for] For taxable years commencing prior to January 1, 2019, for
841 a person who files a return under the federal income tax as an
842 unmarried individual whose federal adjusted gross income for such
843 taxable year is fifty thousand dollars or more, or as a married
844 individual filing separately whose federal adjusted gross income for
845 such taxable year is fifty thousand dollars or more, or for a husband
846 and wife who file a return under the federal income tax as married
847 individuals filing jointly whose federal adjusted gross income from
848 such taxable year is sixty thousand dollars or more or for a person who
849 files a return under the federal income tax as a head of household
850 whose federal adjusted gross income for such taxable year is sixty

851 thousand dollars or more, an amount equal to the difference between
852 the amount of Social Security benefits includable for federal income tax
853 purposes and the lesser of twenty-five per cent of the Social Security
854 benefits received during the taxable year, or twenty-five per cent of the
855 excess described in Section 86(b)(1) of the Internal Revenue Code;

856 (III) [for] For the taxable year commencing January 1, 2019, and each
857 taxable year thereafter, for a person who files a return under the
858 federal income tax as an unmarried individual whose federal adjusted
859 gross income for such taxable year is less than seventy-five thousand
860 dollars, or as a married individual filing separately whose federal
861 adjusted gross income for such taxable year is less than seventy-five
862 thousand dollars, or for a husband and wife who file a return under
863 the federal income tax as married individuals filing jointly whose
864 federal adjusted gross income for such taxable year is less than one
865 hundred thousand dollars or a person who files a return under the
866 federal income tax as a head of household whose federal adjusted
867 gross income for such taxable year is less than one hundred thousand
868 dollars, an amount equal to the Social Security benefits includable for
869 federal income tax purposes; and

870 (IV) [for] For the taxable year commencing January 1, 2019, and each
871 taxable year thereafter, for a person who files a return under the
872 federal income tax as an unmarried individual whose federal adjusted
873 gross income for such taxable year is seventy-five thousand dollars or
874 more, or as a married individual filing separately whose federal
875 adjusted gross income for such taxable year is seventy-five thousand
876 dollars or more, or for a husband and wife who file a return under the
877 federal income tax as married individuals filing jointly whose federal
878 adjusted gross income from such taxable year is one hundred
879 thousand dollars or more or for a person who files a return under the
880 federal income tax as a head of household whose federal adjusted
881 gross income for such taxable year is one hundred thousand dollars or
882 more, an amount equal to the difference between the amount of Social
883 Security benefits includable for federal income tax purposes and the
884 lesser of twenty-five per cent of the Social Security benefits received

885 during the taxable year, or twenty-five per cent of the excess described
886 in Section 86(b)(1) of the Internal Revenue Code; [.]

887 (xi) [to] To the extent properly includable in gross income for
888 federal income tax purposes, any amount rebated to a taxpayer
889 pursuant to section 12-746; [.]

890 (xii) [to] To the extent properly includable in the gross income for
891 federal income tax purposes of a designated beneficiary, any
892 distribution to such beneficiary from any qualified state tuition
893 program, as defined in Section 529(b) of the Internal Revenue Code,
894 established and maintained by this state or any official, agency or
895 instrumentality of the state; [.]

896 (xiii) [to] To the extent allowable under section 12-701a,
897 contributions to accounts established pursuant to any qualified state
898 tuition program, as defined in Section 529(b) of the Internal Revenue
899 Code, established and maintained by this state or any official, agency
900 or instrumentality of the state; [.]

901 (xiv) [to] To the extent properly includable in gross income for
902 federal income tax purposes, the amount of any Holocaust victims'
903 settlement payment received in the taxable year by a Holocaust victim;
904 [.]

905 (xv) [to] To the extent properly includable in gross income for
906 federal income tax purposes of an account holder, as defined in section
907 31-51ww, interest earned on funds deposited in the individual
908 development account, as defined in section 31-51ww, of such account
909 holder; [.]

910 (xvi) [to] To the extent properly includable in the gross income for
911 federal income tax purposes of a designated beneficiary, as defined in
912 section 3-123aa, interest, dividends or capital gains earned on
913 contributions to accounts established for the designated beneficiary
914 pursuant to the Connecticut Homecare Option Program for the Elderly
915 established by sections 3-123aa to 3-123ff, inclusive; [.]

916 (xvii) [to] To the extent properly includable in gross income for
917 federal income tax purposes, any income received from the United
918 States government as retirement pay for a retired member of (I) the
919 Armed Forces of the United States, as defined in Section 101 of Title 10
920 of the United States Code, or (II) the National Guard, as defined in
921 Section 101 of Title 10 of the United States Code; [.]

922 (xviii) [to] To the extent properly includable in gross income for
923 federal income tax purposes for the taxable year, any income from the
924 discharge of indebtedness in connection with any reacquisition, after
925 December 31, 2008, and before January 1, 2011, of an applicable debt
926 instrument or instruments, as those terms are defined in Section 108 of
927 the Internal Revenue Code, as amended by Section 1231 of the
928 American Recovery and Reinvestment Act of 2009, to the extent any
929 such income was added to federal adjusted gross income pursuant to
930 subparagraph (A)(xi) of this subdivision in computing Connecticut
931 adjusted gross income for a preceding taxable year; [.]

932 (xix) [to] To the extent not deductible in determining federal
933 adjusted gross income, the amount of any contribution to a
934 manufacturing reinvestment account established pursuant to section
935 32-9zz in the taxable year that such contribution is made; [.]

936 (xx) [to] To the extent properly includable in gross income for
937 federal income tax purposes, (I) for the taxable year commencing
938 January 1, 2015, ten per cent of the income received from the state
939 teachers' retirement system, (II) for the taxable years commencing
940 January 1, 2016, January 1, 2017, and January 1, 2018, twenty-five per
941 cent of the income received from the state teachers' retirement system,
942 and (III) for the taxable year commencing January 1, 2019, and each
943 taxable year thereafter, fifty per cent of the income received from the
944 state teachers' retirement system or the percentage, if applicable,
945 pursuant to clause (xxi) of this subparagraph; [.]

946 (xxi) [to] To the extent properly includable in gross income for
947 federal income tax purposes, except for retirement benefits under
948 clause (iv) of this subparagraph and retirement pay under clause (xvii)

949 of this subparagraph, for a person who files a return under the federal
950 income tax as an unmarried individual whose federal adjusted gross
951 income for such taxable year is less than seventy-five thousand dollars,
952 or as a married individual filing separately whose federal adjusted
953 gross income for such taxable year is less than seventy-five thousand
954 dollars, or as a head of household whose federal adjusted gross income
955 for such taxable year is less than seventy-five thousand dollars, or for a
956 husband and wife who file a return under the federal income tax as
957 married individuals filing jointly whose federal adjusted gross income
958 for such taxable year is less than one hundred thousand dollars, (I) for
959 the taxable year commencing January 1, 2019, fourteen per cent of any
960 pension or annuity income, (II) for the taxable year commencing
961 January 1, 2020, twenty-eight per cent of any pension or annuity
962 income, (III) for the taxable year commencing January 1, 2021, forty-
963 two per cent of any pension or annuity income, (IV) for the taxable
964 year commencing January 1, 2022, fifty-six per cent of any pension or
965 annuity income, (V) for the taxable year commencing January 1, 2023,
966 seventy per cent of any pension or annuity income, (VI) for the taxable
967 year commencing January 1, 2024, eighty-four per cent of any pension
968 or annuity income, and (VII) for the taxable year commencing January
969 1, 2025, and each taxable year thereafter, any pension or annuity
970 income; [.]

971 (xxii) [the] The amount of lost wages and medical, travel and
972 housing expenses, not to exceed ten thousand dollars in the aggregate,
973 incurred by a taxpayer during the taxable year in connection with the
974 donation to another person of an organ for organ transplantation
975 occurring on or after January 1, 2017; [.] and

976 (xxiii) [to] To the extent properly includable in gross income for
977 federal income tax purposes, the amount of any financial assistance
978 received from the Crumbling Foundations Assistance Fund or paid to
979 or on behalf of the owner of a residential building pursuant to sections
980 8-442 and 8-443.

981 (C) With respect to a person who is the beneficiary of a trust or

982 estate, there shall be added or subtracted, as the case may be, from
983 adjusted gross income such person's share, as determined under
984 section 12-714, in the Connecticut fiduciary adjustment.

985 Sec. 28. Subdivision (1) of subsection (a) of section 12-790c of the
986 2018 supplement to the general statutes is repealed and the following
987 is substituted in lieu thereof (*Effective October 1, 2018*):

988 (a) (1) No tax preparer or facilitator shall do or commit any of the
989 following acts or omissions, and the commissioner may deny the
990 issuance of an initial or a renewal permit and may suspend or revoke
991 any such permit for the following acts or omissions or for a violation of
992 any provision of [sections] section 12-790a [and] or 12-790b:

993 (A) Engage in a criminal act resulting in conviction of the tax
994 preparer or facilitator or in unprofessional conduct resulting in final
995 disciplinary action by the federal government, any state or jurisdiction
996 of the United States, any other governmental agency or a professional
997 licensing board or similar entity, provided such act or conduct is
998 substantially related to qualification as a tax preparer or facilitator;

999 (B) Procure or attempt to procure a permit under section 12-790a by
1000 material misrepresentation or fraud; or

1001 (C) Violate, attempt to violate or assist in or abet the violation of any
1002 provision of section 12-790a or 12-790b.

1003 Sec. 29. Subdivision (2) of subsection (a) of section 3-115 of the 2018
1004 supplement to the general statutes is repealed and the following is
1005 substituted in lieu thereof (*Effective October 1, 2018*):

1006 (2) The Comptroller shall issue cumulative monthly financial
1007 statements concerning the state's General Fund which shall include (A)
1008 a statement of revenues and expenditures to the end of the last-
1009 completed month, together with the statement of estimated revenue by
1010 source to the end of the fiscal year and the statement of appropriation
1011 requirements of the state's General Fund to the end of the fiscal year
1012 furnished pursuant to section 4-66 and itemized as far as practicable

1013 for each budgeted agency, including estimates of lapsing
1014 appropriations, unallocated lapsing balances and unallocated
1015 appropriation requirements, and (B) an analysis of the statements
1016 furnished by the Secretary of the Office of Policy and Management to
1017 the Comptroller pursuant to subdivision (4) of section 4-66. The
1018 Comptroller shall provide the cumulative monthly financial
1019 statements, in the same form and in the same categories as appears in
1020 the budget act enacted by the General Assembly, on or before the first
1021 day of the following month. The Comptroller shall submit a copy of
1022 the monthly trial balance and monthly analysis of expenditure run to
1023 the legislative Office of Fiscal Analysis.

1024 Sec. 30. Subdivision (1) of subsection (a) of section 7-168a of the 2018
1025 supplement to the general statutes is repealed and the following is
1026 substituted in lieu thereof (*Effective October 1, 2018*):

1027 (a) (1) A municipality may, by ordinance, impose a surcharge on the
1028 admission charge for any event that is held at a facility located within
1029 the municipality. The amount of such surcharge shall not exceed five
1030 per cent of the amount of admission, except that the amount of such
1031 surcharge imposed on the [facility described in subdivision (12) of
1032 subsection (a) of section 12-541] Dunkin' Donuts Park in Hartford shall
1033 not exceed ten per cent of the amount of admission. The amount of any
1034 such surcharge shall be in addition to any tax otherwise applicable to
1035 such admission charge, except that no municipality may impose a
1036 surcharge on a facility pursuant to this section if (A) the municipality
1037 imposes a surcharge on such facility pursuant to section 12-579, or (B)
1038 all of the proceeds from the event inure exclusively to an entity which
1039 is exempt from federal income tax under the Internal Revenue Code,
1040 provided such entity actively engages in and assumes the financial risk
1041 associated with the presentation of such event. Any municipal
1042 ordinance adopted pursuant to this section may exclude additional
1043 events or facilities from the surcharge imposed pursuant to this
1044 section.

1045 Sec. 31. Subsection (a) of section 12-578i of the 2018 supplement to

1046 the general statutes is repealed and the following is substituted in lieu
1047 thereof (*Effective October 1, 2018*):

1048 (a) (1) There is established an Advisory Council on Large
1049 Entertainment Venues. Any of the following amusement,
1050 entertainment or recreation [facility described in subdivisions (8) to
1051 (13), inclusive, of subsection (a) of section 12-541] facilities that [has]
1052 have a seating capacity greater than five thousand persons shall be
1053 entitled to representation on the council: (A) The stadium facility, as
1054 defined in section 32-651; (B) any such facility that would have been
1055 subject to tax under the provisions of section 12-542 of the general
1056 statutes, revision of 1958, revised to January 1, 1999; (C) the XL Center
1057 in Hartford; (D) the Webster Bank Arena in Bridgeport; (E) the
1058 Ballpark at Harbor Yard in Bridgeport; (F) the Dunkin' Donuts Park in
1059 Hartford; and (G) the New Britain Stadium.

1060 (2) Except as provided in subsection (b) of this section, each
1061 representative to the council shall be designated not later than
1062 September 1, 2017. The council shall select the chairperson of the
1063 council from among the members of the council and schedule the first
1064 meeting of the council not later than October 1, 2017. The council shall
1065 meet at least annually to consider: [(1)] (A) The coordination of
1066 concerts, mixed martial arts events and other large entertainment
1067 events at such facilities; and [(2)] (B) other issues related to the
1068 operation of such facilities as determined by the council.

1069 Sec. 32. Subdivision (4) of subsection (g) of section 12-391 of the 2018
1070 supplement to the general statutes is repealed and the following is
1071 substituted in lieu thereof (*Effective from passage*):

1072 (4) With respect to the estates of decedents dying on or after January
1073 1, 2018, but prior to January 1, 2019, the tax based on the Connecticut
1074 taxable estate shall be as provided in the following schedule:

T15	Amount of Connecticut	
T16	Taxable Estate	Rate of Tax

T17	Not over \$2,600,000	None
T18	Over \$2,600,000	7.2% of the excess
T19	but not over \$3,600,000	over \$2,600,000
T20	Over \$3,600,000	\$72,000 plus 7.8% of the excess
T21	but not over \$4,100,000	over \$3,600,000
T22	Over \$4,100,000	\$111,000 plus 8.4% of the excess
T23	but not over \$5,100,000	over \$4,100,000
T24	Over \$5,100,000	\$195,000 plus 10% of the excess
T25	but not over \$6,100,000	over \$5,100,000
T26	Over \$6,100,000	\$295,000 plus 10.4% of the excess
T27	but not over \$7,100,000	over \$6,100,000
T28	Over \$7,100,000	[\$399,900] <u>\$399,000</u> plus 10.8% of the
T29	but not over \$8,100,000	excess over \$7,100,000
T30	Over \$8,100,000	\$507,000 plus 11.2% of the excess
T31	but not over \$9,100,000	over \$8,100,000
T32	Over \$9,100,000	\$619,000 plus 11.6% of the excess
T33	but not over \$10,100,000	over \$9,100,000
T34	Over \$10,100,000	\$735,000 plus 12% of the excess
T35		over \$10,100,000

1075 Sec. 33. Subdivision (6) of subsection (a) of section 12-642 of the 2018
 1076 supplement to the general statutes is repealed and the following is
 1077 substituted in lieu thereof (*Effective from passage*):

1078 (6) With respect to Connecticut taxable gifts, as defined in section
 1079 12-643, made by a donor during a calendar year commencing on or
 1080 after January 1, 2018, but prior to January 1, 2019, including the
 1081 aggregate amount of all Connecticut taxable gifts made by the donor
 1082 during all calendar years commencing on or after January 1, 2005, the
 1083 tax imposed by section 12-640 for the calendar year shall be at the rate
 1084 set forth in the following schedule, with a credit allowed against such
 1085 tax for any tax previously paid to this state pursuant to this
 1086 subdivision or pursuant to subdivision (3), (4) or (5) of this subsection,
 1087 provided such credit shall not exceed the amount of tax imposed by
 1088 this section:

T36	Amount of Taxable Gifts	Rate of Tax
T37	Not over \$2,600,000	None
T38	Over \$2,600,000	7.2% of the excess
T39	but not over \$3,600,000	over \$2,600,000
T40	Over \$3,600,000	\$72,000 plus 7.8% of the excess
T41	but not over \$4,100,000	over \$3,600,000
T42	Over \$4,100,000	\$111,000 plus 8.4% of the excess
T43	but not over \$5,100,000	over \$4,100,000
T44	Over \$5,100,000	\$195,000 plus 10% of the excess
T45	but not over \$6,100,000	over \$5,100,000
T46	Over \$6,100,000	\$295,000 plus 10.4% of the excess
T47	but not over \$7,100,000	over \$6,100,000
T48	Over \$7,100,000	[\$399,900] <u>\$399,000</u> plus 10.8% of the
T49	but not over \$8,100,000	excess over \$7,100,000
T50	Over \$8,100,000	\$507,000 plus 11.2% of the excess
T51	but not over \$9,100,000	over \$8,100,000
T52	Over \$9,100,000	\$619,000 plus 11.6% of the excess
T53	but not over \$10,100,000	over \$9,100,000
T54	Over \$10,100,000	\$735,000 plus 12% of the excess
T55		over \$10,100,000

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-35a
Sec. 2	<i>from passage</i>	12-217mm(b) to (d)
Sec. 3	<i>from passage</i>	12-204(a)
Sec. 4	<i>from passage</i>	12-340
Sec. 5	<i>from passage</i>	12-728(a)(2)
Sec. 6	<i>from passage</i>	12-733(c)(3)
Sec. 7	<i>from passage</i>	12-705(a)
Sec. 8	<i>October 1, 2018</i>	12-35(b)(2)
Sec. 9	<i>October 1, 2018</i>	12-81(72)(B)
Sec. 10	<i>October 1, 2018</i>	12-217(a)(3)
Sec. 11	<i>October 1, 2018</i>	12-218b(l)
Sec. 12	<i>October 1, 2018</i>	12-263i(b)(1)
Sec. 13	<i>October 1, 2018</i>	12-408(1)(D)

Sec. 14	<i>October 1, 2018</i>	12-408(1)(I)
Sec. 15	<i>October 1, 2018</i>	12-409(g)
Sec. 16	<i>October 1, 2018</i>	12-410(5) and (6)
Sec. 17	<i>October 1, 2018</i>	12-411(1)(K)
Sec. 18	<i>October 1, 2018</i>	12-411(14) and (15)
Sec. 19	<i>October 1, 2018</i>	12-412(14)
Sec. 20	<i>October 1, 2018</i>	12-412(19)
Sec. 21	<i>October 1, 2018</i>	12-416a
Sec. 22	<i>October 1, 2018</i>	12-426(3) to (5)
Sec. 23	<i>October 1, 2018</i>	12-432a
Sec. 24	<i>October 1, 2018</i>	12-667(e)
Sec. 25	<i>October 1, 2018</i>	New section
Sec. 26	<i>October 1, 2018</i>	12-700(c)(2)
Sec. 27	<i>October 1, 2018</i>	12-701(a)(20)
Sec. 28	<i>October 1, 2018</i>	12-790c(a)(1)
Sec. 29	<i>October 1, 2018</i>	3-115(a)(2)
Sec. 30	<i>October 1, 2018</i>	7-168a(a)(1)
Sec. 31	<i>October 1, 2018</i>	12-578i(a)
Sec. 32	<i>from passage</i>	12-391(g)(4)
Sec. 33	<i>from passage</i>	12-642(a)(6)

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 19 \$	FY 20 \$
Department of Revenue Services	GF - Revenue Loss	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes a number of technical and clarifying changes that do not result in any fiscal impact to the state or municipalities.

The bill also extends a pension and annuity deduction under the Personal Income Tax, the impact of which is detailed below.

The Out Years

Section 27 makes permanent the 100% income tax deduction for pension and annuity income for qualifying taxpayers currently scheduled to expire in 2025. This results in an annualized revenue loss of \$57.5 million in FY 26 and \$115 million in FY 27 and annually thereafter.

OLR Bill Analysis**sHB 5433*****AN ACT CONCERNING MINOR AND TECHNICAL CHANGES TO THE TAX AND RELATED STATUTES.*****SUMMARY**

This bill makes various unrelated changes in state tax laws. The bill:

1. modifies the method used to determine the amount of income tax withholding from pension and annuity payments (§ 7);
2. makes permanent the income tax exemption for pension and annuity income for eligible taxpayers, currently scheduled to phase in from the 2019 through 2025 tax years and end after 2025 (§ 27);
3. expands the types of transactions subject to an existing penalty for income tax underpayments attributable to a taxpayer's failure to disclose potentially abusive tax avoidance transactions (§§ 5 & 6);
4. explicitly authorizes the DRS commissioner to use electronic signatures for any filing authorized under the law concerning liens on personal property for delinquent state taxes (i.e., Uniform Commercial Code filings)(§ 1);
5. clarifies that taxpayers issued a Green Building tax credit prior to the program's sunset date (December 1, 2017) may claim the credits (§ 2);
6. eliminates a requirement that the DRS commissioner notify the comptroller of any errors in insurance premiums tax returns that are disclosed during his examination of the returns (§ 3);

7. limits succession tax filing requirements to the estates of decedents who died on or before January 1, 2005, that filed a succession tax return or were assessed succession tax before October 1, 2018 (existing law eliminates the tax for the estates of decedents who died on or after January 1, 2005)(§ 4); and
8. makes numerous technical changes and corrections (§§ 8-26 & 28-33).

EFFECTIVE DATE: Upon passage, except the technical changes and corrections (excluding corrections to an estate and gift tax rate calculation) are effective October 1, 2018.

§ 7 — PENSION AND ANNUITY INCOME WITHHOLDING

Payers Subject to the Withholding Requirement

Current law requires income tax withholding by payers of pension and annuity distributions that (1) maintain an office or transact business in Connecticut and (2) make taxable payments to resident individuals. The bill specifies that the withholding requirement applies to any such payers that make distributions (1) from a profit-sharing plan, stock bonus, deferred compensation plan, individual retirement arrangement, endowment, or life insurance contract or (2) of pension payments or annuities. Under current law, the pension or annuity distributions subject to withholding include these distribution types.

Withholding Amount

The bill requires the method used to determine the amount of income tax withholding to be determined according to instructions the DRS commissioner provides, rather than be the same as the method employers use for payroll withholding.

Under current law, lump sum distributions must be taxed at the highest marginal rate. The bill instead requires the amount withheld from lump sum distributions to be equal to the distribution's taxable portion multiplied by the highest marginal rate. Additionally, it exempts from withholding lump sum distributions that are direct

rollovers in the form of a check made payable to another qualified account. As under existing law, a lump sum distribution is also exempt from withholding if any portion of it was previously taxed or it is a rollover effected as a direct trustee-to-trustee transfer.

The bill also provides that the withholding requirements must not result in the nonpayment of any distribution to a resident individual.

Penalty for Estimated Income Tax Underpayment

Beginning with the 2018 calendar year, the bill prohibits the DRS commissioner from assessing interest on taxpayers for underpaying estimated taxes based solely on the payer's failure to comply with the withholding requirements.

§§ 5 & 6 — POTENTIALLY ABUSIVE TAX SHELTER TRANSACTIONS

By law, a separate penalty applies to state personal income tax underpayments attributable to a taxpayer's failure to disclose transactions on his or her federal tax return (as required under federal law) that the Internal Revenue Service has determined are potentially abusive tax shelters. The penalty is 75% of the underpayment.

For income tax audits beginning on or after January 1, 2018, the bill applies the underpayment penalty to the taxpayer's failure to disclose a "reportable transaction," rather than a "listed transaction." Under federal law, a "reportable transaction" is one required to be disclosed because the IRS has determined, under its regulations, that it is potentially a tax avoidance or evasion transaction. A "listed transaction" is a reportable transaction that is the same as, or substantially similar to, a type of tax avoidance transaction. Reportable transactions also include other specified transaction types, including confidential transactions (i.e., transactions offered to a taxpayer under conditions of confidentiality and for which the taxpayer has paid a minimum advisor fee) and loss transactions (i.e., certain losses, including individual losses of at least \$2 million in a single tax year or \$4 million in any combination of tax years).

§ 27 — INCOME TAX DEDUCTION FOR PENSION AND ANNUITY INCOME

The bill makes permanent the personal income tax deduction for pension and annuity income which is currently scheduled to phase out from the 2019 to 2025 tax years, and end after 2025. Under the bill, eligible taxpayers may deduct 100% of such income for tax years beginning in 2025, and each tax year thereafter. By law, the deduction applies to taxpayers with federal adjusted gross incomes below (1) \$75,000 for single filers, married people filing separately, and heads of households and (2) \$100,000 for married people filing jointly.

Related Bills

sSB 10 and sSB 414, favorably reported by the Finance, Revenue and Bonding Committee, contain identical provisions that make permanent the personal income tax deduction for pension and annuity income.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/05/2018)