



Senate

General Assembly

File No. 624

February Session, 2018

Substitute Senate Bill No. 11

Senate, April 23, 2018

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist. and SEN. FRANTZ, L. of the 36th Dist., Chairpersons of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING CONNECTICUT'S RESPONSE TO FEDERAL TAX REFORM.

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

1 Section 1. (NEW) (*Effective from passage and applicable to taxable years*
2 *commencing on or after January 1, 2018*) (a) As used in this section and
3 section 2 of this act:

4 (1) "Partnership" has the same meaning as provided in Section
5 7701(a)(2) of the Internal Revenue Code, as defined in section 12-213 of
6 the general statutes, and regulations adopted thereunder.
7 "Partnership" includes a limited liability company that is treated as a
8 partnership for federal income tax purposes;

9 (2) "S corporation" means a corporation that is treated as an S
10 corporation for federal income tax purposes;

11 (3) "Affected business entity" means a partnership or S corporation,
12 but does not include a publicly-traded partnership, as defined in

13 Section 7704(b) of the Internal Revenue Code, that has agreed to file an
14 annual return pursuant to section 12-726 of the general statutes
15 reporting the name, address, Social Security number or federal
16 employer identification number and such other information required
17 by the Commissioner of Revenue Services of each unitholder whose
18 distributive share of partnership income derived from or connected
19 with sources within this state was more than five hundred dollars;

20 (4) "Member" means (A) a shareholder of an S corporation, (B) a
21 partner in (i) a general partnership, (ii) a limited partnership, or (iii) a
22 limited liability partnership, or (C) a member of a limited liability
23 company that is treated as a partnership for federal income tax
24 purposes; and

25 (5) "Taxable year" means the taxable year of an affected business
26 entity for federal income tax purposes.

27 (b) Each affected business entity that is required to file a return
28 under the provisions of section 12-726 of the general statutes, as
29 amended by this act, shall, on or before the fifteenth day of the third
30 month following the close of each taxable year, pay to the
31 commissioner a tax as determined under this section.

32 (c) The tax due under subsection (b) of this section shall equal (1)
33 (A) the separately and nonseparately computed items, as described in
34 Section 702(a) of the Internal Revenue Code, of the affected business
35 entity, to the extent derived from or connected with sources within this
36 state, as determined under the provisions of chapter 229 of the general
37 statutes, (B) as increased or decreased by any modification described in
38 section 12-701 of the general statutes, as amended by this act, that
39 relates to an item of the affected business entity's income, gain, loss or
40 deduction, to the extent derived from or connected with sources within
41 this state, as determined under the provisions of chapter 229 of the
42 general statutes, (2) multiplied by six and ninety-nine-hundredths per
43 cent. If the amount calculated under subdivision (1) of this subsection
44 results in a net loss, such net loss may be carried forward to succeeding
45 taxable years until fully used.

46 (d) If an affected business entity, the lower-tier entity, is a member
47 of another affected business entity, the upper-tier entity, the lower-tier
48 entity shall, when calculating the amount under subdivision (1) of
49 subsection (c) of this section, subtract its distributive share of income
50 or add its distributive share of loss from the upper-tier entity to the
51 extent that the income or loss was derived from or connected with
52 sources within this state.

53 (e) (1) A nonresident individual who is a member of an affected
54 business entity shall not be required to file an income tax return under
55 the provisions of chapter 229 of the general statutes for a taxable year
56 if, for such taxable year, the only source of income derived from or
57 connected with sources within this state for such member, or the
58 member and the member's spouse if a joint federal income tax return is
59 or shall be filed, is from one or more affected business entities and
60 such affected business entity or entities file and pay the tax due under
61 this section.

62 (2) The provisions of subdivision (1) of this subsection shall not
63 apply to a nonresident individual who is a member of an affected
64 business entity that elects to file its return on a combined basis under
65 subsection (j) of this section if such nonresident individual member's
66 tax under chapter 229 of the general statutes would not be fully
67 satisfied by the credit allowed to such individual under subparagraph
68 (A) of subdivision (1) of subsection (g) of this section.

69 (f) Each affected business entity shall report to each of its members,
70 for each taxable year, such member's direct pro rata share of the tax
71 imposed under this section on such affected business entity and
72 indirect pro rata share of the tax imposed on any upper-tier entity of
73 which such affected business entity is a member.

74 (g) (1) (A) Each person that is subject to the tax imposed under
75 chapter 229 of the general statutes and is a member of an affected
76 business entity shall be entitled to a credit against the tax imposed
77 under said chapter, other than the tax imposed under section 12-707 of
78 the general statutes. Such credit shall be in an amount equal to such

79 person's direct and indirect pro rata share of the tax paid under this
80 section by any affected business entity of which such person is a
81 member multiplied by ninety-three and one-hundredths per cent. If
82 the amount of the credit allowed pursuant to this subdivision exceeds
83 such person's tax liability for the tax imposed under said chapter, the
84 commissioner shall treat such excess as an overpayment and, except as
85 provided in section 12-739 or 12-742 of the general statutes, shall
86 refund the amount of such excess, without interest, to such person.

87 (B) Each person that is subject to the tax imposed under chapter 229
88 of the general statutes and is a member of an affected business entity
89 shall also be entitled to a credit against the tax imposed under said
90 chapter, other than the tax imposed under section 12-707 of the general
91 statutes, for such person's direct and indirect pro rata share of taxes
92 paid to another state of the United States or the District of Columbia,
93 on income of any affected business entity of which such person is a
94 member that is derived therefrom, provided the taxes paid to another
95 state of the United States or the District of Columbia results from a tax
96 that the commissioner determines is substantially similar to the tax
97 imposed under this section. Any such credit shall be calculated in the
98 manner prescribed by the commissioner, which shall be consistent
99 with the provisions of section 12-704 of the general statutes.

100 (2) Each company that is subject to the tax imposed under chapter
101 208 of the general statutes and is a member of an affected business
102 entity shall be entitled to a credit against the tax imposed under said
103 chapter. Such credit shall be in an amount equal to such company's
104 direct and indirect pro rata share of the tax paid under this section by
105 any affected business entity of which such company is a member
106 multiplied by ninety-three and one-hundredths per cent. Such credit
107 shall be applied after all other credits are applied and shall not be
108 subject to the limits imposed under section 12-217zz of the general
109 statutes. Any credit that is not used in the income year during which
110 the affected business entity incurs the tax under this section shall be
111 carried forward to each of the succeeding income years by the
112 company until such credit is fully taken against the tax under chapter

113 208 of the general statutes.

114 (h) Upon the failure of any affected business entity to pay the tax
115 due under this section within thirty days of the due date, the
116 provisions of section 12-35 of the general statutes shall apply with
117 respect to the enforcement of this section and the collection of such tax.
118 The warrant therein provided for shall be signed by the commissioner
119 or an authorized agent of the commissioner. The amount of any such
120 tax, penalty and interest shall be a lien, from the last day of the last
121 month of the taxable year next preceding the due date of such tax until
122 discharged by payment, against all real estate of the taxpayer within
123 the state, and a certificate of such lien signed by the commissioner may
124 be recorded in the office of the clerk of any town in which such real
125 estate is situated, provided no such lien shall be effective as against
126 any bona fide purchaser or qualified encumbrancer of any interest in
127 any such property. When any tax with respect to which a lien has been
128 recorded under the provisions of this section has been satisfied, the
129 commissioner, upon request of any interested party, shall issue a
130 certificate discharging such lien, which certificate shall be recorded in
131 the same office in which the lien was recorded. Any action for the
132 foreclosure of such lien shall be brought by the Attorney General in the
133 name of the state in the superior court for the judicial district in which
134 the property subject to such lien is situated, or, if such property is
135 located in two or more judicial districts, in the superior court for any
136 one such judicial district, and the court may limit the time for
137 redemption or order the sale of such property or make such other or
138 further decree as it judges equitable.

139 (i) If any tax is not paid when due as provided in this section, there
140 shall be added to the amount of the tax interest at the rate of one per
141 cent per month or fraction thereof from the date the tax became due
142 until it is paid.

143 (j) (1) Any affected business entity subject to tax under this section
144 may elect to file a combined return together with one or more other
145 commonly-owned affected business entities subject to tax under this

146 section. Each affected business entity making such election shall
147 submit written notice of such election to file a combined return,
148 including the written consent of the other commonly-owned affected
149 business entities to such election, to the commissioner not later than
150 the due date, or if an extension of time to file has been requested and
151 granted, the extended due date, of the returns due from such entities.
152 An affected business entity shall submit such written notice and
153 consent for each taxable year such entity makes the election under this
154 subdivision. Each affected business entity electing to file a combined
155 return under this subdivision shall be jointly and severally liable for
156 the tax due under this section. For the purposes of this subdivision,
157 "commonly-owned" means that more than eighty per cent of the voting
158 control of an affected business entity is directly or indirectly owned by
159 a common owner or owners, either corporate or noncorporate.
160 Whether voting control is indirectly owned shall be determined in
161 accordance with Section 318 of the Internal Revenue Code.

162 (2) Except as provided in subdivision (5) of this subsection, affected
163 business entities that elect to file a combined return under subdivision
164 (1) of this subsection shall net the amounts each such entity calculates
165 under subdivision (1) of subsection (c) of this section after such
166 amounts are separately apportioned or allocated by each affected
167 business entity in accordance with this section.

168 (3) Affected business entities that elect to file a combined return
169 under subdivision (1) of this subsection shall report to the
170 commissioner the portion of the direct and indirect pro rata share of
171 the tax paid with the combined return that is allocated to each of their
172 members. Such report shall be filed with the combined return and the
173 allocation reported shall be irrevocable.

174 (4) The election made under this subsection shall not affect the
175 calculation of tax due under any other provision of the general statutes
176 other than with respect to the calculation of the credits under
177 subsection (g) of this section.

178 (5) Affected business entities that elect to file a combined return

179 under subdivision (1) of this subsection shall calculate their tax due in
180 accordance with subsection (c) of this section unless each such entity
181 elects under subsection (k) of this section to calculate its tax due on the
182 alternative basis under subsection (l) of this section. If such election is
183 made, the affected business entities shall net their alternative tax bases
184 instead of netting the amounts under subdivision (2) of this subsection.

185 (k) In lieu of calculating the tax due in accordance with subsection
186 (c) of this section, any affected business entity may elect to calculate
187 the tax due on the alternative basis under subsection (l) of this section.
188 An affected business entity making such election shall submit to the
189 commissioner written notice of such election not later than the due
190 date, or if an extension of time to file has been requested and granted,
191 the extended due date, of the return due from such entity. An affected
192 business entity shall submit such written notice for each taxable year
193 such entity makes the election under this subsection. The election
194 made under this subsection shall not affect the calculation of tax due
195 under any other provision of the general statutes other than with
196 respect to the calculation of the credits under subsection (g) of this
197 section.

198 (l) (1) The tax due from an affected business entity making the
199 election under subsection (k) of this section shall be equal to six and
200 ninety-nine-hundredths per cent multiplied by the alternative tax base.
201 The alternative tax base shall be equal to the resident portion of
202 unsourced income plus modified Connecticut source income.

203 (2) For the purposes of this subsection:

204 (A) "Resident portion of unsourced income" means unsourced
205 income multiplied by a percentage equal to the sum of the ownership
206 interests in the affected business entity owned by members who are
207 residents of this state, as defined in section 12-701 of the general
208 statutes, as amended by this act;

209 (B) "Unsourced income" means the separately and nonseparately
210 computed items, as described in Section 702(a) of the Internal Revenue

211 Code, of the affected business entity, regardless of the location from
212 which such item is derived or connected, as increased or decreased by
213 any modification described in section 12-701 of the general statutes, as
214 amended by this act, that relates to an item of the affected business
215 entity's income, gain, loss or deduction, regardless of the location from
216 which such item is derived or connected, less (i) the amount
217 determined under subdivision (1) of subsection (c) of this section,
218 determined without regard to subsection (d) of this section, and (ii) the
219 separately and nonseparately computed items, as described in Section
220 702(a) of the Internal Revenue Code, of the affected business entity, to
221 the extent derived from or connected with sources within another state
222 that has jurisdiction to subject the affected business entity to tax, as
223 determined under the provisions of chapter 229 of the general statutes,
224 as increased or decreased by any modification described in section 12-
225 701 of the general statutes, as amended by this act, to the extent
226 derived from or connected with sources within another state that has
227 jurisdiction to subject the affected business entity to tax, as determined
228 under the provisions of chapter 229 of the general statutes; and

229 (C) "Modified Connecticut source income" means the amount
230 calculated under subdivision (1) of subsection (c) of this section
231 multiplied by a percentage equal to the sum of the ownership interests
232 in the affected business entity owned by members that are (i) subject to
233 tax under chapter 229 of the general statutes, or (ii) affected business
234 entities to the extent such entities are directly or indirectly owned by
235 persons subject to tax under chapter 229 of the general statutes. A
236 member that is an affected business entity shall be presumed to be
237 directly or indirectly owned by persons subject to tax under chapter
238 229 of the general statutes unless the affected business entity subject to
239 tax under this section can establish otherwise by clear and convincing
240 evidence satisfactory to the commissioner.

241 (m) The provisions of sections 12-723, 12-725 and 12-728 to 12-737,
242 inclusive, of the general statutes shall apply to the provisions of this
243 section in the same manner and with the same force and effect as if the
244 language of said sections had been incorporated in full into this section

245 and had expressly referred to the tax under this section, except to the
246 extent that any such provision is inconsistent with a provision of this
247 section.

248 Sec. 2. (NEW) (*Effective from passage and applicable to taxable years*
249 *commencing on or after January 1, 2018*) (a) As used in this section,
250 "required annual payment" means the lesser of (1) ninety per cent of
251 the tax under section 1 of this act that is reported on the return filed for
252 the taxable year or, if no return is filed, ninety per cent of the tax due
253 under section 1 of this act, or (2) if the preceding taxable year was a
254 taxable year of twelve months and the affected business entity filed a
255 return for such taxable year, one hundred per cent of the tax under
256 section 1 of this act that is reported on such return.

257 (b) (1) Each affected business entity required to pay the tax imposed
258 under section 1 of this act shall make the required annual payment
259 each taxable year, in four required estimated tax installments on the
260 following due dates: (A) For the first required installment, the fifteenth
261 day of the fourth month of the taxable year; (B) for the second required
262 installment, the fifteenth day of the sixth month of the taxable year; (C)
263 for the third required installment, the fifteenth day of the ninth month
264 of the taxable year, and (D) for the fourth required installment, the
265 fifteenth day of the first month of the next succeeding taxable year. An
266 affected business entity may elect to pay any required installment prior
267 to the specified due date. Except as provided in subdivision (2) of this
268 subsection, the amount of each required installment shall be twenty-
269 five per cent of the required annual payment.

270 (2) (A) For any required installment, if the affected business entity
271 establishes that its annualized income installment calculated pursuant
272 to subparagraph (B) of this subdivision is less than the amount
273 determined under subsection (a) of this section, the amount of such
274 required installment shall be the annualized income installment. Any
275 reduction in a required installment resulting pursuant to this
276 subdivision shall be recaptured by increasing the amount of the next
277 required installment by the amount of such reduction and by

278 increasing subsequent required installments to the extent such
279 reduction has not previously been recaptured under this subdivision.

280 (B) The annualized income installment is the amount by which (i)
281 the amount equal to the applicable percentage, as set forth in
282 subparagraph (C) of this subdivision, multiplied by the tax imposed
283 under section 1 of this act for the taxable year that would be due if
284 income subject to tax under said section for the months in the taxable
285 year ending before the due date of the installment was annualized, (ii)
286 exceeds the aggregate amount of any prior required installments for
287 the taxable year.

288 (C) For the purposes of subparagraph (B) of this subdivision, the
289 applicable percentages shall be as follows: (i) For the first required
290 installment, twenty-two and one-half per cent; (ii) for the second
291 required installment, forty-five per cent; (iii) for the third required
292 installment, sixty-seven and one-half per cent; and (iv) for the fourth
293 required installment, ninety per cent.

294 (c) (1) Except as otherwise provided in this section, in the case of
295 any underpayment of estimated tax by an affected business entity,
296 there shall be added to the tax imposed under section 1 of this act an
297 amount determined by applying interest (A) at the rate of one per cent
298 per month or fraction thereof, (B) to the amount of the underpayment,
299 (C) for the period of the underpayment.

300 (2) For the purposes of subdivision (1) of this subsection, (A) the
301 amount of the underpayment is the amount by which the required
302 installment exceeds the amount, if any, of the installment paid on or
303 before the due date of the installment, and (B) the period of the
304 underpayment runs from the due date of the installment to whichever
305 date is earlier: (i) The fifteenth day of the third month of the next
306 succeeding taxable year, or (ii) with respect to any portion of the
307 underpayment, the date on which such portion is paid. Any payment
308 of estimated tax under this section shall be credited against unpaid or
309 underpaid required installments in the order in which such
310 installments are required to be paid.

311 (d) Payment of the estimated tax under this section or any required
312 installment thereof shall be considered payment on account of the tax
313 imposed under section 1 of this act for the taxable year.

314 (e) For taxable years of less than twelve months, the provisions of
315 this section shall apply in a manner consistent with the regulations
316 adopted under chapter 229 of the general statutes pertaining to such
317 taxable years.

318 Sec. 3. Subdivision (1) of subsection (b) of section 12-719 of the 2018
319 supplement to the general statutes is repealed and the following is
320 substituted in lieu thereof (*Effective from passage*):

321 (b) (1) (A) The provisions of this subsection shall not apply to
322 taxable years commencing on or after January 1, 2018.

323 (B) With respect to each of its nonresident partners, each
324 partnership doing business in this state or having income derived from
325 or connected with sources within this state shall, for each taxable year,
326 make payment to the commissioner as provided in subdivision (2) of
327 this subsection.

328 Sec. 4. Subdivision (1) of subsection (c) of section 12-719 of the 2018
329 supplement to the general statutes is repealed and the following is
330 substituted in lieu thereof (*Effective from passage*):

331 (c) (1) (A) The provisions of this subsection shall not apply to
332 taxable years commencing on or after January 1, 2018.

333 (B) With respect to each of its nonresident shareholders, each S
334 corporation doing business in this state or having income derived from
335 or connected with sources within this state shall, for each taxable year,
336 make payment to the commissioner as provided in subdivision (2) of
337 this subsection.

338 Sec. 5. Section 12-726 of the general statutes is repealed and the
339 following is substituted in lieu thereof (*Effective from passage and*
340 *applicable to taxable years commencing on or after January 1, 2018*):

341 (a) Each partnership doing business in this state or having any
342 income derived from or connected with sources within this state,
343 determined in accordance with the provisions of this chapter, shall
344 make a return for the taxable year setting forth all items of income,
345 gain, loss and deduction, and the name, address and Social Security or
346 federal employer identification number of each partner, whether or not
347 a resident of this state, the amount of each partner's distributive share
348 of (1) such partnership's separately and nonseparately computed
349 items, as described in Section 702(a) of the Internal Revenue Code, (2)
350 any modification described in section 12-701, as amended by this act,
351 which relates to an item of such partnership's income, gain, loss or
352 deduction, (3) such partnership's separately and nonseparately
353 computed items, as described in Section 702(a) of the Internal Revenue
354 Code, to the extent derived from or connected with sources within this
355 state, as determined under this chapter, [and] (4) any modification
356 described in section 12-701, as amended by this act, which relates to an
357 item of such partnership's income, gain, loss or deduction, to the extent
358 derived from or connected with sources within this state, as
359 determined under this chapter, and (5) the direct pro rata share of the
360 tax imposed on the partnership under section 1 of this act and the
361 indirect pro rata share of the tax imposed on any upper-tier entity
362 under section 1 of this act, and such other pertinent information as the
363 Commissioner of Revenue Services may prescribe by regulations and
364 instructions. Such return shall be filed on or before the fifteenth day of
365 the [fourth] third month following the close of each taxable year. The
366 partnership shall, on or before the day on which such return is filed,
367 furnish to each person who was a partner during the taxable year a
368 copy of such information as shown on the return. By way of example
369 and not of limitation, and for purposes of this section, [and section 12-
370 719,] a partnership that has a substantial economic presence within this
371 state, as evidenced by a purposeful direction of business toward this
372 state, examined in light of the frequency, quantity and systematic
373 nature of the partnership's economic contacts with this state, without
374 regard to physical presence, shall, to the extent permitted by the
375 Constitution of the United States, be considered to be doing business

376 in this state.

377 (b) Each S corporation doing business in this state or having any
378 income derived from or connected with sources within this state,
379 determined in accordance with the provisions of this chapter, shall
380 make a return for the taxable year setting forth all items of income,
381 gain, loss and deduction, and the name, address and Social Security or
382 federal employer identification number of each shareholder, whether
383 or not a resident of this state, the amount of each shareholder's pro rata
384 share of (1) such S corporation's separately and nonseparately
385 computed items, as described in Section 1366 of the Internal Revenue
386 Code, (2) any modification described in section 12-701, as amended by
387 this act, which relates to an item of such S corporation's income, gain,
388 loss or deduction, (3) such S corporation's separately and
389 nonseparately computed items, as described in Section 1366 of the
390 Internal Revenue Code, to the extent derived from or connected with
391 sources within this state, as determined under this chapter, [and] (4)
392 any modification described in section 12-701, as amended by this act,
393 which relates to an item of such S corporation's income, gain, loss or
394 deduction, to the extent derived from or connected with sources within
395 this state, as determined under this chapter, and (5) the direct pro rata
396 share of the tax imposed on the S corporation under section 1 of this
397 act and the indirect pro rata share of the tax imposed on any upper-tier
398 entity under section 1 of this act, and such other pertinent information
399 as the Commissioner of Revenue Services may prescribe by regulations
400 and instructions. Such return shall be filed on or before the fifteenth
401 day of the [fourth] third month following the close of each taxable
402 year. The S corporation shall, on or before the day on which such
403 return is filed, furnish to each person who was a shareholder during
404 the taxable year a copy of such information as shown on the return. By
405 way of example and not of limitation, and for purposes of this section,
406 [and section 12-719,] an S corporation that has a substantial economic
407 presence within this state, as evidenced by a purposeful direction of
408 business toward this state, examined in light of the frequency, quantity
409 and systematic nature of the S corporation's economic contacts with
410 this state, without regard to physical presence, shall, to the extent

411 permitted by the Constitution of the United States, be considered to be
412 doing business in this state.

413 Sec. 6. Subsection (b) of section 12-733 of the general statutes is
414 repealed and the following is substituted in lieu thereof (*Effective from*
415 *passage and applicable to taxable years commencing on or after January 1,*
416 *2018*):

417 (b) (1) If the taxpayer omits from Connecticut adjusted gross
418 income, in the case of an individual, or from Connecticut taxable
419 income, in the case of a trust or estate, an amount properly includable
420 therein which is in excess of twenty-five per cent of the amount of
421 Connecticut adjusted gross income or Connecticut taxable income, as
422 the case may be, stated in the return, a notice of a proposed deficiency
423 assessment may be mailed to the taxpayer not later than six years after
424 the date on which the return is filed. For purposes of this subdivision,
425 there shall not be taken into account any amount which is omitted in
426 the return if such amount is disclosed in the return, or in a statement
427 attached to the return, in a manner adequate to apprise the
428 Commissioner of Revenue Services of the nature and the amount of
429 such item.

430 (2) If the taxpayer omits from the Connecticut adjusted gross income
431 derived from or connected with sources within this state, in the case of
432 a nonresident individual or part-year resident individual, or from
433 Connecticut taxable income derived from or connected with sources
434 within this state, in the case of a nonresident trust or estate of part-year
435 resident trust, an amount properly includable therein which is in
436 excess of twenty-five per cent of the amount of Connecticut adjusted
437 gross income derived from or connected with sources within this state
438 or Connecticut taxable income derived from or connected with sources
439 within this state, as the case may be, stated in the return, a notice of a
440 proposed deficiency assessment may be mailed to the taxpayer not
441 later than six years after the date on which the return is filed. For
442 purposes of this subdivision, there shall not be taken into account any
443 amount which is omitted in the return if such amount is disclosed in

444 the return, or in a statement attached to the return, in a manner
445 adequate to apprise the commissioner of the nature and the amount of
446 such item.

447 (3) If an employer, as defined in section 12-707, omits from
448 Connecticut wages an amount properly includable that is in excess of
449 twenty-five per cent of the amount of Connecticut wages stated in the
450 Connecticut withholding tax return required under section 12-707, a
451 notice of a proposed deficiency assessment may be mailed to the
452 employer not later than six years after the date on which the return is
453 filed. For purposes of this subdivision, there shall not be taken into
454 account any amount which is omitted in the return if such amount is
455 disclosed in the return, or in a statement attached to the return, in a
456 manner adequate to apprise the commissioner of the nature and the
457 amount of such item.

458 (4) If [a pass-through entity, as defined in subparagraph (D) of
459 subdivision (2) of subsection (b) of section 12-719] an affected business
460 entity, as defined in section 1 of this act, omits from the Connecticut
461 adjusted gross income derived from or connected with sources within
462 Connecticut of any [nonresident individual who is a] member of such
463 [pass-through] affected business entity an amount properly includable
464 therein [which] that is in excess of twenty-five per cent of the amount
465 of Connecticut adjusted gross income derived from or connected with
466 sources within Connecticut stated in the return required under section
467 1 of this act, a notice of a proposed deficiency assessment may be
468 mailed to the taxpayer not later than six years after the date on which
469 the return is filed. For purposes of this subdivision, there shall not be
470 taken into account any amount [which] that is omitted in the return if
471 such amount is disclosed in the return, or in a statement attached to
472 the return, in a manner adequate to apprise the commissioner of the
473 nature and the amount of such item.

474 Sec. 7. Subsection (a) of section 4-30a of the 2018 supplement to the
475 general statutes is repealed and the following is substituted in lieu
476 thereof (*Effective from passage*):

477 (a) All revenue in excess of three billion one hundred fifty million
478 dollars received by the state each fiscal year from estimated and final
479 payments of the personal income tax imposed under chapter 229 and
480 the affected business entity tax imposed under section 1 of this act
481 shall be transferred by the Treasurer to a special fund to be known as
482 the Budget Reserve Fund.

483 Sec. 8. Subdivision (1) of subsection (aa) of section 3-20 of the 2018
484 supplement to the general statutes is repealed and the following is
485 substituted in lieu thereof (*Effective May 15, 2018*):

486 (aa) (1) For each fiscal year during which general obligation bonds
487 or credit revenue bonds issued on and after May 15, 2018, and prior to
488 July 1, 2020, shall be outstanding, the state of Connecticut shall comply
489 with the provisions of (A) section 4-30a of the general statutes, revision
490 of 1958, revised to January 1, 2017, as amended by section 704 of public
491 act 17-2 of the June special session and section 7 of this act, (B) section
492 2-33c in effect on October 31, 2017, (C) section 2-33a of the general
493 statutes, revision of 1958, revised to January 1, 2017, as amended by
494 section 709 of public act 17-2 of the June special session, (D)
495 subsections (d) and (g) of this section, revision of 1958, revised to
496 January 1, 2017, as amended by sections 710 and 711 of public act 17-2
497 of the June special session, and (E) section 3-21 of the general statutes,
498 revision of 1958, revised to January 1, 2017, as amended by section 712
499 of public act 17-2 of the June special session. The state of Connecticut
500 does hereby pledge to and agree with the holders of any bonds, notes
501 and other obligations issued pursuant to subdivision (2) of this
502 subsection that no public or special act of the General Assembly taking
503 effect on or after May 15, 2018, and prior to July 1, 2028, shall alter the
504 obligation to comply with the provisions of the sections and
505 subsections set forth in subparagraphs (A) to (E), inclusive, of this
506 subdivision, until such bonds, notes or other obligations, together with
507 the interest thereon, are fully met and discharged, provided nothing in
508 this subsection shall preclude such alteration (i) if and when adequate
509 provision shall be made by law for the protection of the holders of
510 such bonds, or (ii) (I) if and when the Governor declares an emergency

511 or the existence of extraordinary circumstances, in which the
512 provisions of section 4-85 are invoked, (II) at least three-fifths of the
513 members of each chamber of the General Assembly vote to alter such
514 required compliance during the fiscal year for which the emergency or
515 existence of extraordinary circumstances are determined, and (III) any
516 such alteration is for the fiscal year in progress only.

517 Sec. 9. Section 3-114g of the general statutes is repealed and the
518 following is substituted in lieu thereof (*Effective from passage*):

519 At the end of each fiscal year, commencing with the fiscal year
520 ending on June 30, 1990, the Comptroller is authorized to record as
521 revenue for such fiscal year [] the amount of revenue related to the tax
522 imposed under chapter 208 and section 1 of this act for such fiscal year
523 which is received by the Commissioner of Revenue Services not later
524 than five business days after the [August fifteenth] last day of July
525 immediately following the end of such fiscal year.

526 Sec. 10. (NEW) (*Effective July 1, 2018*) (a) As used in this section: (1)
527 "Residential property" means (A) a building containing three or fewer
528 dwelling units used for human habitation, the parcel of land on which
529 such building is situated and any accessory buildings or other
530 improvements located on such parcel, (B) a condominium, as defined
531 in section 47-68a of the general statutes, that is used for residential
532 purposes, or (C) a common interest community, as defined in section
533 47-202 of the general statutes; (2) "community supporting
534 organization" means an organization that is (A) exempt from taxation
535 pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, or
536 any subsequent corresponding internal revenue code of the United
537 States, as amended from time to time, and (B) organized solely to
538 support municipal expenditures for public programs and services,
539 including public education; and (3) "municipality" means any town,
540 city or borough, consolidated town and city or consolidated town and
541 borough.

542 (b) (1) Upon approval, on or before October first of each year, by a
543 municipality's legislative body, or in any town in which the legislative

544 body is a town meeting, by the board of selectmen, any municipality
545 may provide a residential property tax credit for the following fiscal
546 year in accordance with the provisions of this section. The
547 municipality shall determine the amount of such tax credit, except that
548 such amount shall not exceed the lesser of (A) the amount of property
549 tax owed, or (B) eighty-five per cent of the amount of voluntary,
550 unrestricted and irrevocable cash donations made by or on behalf of
551 the owner of a residential property located in the municipality to a
552 community supporting organization during the calendar year
553 preceding the year in which an application for such tax credit is filed.
554 The municipality may include in any such approval a residency
555 requirement or other requirement the municipality deems necessary or
556 desirable. Any grant amounts received by a municipality from the
557 designated community supporting organization pursuant to
558 subsection (c) of this section shall be subject to municipal
559 appropriation and expenditure.

560 (2) Upon approval of a tax credit under subdivision (1) of this
561 subsection, the owner of a residential property located in the
562 municipality or a person on behalf of such owner may make a
563 voluntary, unrestricted and irrevocable cash donation or donations to
564 the community supporting organization designated pursuant to
565 subsection (c) of this section.

566 (c) Any municipality that approves a tax credit pursuant to
567 subdivision (1) of subsection (b) of this section shall designate a single
568 community supporting organization to receive cash donations that will
569 qualify for such tax credit. The chief executive officer of such
570 municipality shall enter into an agreement with such designated
571 community supporting organization that requires (1) the designated
572 community supporting organization to only accept voluntary,
573 unrestricted and irrevocable cash donations, (2) the designated
574 community supporting organization to provide, on or before July first
575 of each year, a grant to the municipality in an amount equal to all cash
576 donations received during the prior fiscal year and a written statement
577 of all cash donations received during such year, including the name

578 and residential address of each donor, the name and residential
579 address of the owner of the residential property if the donation was
580 made on behalf of such owner and the date each such donation was
581 received, (3) the municipality to provide, not later than December
582 thirty-first following such fiscal year, a written statement to the
583 designated community supporting organization of the municipal
584 programs and services supported by the grant provided by the
585 designated community supporting organization in such fiscal year, (4)
586 the municipality to serve as the administrative and fiscal agent for the
587 designated community supporting organization. The municipality
588 may retain and expend an amount of not more than fifteen per cent of
589 the total amount of the grant received during a fiscal year as the
590 reasonable costs of providing such service as the administrative and
591 fiscal agent, and (5) the designated community supporting
592 organization to provide a contemporaneous written receipt to a donor
593 of a voluntary, unrestricted and irrevocable cash donation.

594 (d) (1) A taxpayer that has made a voluntary, unrestricted and
595 irrevocable cash donation pursuant to subdivision (2) of subsection (b)
596 of this section may file an application for the tax credit under this
597 section with the tax collector of the municipality in which the
598 residential property is located. No tax credit under this section shall be
599 allowed unless the taxpayer or an authorized agent of the taxpayer
600 files the application on or after January first and prior to April second
601 prior to the fiscal year for which such tax credit is being claimed.

602 (2) Each such applicant shall include evidence satisfactory to the tax
603 collector of the total amount of such donations made during the
604 preceding calendar year to a community supporting organization and
605 an affidavit, on a form prescribed by the Secretary of the Office of
606 Policy and Management, affirming that such donations were made in
607 cash and were voluntary, unrestricted and irrevocable.

608 (e) Upon the receipt of all information required under subsection (d)
609 of this section, the tax collector shall apply the residential property tax
610 credit, subject to any limitations set forth by the municipality in the

611 authorizing ordinance, to the residential property tax due and payable
612 for the fiscal year for which the application was received.

613 (f) No taxpayer may use a cash donation made pursuant to
614 subdivision (2) of subsection (b) of this section to claim a tax credit
615 with respect to more than one fiscal year. Any taxpayer who
616 knowingly submits a false record or knowingly makes a false affidavit
617 to claim the tax credit under this section shall be fined not more than
618 five hundred dollars and shall refund to the municipality the entire
619 amount of the tax credit improperly received.

620 Sec. 11. Subparagraphs (A) and (B) of subdivision (20) of subsection
621 (a) of section 12-701 of the 2018 supplement to the general statutes are
622 repealed and the following is substituted in lieu thereof (*Effective from*
623 *passage and applicable to taxable years commencing on or after January 1,*
624 *2017*):

625 (20) "Connecticut adjusted gross income" means adjusted gross
626 income, with the following modifications:

627 (A) There shall be added thereto:

628 (i) ~~[to]~~ To the extent not properly includable in gross income for
629 federal income tax purposes, any interest income from obligations
630 issued by or on behalf of any state, political subdivision thereof, or
631 public instrumentality, state or local authority, district or similar public
632 entity, exclusive of such income from obligations issued by or on
633 behalf of the state of Connecticut, any political subdivision thereof, or
634 public instrumentality, state or local authority, district or similar public
635 entity created under the laws of the state of Connecticut and exclusive
636 of any such income with respect to which taxation by any state is
637 prohibited by federal law; [,]

638 (ii) ~~[any]~~ Any exempt-interest dividends, as defined in Section
639 852(b)(5) of the Internal Revenue Code, exclusive of such exempt-
640 interest dividends derived from obligations issued by or on behalf of
641 the state of Connecticut, any political subdivision thereof, or public

642 instrumentality, state or local authority, district or similar public entity
643 created under the laws of the state of Connecticut and exclusive of
644 such exempt-interest dividends derived from obligations, the income
645 with respect to which taxation by any state is prohibited by federal
646 law; [.]

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

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

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

662 (vi) [to] To the extent deductible in determining federal adjusted
663 gross income, any income taxes imposed by this state; [.]

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

668 (viii) [expenses] Expenses paid or incurred during the taxable year
669 for the production or collection of income which is exempt from
670 taxation under this chapter or the management, conservation or
671 maintenance of property held for the production of such income, and
672 the amortizable bond premium for the taxable year on any bond the

673 interest on which is exempt from tax under this chapter to the extent
674 that such expenses and premiums are deductible in determining
675 federal adjusted gross income; [.]

676 (ix) [for] For property placed in service after [September 10, 2001,
677 but prior to September 11, 2004, in taxable years ending after
678 September 10, 2001] September 27, 2017, any additional allowance for
679 depreciation under subsection (k) of Section 168 of the Internal
680 Revenue Code, [as provided by Section 101 of the Job Creation and
681 Worker Assistance Act of 2002,] to the extent deductible in
682 determining federal adjusted gross income; [.]

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

687 (xi) [to] To the extent not properly includable in gross income for
688 federal income tax purposes for the taxable year, any income from the
689 discharge of indebtedness, in taxable years ending after December 31,
690 2008, in connection with any reacquisition, after December 31, 2008,
691 and before January 1, 2011, of an applicable debt instrument or
692 instruments, as those terms are defined in Section 108 of the Internal
693 Revenue Code, as amended by Section 1231 of the American Recovery
694 and Reinvestment Act of 2009, the inclusion of which income in federal
695 gross income for the taxable year is deferred, as provided by said
696 Section 1231; [.]

697 (xii) [to] To the extent not properly includable in gross income for
698 federal income tax purposes, an amount equal to (I) any distribution
699 from a manufacturing reinvestment account not used in accordance
700 with subdivision (3) of subsection (c) of section 32-9zz to the extent
701 that a contribution to such account was subtracted from federal
702 adjusted gross income pursuant to clause (xix) of subparagraph (B) of
703 this subdivision in computing Connecticut adjusted gross income for
704 the current or a preceding taxable year, and (II) any return of money
705 from a manufacturing reinvestment account pursuant to subsection (d)

706 of section 32-9zz to the extent that a contribution to such account was
707 subtracted from federal adjusted gross income pursuant to clause (xix)
708 of subparagraph (B) of this subdivision in computing Connecticut
709 adjusted gross income for the current or a preceding taxable year; [,
710 and]

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

715 (xiv) For taxable years commencing on or after January 1, 2018,
716 eighty per cent of any deduction claimed for federal purposes under
717 Section 179 of the Internal Revenue Code.

718 (B) There shall be subtracted therefrom:

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

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

724 (iii) To the extent properly includable in gross income for federal
725 income tax purposes, the amount of any refund or credit for
726 overpayment of income taxes imposed by this state, or any other state
727 of the United States or a political subdivision thereof, or the District of
728 Columbia; [, to the extent properly includable in gross income for
729 federal income tax purposes,]

730 (iv) [to] To the extent properly includable in gross income for
731 federal income tax purposes and not otherwise subtracted from federal
732 adjusted gross income pursuant to clause (x) of this subparagraph in
733 computing Connecticut adjusted gross income, any tier 1 railroad
734 retirement benefits; [,]

735 (v) [to] To the extent any additional allowance for depreciation

736 under Section 168(k) of the Internal Revenue Code [, as provided by
737 Section 101 of the Job Creation and Worker Assistance Act of 2002,] for
738 property placed in service after [December 31, 2001, but prior to
739 September 10, 2004] September 27, 2017, was added to federal adjusted
740 gross income pursuant to subparagraph (A)(ix) of this subdivision in
741 computing Connecticut adjusted gross income, [for a taxable year
742 ending after December 31, 2001,] twenty-five per cent of such
743 additional allowance for depreciation in each of the four succeeding
744 taxable years; [.]

745 (vi) [to] To the extent properly includable in gross income for
746 federal income tax purposes, any interest income from obligations
747 issued by or on behalf of the state of Connecticut, any political
748 subdivision thereof, or public instrumentality, state or local authority,
749 district or similar public entity created under the laws of the state of
750 Connecticut; [.]

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

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

764 (ix) [ordinary] Ordinary and necessary expenses paid or incurred
765 during the taxable year for the production or collection of income
766 which is subject to taxation under this chapter but exempt from federal
767 income tax, or the management, conservation or maintenance of
768 property held for the production of such income, and the amortizable

769 bond premium for the taxable year on any bond the interest on which
770 is subject to tax under this chapter but exempt from federal income tax,
771 to the extent that such expenses and premiums are not deductible in
772 determining federal adjusted gross income and are attributable to a
773 trade or business carried on by such individual; [.]

774 (x) (I) [~~for~~] For taxable years commencing prior to January 1, 2019,
775 for a person who files a return under the federal income tax as an
776 unmarried individual whose federal adjusted gross income for such
777 taxable year is less than fifty thousand dollars, or as a married
778 individual filing separately whose federal adjusted gross income for
779 such taxable year is less than fifty thousand dollars, or for a husband
780 and wife who file a return under the federal income tax as married
781 individuals filing jointly whose federal adjusted gross income for such
782 taxable year is less than sixty thousand dollars or a person who files a
783 return under the federal income tax as a head of household whose
784 federal adjusted gross income for such taxable year is less than sixty
785 thousand dollars, an amount equal to the Social Security benefits
786 includable for federal income tax purposes;

787 (II) [~~for~~] For taxable years commencing prior to January 1, 2019, for
788 a person who files a return under the federal income tax as an
789 unmarried individual whose federal adjusted gross income for such
790 taxable year is fifty thousand dollars or more, or as a married
791 individual filing separately whose federal adjusted gross income for
792 such taxable year is fifty thousand dollars or more, or for a husband
793 and wife who file a return under the federal income tax as married
794 individuals filing jointly whose federal adjusted gross income from
795 such taxable year is sixty thousand dollars or more or for a person who
796 files a return under the federal income tax as a head of household
797 whose federal adjusted gross income for such taxable year is sixty
798 thousand dollars or more, an amount equal to the difference between
799 the amount of Social Security benefits includable for federal income tax
800 purposes and the lesser of twenty-five per cent of the Social Security
801 benefits received during the taxable year, or twenty-five per cent of the
802 excess described in Section 86(b)(1) of the Internal Revenue Code;

803 (III) [for] For the taxable year commencing January 1, 2019, and each
804 taxable year thereafter, for a person who files a return under the
805 federal income tax as an unmarried individual whose federal adjusted
806 gross income for such taxable year is less than seventy-five thousand
807 dollars, or as a married individual filing separately whose federal
808 adjusted gross income for such taxable year is less than seventy-five
809 thousand dollars, or for a husband and wife who file a return under
810 the federal income tax as married individuals filing jointly whose
811 federal adjusted gross income for such taxable year is less than one
812 hundred thousand dollars or a person who files a return under the
813 federal income tax as a head of household whose federal adjusted
814 gross income for such taxable year is less than one hundred thousand
815 dollars, an amount equal to the Social Security benefits includable for
816 federal income tax purposes; and

817 (IV) [for] For the taxable year commencing January 1, 2019, and each
818 taxable year thereafter, for a person who files a return under the
819 federal income tax as an unmarried individual whose federal adjusted
820 gross income for such taxable year is seventy-five thousand dollars or
821 more, or as a married individual filing separately whose federal
822 adjusted gross income for such taxable year is seventy-five thousand
823 dollars or more, or for a husband and wife who file a return under the
824 federal income tax as married individuals filing jointly whose federal
825 adjusted gross income from such taxable year is one hundred
826 thousand dollars or more or for a person who files a return under the
827 federal income tax as a head of household whose federal adjusted
828 gross income for such taxable year is one hundred thousand dollars or
829 more, an amount equal to the difference between the amount of Social
830 Security benefits includable for federal income tax purposes and the
831 lesser of twenty-five per cent of the Social Security benefits received
832 during the taxable year, or twenty-five per cent of the excess described
833 in Section 86(b)(1) of the Internal Revenue Code; [.]

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

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

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

848 (xiv) [to] To the extent properly includable in gross income for
849 federal income tax purposes, the amount of any Holocaust victims'
850 settlement payment received in the taxable year by a Holocaust victim;
851 [.]

852 (xv) [to] To the extent properly includable in gross income for
853 federal income tax purposes of an account holder, as defined in section
854 31-51ww, interest earned on funds deposited in the individual
855 development account, as defined in section 31-51ww, of such account
856 holder; [.]

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

863 (xvii) [to] To the extent properly includable in gross income for
864 federal income tax purposes, any income received from the United
865 States government as retirement pay for a retired member of (I) the
866 Armed Forces of the United States, as defined in Section 101 of Title 10
867 of the United States Code, or (II) the National Guard, as defined in
868 Section 101 of Title 10 of the United States Code; [.]

869 (xviii) [to] To the extent properly includable in gross income for
870 federal income tax purposes for the taxable year, any income from the
871 discharge of indebtedness in connection with any reacquisition, after
872 December 31, 2008, and before January 1, 2011, of an applicable debt
873 instrument or instruments, as those terms are defined in Section 108 of
874 the Internal Revenue Code, as amended by Section 1231 of the
875 American Recovery and Reinvestment Act of 2009, to the extent any
876 such income was added to federal adjusted gross income pursuant to
877 subparagraph (A)(xi) of this subdivision in computing Connecticut
878 adjusted gross income for a preceding taxable year; [.]

879 (xix) [to] To the extent not deductible in determining federal
880 adjusted gross income, the amount of any contribution to a
881 manufacturing reinvestment account established pursuant to section
882 32-9zz in the taxable year that such contribution is made; [.]

883 (xx) [to] To the extent properly includable in gross income for
884 federal income tax purposes, (I) for the taxable year commencing
885 January 1, 2015, ten per cent of the income received from the state
886 teachers' retirement system, (II) for the taxable years commencing
887 January 1, 2016, January 1, 2017, and January 1, 2018, twenty-five per
888 cent of the income received from the state teachers' retirement system,
889 and (III) for the taxable year commencing January 1, 2019, and each
890 taxable year thereafter, fifty per cent of the income received from the
891 state teachers' retirement system or the percentage, if applicable,
892 pursuant to clause (xxi) of this subparagraph; [.]

893 (xxi) [to] To the extent properly includable in gross income for
894 federal income tax purposes, except for retirement benefits under
895 clause (iv) of this subparagraph and retirement pay under clause (xvii)
896 of this subparagraph, for a person who files a return under the federal
897 income tax as an unmarried individual whose federal adjusted gross
898 income for such taxable year is less than seventy-five thousand dollars,
899 or as a married individual filing separately whose federal adjusted
900 gross income for such taxable year is less than seventy-five thousand
901 dollars, or as a head of household whose federal adjusted gross income

902 for such taxable year is less than seventy-five thousand dollars, or for a
903 husband and wife who file a return under the federal income tax as
904 married individuals filing jointly whose federal adjusted gross income
905 for such taxable year is less than one hundred thousand dollars, (I) for
906 the taxable year commencing January 1, 2019, fourteen per cent of any
907 pension or annuity income, (II) for the taxable year commencing
908 January 1, 2020, twenty-eight per cent of any pension or annuity
909 income, (III) for the taxable year commencing January 1, 2021, forty-
910 two per cent of any pension or annuity income, (IV) for the taxable
911 year commencing January 1, 2022, fifty-six per cent of any pension or
912 annuity income, (V) for the taxable year commencing January 1, 2023,
913 seventy per cent of any pension or annuity income, (VI) for the taxable
914 year commencing January 1, 2024, eighty-four per cent of any pension
915 or annuity income, and (VII) for the taxable year commencing January
916 1, 2025, any pension or annuity income; [.]

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

922 (xxiii) [to] To the extent properly includable in gross income for
923 federal income tax purposes, the amount of any financial assistance
924 received from the Crumbling Foundations Assistance Fund or paid to
925 or on behalf of the owner of a residential building pursuant to sections
926 8-442 and 8-443; and

927 (xxiv) To the extent any portion of a deduction under Section 179 of
928 the Internal Revenue Code was added to federal adjusted gross income
929 pursuant to subparagraph (A)(xiv) of this subdivision in computing
930 Connecticut adjusted gross income, twenty-five per cent of such
931 disallowed portion of the deduction in each of the four succeeding
932 taxable years.

933 Sec. 12. Subsection (b) of section 12-217 of the 2018 supplement to
934 the general statutes is repealed and the following is substituted in lieu

935 thereof (*Effective from passage*):

936 (b) (1) For purposes of determining net income under this section,
937 the deduction allowed for depreciation shall be determined as
938 provided under the Internal Revenue Code of 1986, or any subsequent
939 corresponding internal revenue code of the United States, as from time
940 to time amended, provided in making such determination, the
941 provisions of Section 168(k) of said code shall not apply.

942 (2) (A) For purposes of determining net income under this section
943 for taxable years ending after December 31, 2008, and to the extent any
944 income from the discharge of indebtedness, under Section 108 of the
945 Internal Revenue Code, as amended by Section 1231 of the American
946 Recovery and Reinvestment Act of 2009, in connection with any
947 reacquisition, after December 31, 2008, and before January 1, 2011, of
948 an applicable debt instrument or instruments, as those terms are
949 defined in said Section 108, as amended by said Section 1231, is not
950 properly includable in gross income for federal income tax purposes
951 for the taxable year, any deferral of the recognition of any such income
952 shall not be allowed.

953 (B) To the extent that any income from the discharge of
954 indebtedness in connection with any reacquisition, after December 31,
955 2008, and before January 1, 2011, of an applicable debt instrument or
956 instruments, as those terms are defined in Section 108 of the Internal
957 Revenue Code, as amended by Section 1231 of the American Recovery
958 and Reinvestment Act of 2009, is properly includable in gross income
959 for federal income tax purposes for the taxable year, any such income
960 shall be deductible in computing net income under this section for a
961 taxable year ending after December 31, 2008, to the extent that the
962 deferral of recognition of such income from such discharge was not
963 allowed pursuant to subparagraph (A) of this subdivision in
964 computing net income for a preceding taxable year.

965 (C) For income years commencing on or after January 1, 2018, eighty
966 per cent of any deduction claimed under Section 179 of the Internal
967 Revenue Code for federal income tax purposes shall be disallowed. To

968 the extent such a deduction is disallowed for purposes of computing
969 the tax under this chapter, twenty-five per cent of the disallowed
970 portion of the deduction shall be allowed as a deduction in each of the
971 four succeeding income years.

972 Sec. 13. Subdivision (2) of subsection (a) of section 12-217 of the 2018
973 supplement to the general statutes is repealed and the following is
974 substituted in lieu thereof (*Effective from passage and applicable to income*
975 *years commencing on or after January 1, 2017*):

976 (2) (A) No deduction shall be allowed for [(A)] (i) expenses related
977 to dividends [which] that are allowable as a deduction or credit under
978 the Internal Revenue Code, and [(B)] (ii) federal taxes on income or
979 profits, losses of other calendar or fiscal years, retroactive to include all
980 calendar or fiscal years beginning after January 1, 1935, interest
981 received from federal, state and local government securities, if any
982 such deductions are allowed by the federal government.

983 (B) For purposes of this subdivision, expenses related to dividends
984 shall equal ten per cent of all dividends received by a company during
985 an income year. The net income associated with the disallowance of
986 expenses related to dividends shall be apportioned, if the company
987 conducts business within and without the state or is required to
988 apportion its income under section 12-218b, in accordance with this
989 chapter. A company may petition the commissioner for an alternate
990 percentage if the company believes the expenses related to dividends
991 that were incurred during the income year and prior income years are
992 less than ten per cent of such dividends. The company shall submit
993 any such petition to the commissioner not later than sixty days prior to
994 the due date of the return for the applicable income year, determined
995 with regard to any extension of time granted for filing such return. The
996 commissioner may grant the petition if the commissioner determines
997 that the company has established by clear and convincing evidence
998 that the company's proposed alternate percentage accurately reflects
999 the company's expenses related to the dividends the company
1000 received. The commissioner shall grant or deny any such petition

1001 before such due date of the return.

1002 Sec. 14. Subsection (g) of section 12-391 of the 2018 supplement to
1003 the general statutes is repealed and the following is substituted in lieu
1004 thereof (*Effective from passage*):

1005 (g) (1) With respect to the estates of decedents dying on or after
1006 January 1, 2005, but prior to January 1, 2010, the tax based on the
1007 Connecticut taxable estate shall be as provided in the following
1008 schedule:

T1	Amount of Connecticut	
T2	Taxable Estate	Rate of Tax
T3	Not over \$2,000,000	None
T4	Over \$2,000,000	
T5	but not over \$2,100,000	5.085% of the excess over \$0
T6	Over \$2,100,000	\$106,800 plus 8% of the excess
T7	but not over \$2,600,000	over \$2,100,000
T8	Over \$2,600,000	\$146,800 plus 8.8% of the excess
T9	but not over \$3,100,000	over \$2,600,000
T10	Over \$3,100,000	\$190,800 plus 9.6% of the excess
T11	but not over \$3,600,000	over \$3,100,000
T12	Over \$3,600,000	\$238,800 plus 10.4% of the excess
T13	but not over \$4,100,000	over \$3,600,000
T14	Over \$4,100,000	\$290,800 plus 11.2% of the excess
T15	but not over \$5,100,000	over \$4,100,000
T16	Over \$5,100,000	\$402,800 plus 12% of the excess
T17	but not over \$6,100,000	over \$5,100,000
T18	Over \$6,100,000	\$522,800 plus 12.8% of the excess
T19	but not over \$7,100,000	over \$6,100,000
T20	Over \$7,100,000	\$650,800 plus 13.6% of the excess
T21	but not over \$8,100,000	over \$7,100,000
T22	Over \$8,100,000	\$786,800 plus 14.4% of the excess
T23	but not over \$9,100,000	over \$8,100,000
T24	Over \$9,100,000	\$930,800 plus 15.2% of the excess

T25	but not over \$10,100,000	over \$9,100,000
T26	Over \$10,100,000	\$1,082,800 plus 16% of the excess
T27		over \$10,100,000

1009 (2) With respect to the estates of decedents dying on or after January
 1010 1, 2010, but prior to January 1, 2011, the tax based on the Connecticut
 1011 taxable estate shall be as provided in the following schedule:

T28	Amount of Connecticut	
T29	Taxable Estate	Rate of Tax
T30	Not over \$3,500,000	None
T31	Over \$3,500,000	7.2% of the excess
T32	but not over \$3,600,000	over \$3,500,000
T33	Over \$3,600,000	\$7,200 plus 7.8% of the excess
T34	but not over \$4,100,000	over \$3,600,000
T35	Over \$4,100,000	\$46,200 plus 8.4% of the excess
T36	but not over \$5,100,000	over \$4,100,000
T37	Over \$5,100,000	\$130,200 plus 9.0% of the excess
T38	but not over \$6,100,000	over \$5,100,000
T39	Over \$6,100,000	\$220,200 plus 9.6% of the excess
T40	but not over \$7,100,000	over \$6,100,000
T41	Over \$7,100,000	\$316,200 plus 10.2% of the excess
T42	but not over \$8,100,000	over \$7,100,000
T43	Over \$8,100,000	\$418,200 plus 10.8% of the excess
T44	but not over \$9,100,000	over \$8,100,000
T45	Over \$9,100,000	\$526,200 plus 11.4% of the excess
T46	but not over \$10,100,000	over \$9,100,000
T47	Over \$10,100,000	\$640,200 plus 12% of the excess
T48		over \$10,100,000

1012 (3) With respect to the estates of decedents dying on or after January
 1013 1, 2011, but prior to January 1, 2018, the tax based on the Connecticut
 1014 taxable estate shall be as provided in the following schedule:

T49	Amount of Connecticut	
T50	Taxable Estate	Rate of Tax
T51	Not over \$2,000,000	None
T52	Over \$2,000,000	7.2% of the excess
T53	but not over \$3,600,000	over \$2,000,000
T54	Over \$3,600,000	\$115,200 plus 7.8% of the excess
T55	but not over \$4,100,000	over \$3,600,000
T56	Over \$4,100,000	\$154,200 plus 8.4% of the excess
T57	but not over \$5,100,000	over \$4,100,000
T58	Over \$5,100,000	\$238,200 plus 9.0% of the excess
T59	but not over \$6,100,000	over \$5,100,000
T60	Over \$6,100,000	\$328,200 plus 9.6% of the excess
T61	but not over \$7,100,000	over \$6,100,000
T62	Over \$7,100,000	\$424,200 plus 10.2% of the excess
T63	but not over \$8,100,000	over \$7,100,000
T64	Over \$8,100,000	\$526,200 plus 10.8% of the excess
T65	but not over \$9,100,000	over \$8,100,000
T66	Over \$9,100,000	\$634,200 plus 11.4% of the excess
T67	but not over \$10,100,000	over \$9,100,000
T68	Over \$10,100,000	\$748,200 plus 12% of the excess
T69		over \$10,100,000

1015 (4) With respect to the estates of decedents dying on or after January
 1016 1, 2018, but prior to January 1, 2019, the tax based on the Connecticut
 1017 taxable estate shall be as provided in the following schedule:

T70	Amount of Connecticut	
T71	Taxable Estate	Rate of Tax
T72	Not over \$2,600,000	None
T73	Over \$2,600,000	7.2% of the excess
T74	but not over \$3,600,000	over \$2,600,000
T75	Over \$3,600,000	\$72,000 plus 7.8% of the excess
T76	but not over \$4,100,000	over \$3,600,000
T77	Over \$4,100,000	\$111,000 plus 8.4% of the excess

T78	but not over \$5,100,000	over \$4,100,000
T79	Over \$5,100,000	\$195,000 plus 10% of the excess
T80	but not over \$6,100,000	over \$5,100,000
T81	Over \$6,100,000	\$295,000 plus 10.4% of the excess
T82	but not over \$7,100,000	over \$6,100,000
T83	Over \$7,100,000	\$399,900 plus 10.8% of the excess
T84	but not over \$8,100,000	over \$7,100,000
T85	Over \$8,100,000	\$507,000 plus 11.2% of the excess
T86	but not over \$9,100,000	over \$8,100,000
T87	Over \$9,100,000	\$619,000 plus 11.6% of the excess
T88	but not over \$10,100,000	over \$9,100,000
T89	Over \$10,100,000	\$735,000 plus 12% of the excess
T90		over \$10,100,000

1018 (5) With respect to the estates of decedents dying on or after January
 1019 1, 2019, but prior to January 1, 2020, the tax based on the Connecticut
 1020 taxable estate shall be as provided in the following schedule:

T91	Amount of Connecticut	
T92	Taxable Estate	Rate of Tax
T93	Not over \$3,600,000	None
T94	Over \$3,600,000	7.8% of the excess
T95	but not over \$4,100,000	over \$3,600,000
T96	Over \$4,100,000	\$39,000 plus 8.4% of the excess
T97	but not over \$5,100,000	over \$4,100,000
T98	Over \$5,100,000	\$123,000 plus 10% of the excess
T99	but not over \$6,100,000	over \$5,100,000
T100	Over \$6,100,000	\$223,000 plus 10.4% of the excess
T101	but not over \$7,100,000	over \$6,100,000
T102	Over \$7,100,000	\$327,000 plus 10.8% of the excess
T103	but not over \$8,100,000	over \$7,100,000
T104	Over \$8,100,000	\$435,000 plus 11.2% of the excess
T105	but not over \$9,100,000	over \$8,100,000
T106	Over \$9,100,000	\$547,000 plus 11.6% of the excess

T107	but not over \$10,100,000	over \$9,100,000
T108	Over \$10,100,000	\$663,000 plus 12% of the excess
T109		over \$10,100,000

1021 (6) With respect to the estates of decedents dying on or after January
 1022 1, 2020, but prior to January 1, 2021, the tax based on the Connecticut
 1023 taxable estate shall be as provided in the following schedule:

T110	[Amount of Connecticut	
T111	Taxable Estate	Rate of Tax
T112	Not over the	None
T113	federal basic exclusion amount	
T114	Over the	10% of the excess over the
T115	federal basic exclusion amount	federal basic exclusion amount
T116	but not over \$6,100,000	
T117	Over \$6,100,000	10.4% of the excess over the
T118	but not over \$7,100,000	federal basic exclusion amount
T119	Over \$7,100,000	10.8% of the excess over the
T120	but not over \$8,100,000	federal basic exclusion amount
T121	Over \$8,100,000	11.2% of the excess over the
T122	but not over \$9,100,000	federal basic exclusion amount
T123	Over \$9,100,000	11.6% of the excess over the
T124	but not over \$10,100,000	federal basic exclusion amount
T125	Over \$10,100,000	12% of the excess over the
T126		federal basic exclusion amount]

T127	<u>Amount of Connecticut</u>	
T128	<u>Taxable Estate</u>	<u>Rate of Tax</u>
T129	<u>Not over \$5,100,000</u>	<u>None</u>
T130	<u>Over \$5,100,000</u>	<u>10% of the excess</u>
T131	<u>but not over \$6,100,000</u>	<u>over \$5,100,000</u>
T132	<u>Over \$6,100,000</u>	<u>\$100,000 plus 10.4% of the excess</u>
T133	<u>but not over \$7,100,000</u>	<u>over \$6,100,000</u>

T134	<u>Over \$7,100,000</u>	<u>\$204,000 plus 10.8% of the excess</u>
T135	<u>but not over \$8,100,000</u>	<u>over \$7,100,000</u>
T136	<u>Over \$8,100,000</u>	<u>\$312,000 plus 11.2% of the excess</u>
T137	<u>but not over \$9,100,000</u>	<u>over \$8,100,000</u>
T138	<u>Over \$9,100,000</u>	<u>\$424,000 plus 11.6% of the excess</u>
T139	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T140	<u>Over \$10,100,000</u>	<u>\$540,000 plus 12% of the excess</u>
T141		<u>over \$10,100,000</u>

1024 (7) With respect to the estates of decedents dying on or after January
 1025 1, 2021, but prior to January 1, 2022, the tax based on the Connecticut
 1026 taxable estate shall be as provided in the following schedule:

T142	<u>Amount of Connecticut</u>	
T143	<u>Taxable Estate</u>	<u>Rate of Tax</u>
T144	<u>Not over \$7,100,000</u>	<u>None</u>
T145	<u>Over \$7,100,000</u>	<u>10.8% of the excess</u>
T146	<u>but not over \$8,100,000</u>	<u>over \$7,100,000</u>
T147	<u>Over \$8,100,000</u>	<u>\$108,000 plus 11.2% of the excess</u>
T148	<u>but not over \$9,100,000</u>	<u>over \$8,100,000</u>
T149	<u>Over \$9,100,000</u>	<u>\$220,000 plus 11.6% of the excess</u>
T150	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T151	<u>Over \$10,100,000</u>	<u>\$336,000 plus 12% of the excess</u>
T152		<u>over \$10,100,000</u>

1027 (8) With respect to the estates of decedents dying on or after January
 1028 1, 2022, but prior to January 1, 2023, the tax based on the Connecticut
 1029 taxable estate shall be as provided in the following schedule:

T153	<u>Amount of Connecticut</u>	
T154	<u>Taxable Estate</u>	<u>Rate of Tax</u>
T155	<u>Not over \$9,100,000</u>	<u>None</u>
T156	<u>Over \$9,100,000</u>	<u>11.6% of the excess</u>

T157	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T158	<u>Over \$10,100,000</u>	<u>\$116,000 plus 12% of the excess</u>
T159		<u>over \$10,100,000</u>

1030 (9) With respect to the estates of decedents dying on or after January
 1031 1, 2023, the tax based on the Connecticut taxable estate shall be as
 1032 provided in the following schedule:

T160	<u>Amount of Connecticut</u>	
T161	<u>Taxable Estate</u>	<u>Rate of Tax</u>
T162	<u>Not over the</u>	<u>None</u>
T163	<u>federal basic exclusion amount</u>	
T164	<u>Over the</u>	<u>12% of the excess over the</u>
T165	<u>federal basic exclusion amount</u>	<u>federal basic exclusion amount</u>

1033 Sec. 15. Subsection (a) of section 12-642 of the 2018 supplement to
 1034 the general statutes is repealed and the following is substituted in lieu
 1035 thereof (*Effective from passage*):

1036 (a) (1) With respect to calendar years commencing prior to January
 1037 1, 2001, the tax imposed by section 12-640 for the calendar year shall be
 1038 at a rate of the taxable gifts made by the donor during the calendar
 1039 year set forth in the following schedule:

T166	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T167	<u>Not over \$25,000</u>	<u>1%</u>
T168	<u>Over \$25,000</u>	<u>\$250, plus 2% of the excess</u>
T169	<u>but not over \$50,000</u>	<u>over \$25,000</u>
T170	<u>Over \$50,000</u>	<u>\$750, plus 3% of the excess</u>
T171	<u>but not over \$75,000</u>	<u>over \$50,000</u>
T172	<u>Over \$75,000</u>	<u>\$1,500, plus 4% of the excess</u>
T173	<u>but not over \$100,000</u>	<u>over \$75,000</u>
T174	<u>Over \$100,000</u>	<u>\$2,500, plus 5% of the excess</u>
T175	<u>but not over \$200,000</u>	<u>over \$100,000</u>

T176	Over \$200,000	\$7,500, plus 6% of the excess
T177		over \$200,000

1040 (2) With respect to the calendar years commencing January 1, 2001,
 1041 January 1, 2002, January 1, 2003, and January 1, 2004, the tax imposed
 1042 by section 12-640 for each such calendar year shall be at a rate of the
 1043 taxable gifts made by the donor during the calendar year set forth in
 1044 the following schedule:

T178	Amount of Taxable Gifts	Rate of Tax
T179	Over \$25,000	\$250, plus 2% of the excess
T180	but not over \$50,000	over \$25,000
T181	Over \$50,000	\$750, plus 3% of the excess
T182	but not over \$75,000	over \$50,000
T183	Over \$75,000	\$1,500, plus 4% of the excess
T184	but not over \$100,000	over \$75,000
T185	Over \$100,000	\$2,500, plus 5% of the excess
T186	but not over \$675,000	over \$100,000
T187	Over \$675,000	\$31,250, plus 6% of the excess
T188		over \$675,000

1045 (3) With respect to Connecticut taxable gifts, as defined in section
 1046 12-643, made by a donor during a calendar year commencing on or
 1047 after January 1, 2005, but prior to January 1, 2010, including the
 1048 aggregate amount of all Connecticut taxable gifts made by the donor
 1049 during all calendar years commencing on or after January 1, 2005, but
 1050 prior to January 1, 2010, the tax imposed by section 12-640 for the
 1051 calendar year shall be at the rate set forth in the following schedule,
 1052 with a credit allowed against such tax for any tax previously paid to
 1053 this state pursuant to this subdivision:

T189	Amount of Taxable Gifts	Rate of Tax
T190	Not over \$2,000,000	None
T191	Over \$2,000,000	

T192	but not over \$2,100,000	5.085% of the excess over \$0
T193	Over \$2,100,000	\$106,800 plus 8% of the excess
T194	but not over \$2,600,000	over \$2,100,000
T195	Over \$2,600,000	\$146,800 plus 8.8% of the excess
T196	but not over \$3,100,000	over \$2,600,000
T197	Over \$3,100,000	\$190,800 plus 9.6% of the excess
T198	but not over \$3,600,000	over \$3,100,000
T199	Over \$3,600,000	\$238,800 plus 10.4% of the excess
T200	but not over \$4,100,000	over \$3,600,000
T201	Over \$4,100,000	\$290,800 plus 11.2% of the excess
T202	but not over \$5,100,000	over \$4,100,000
T203	Over \$5,100,000	\$402,800 plus 12% of the excess
T204	but not over \$6,100,000	over \$5,100,000
T205	Over \$6,100,000	\$522,800 plus 12.8% of the excess
T206	but not over \$7,100,000	over \$6,100,000
T207	Over \$7,100,000	\$650,800 plus 13.6% of the excess
T208	but not over \$8,100,000	over \$7,100,000
T209	Over \$8,100,000	\$786,800 plus 14.4% of the excess
T210	but not over \$9,100,000	over \$8,100,000
T211	Over \$9,100,000	\$930,800 plus 15.2% of the excess
T212	but not over \$10,100,000	over \$9,100,000
T213	Over \$10,100,000	\$1,082,800 plus 16% of the excess
T214		over \$10,100,000

1054 (4) With respect to Connecticut taxable gifts, as defined in section
1055 12-643, made by a donor during a calendar year commencing on or
1056 after January 1, 2010, but prior to January 1, 2011, including the
1057 aggregate amount of all Connecticut taxable gifts made by the donor
1058 during all calendar years commencing on or after January 1, 2005, the
1059 tax imposed by section 12-640 for the calendar year shall be at the rate
1060 set forth in the following schedule, with a credit allowed against such
1061 tax for any tax previously paid to this state pursuant to this
1062 subdivision or pursuant to subdivision (3) of this subsection, provided
1063 such credit shall not exceed the amount of tax imposed by this section:

T215	Amount of Taxable Gifts	Rate of Tax
T216	Not over \$3,500,000	None
T217	Over \$3,500,000	7.2% of the excess
T218	but not over \$3,600,000	over \$3,500,000
T219	Over \$3,600,000	\$7,200 plus 7.8% of the excess
T220	but not over \$4,100,000	over \$3,600,000
T221	Over \$4,100,000	\$46,200 plus 8.4% of the excess
T222	but not over \$5,100,000	over \$4,100,000
T223	Over \$5,100,000	\$130,200 plus 9.0% of the excess
T224	but not over \$6,100,000	over \$5,100,000
T225	Over \$6,100,000	\$220,200 plus 9.6% of the excess
T226	but not over \$7,100,000	over \$6,100,000
T227	Over \$7,100,000	\$316,200 plus 10.2% of the excess
T228	but not over \$8,100,000	over \$7,100,000
T229	Over \$8,100,000	\$418,200 plus 10.8% of the excess
T230	but not over \$9,100,000	over \$8,100,000
T231	Over \$9,100,000	\$526,200 plus 11.4% of the excess
T232	but not over \$10,100,000	over \$9,100,000
T233	Over \$10,100,000	\$640,200 plus 12% of the excess
T234		over \$10,100,000

1064 (5) With respect to Connecticut taxable gifts, as defined in section
1065 12-643, made by a donor during a calendar year commencing on or
1066 after January 1, 2011, but prior to January 1, 2018, including the
1067 aggregate amount of all Connecticut taxable gifts made by the donor
1068 during all calendar years commencing on or after January 1, 2005, the
1069 tax imposed by section 12-640 for the calendar year shall be at the rate
1070 set forth in the following schedule, with a credit allowed against such
1071 tax for any tax previously paid to this state pursuant to this
1072 subdivision or pursuant to subdivision (3) or (4) of this subsection,
1073 provided such credit shall not exceed the amount of tax imposed by
1074 this section:

T235	Amount of Taxable Gifts	Rate of Tax
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T236	Not over \$2,000,000	None
T237	Over \$2,000,000	7.2% of the excess
T238	but not over \$3,600,000	over \$2,000,000
T239	Over \$3,600,000	\$115,200 plus 7.8% of the excess
T240	but not over \$4,100,000	over \$3,600,000
T241	Over \$4,100,000	\$154,200 plus 8.4% of the excess
T242	but not over \$5,100,000	over \$4,100,000
T243	Over \$5,100,000	\$238,200 plus 9.0% of the excess
T244	but not over \$6,100,000	over \$5,100,000
T245	Over \$6,100,000	\$328,200 plus 9.6% of the excess
T246	but not over \$7,100,000	over \$6,100,000
T247	Over \$7,100,000	\$424,200 plus 10.2% of the excess
T248	but not over \$8,100,000	over \$7,100,000
T249	Over \$8,100,000	\$526,200 plus 10.8% of the excess
T250	but not over \$9,100,000	over \$8,100,000
T251	Over \$9,100,000	\$634,200 plus 11.4% of the excess
T252	but not over \$10,100,000	over \$9,100,000
T253	Over \$10,100,000	\$748,200 plus 12% of the excess
T254		over \$10,100,000

1075 (6) With respect to Connecticut taxable gifts, as defined in section
 1076 12-643, made by a donor during a calendar year commencing on or
 1077 after January 1, 2018, but prior to January 1, 2019, including the
 1078 aggregate amount of all Connecticut taxable gifts made by the donor
 1079 during all calendar years commencing on or after January 1, 2005, the
 1080 tax imposed by section 12-640 for the calendar year shall be at the rate
 1081 set forth in the following schedule, with a credit allowed against such
 1082 tax for any tax previously paid to this state pursuant to this
 1083 subdivision or pursuant to subdivision (3), (4) or (5) of this subsection,
 1084 provided such credit shall not exceed the amount of tax imposed by
 1085 this section:

T255	Amount of Taxable Gifts	Rate of Tax
T256	Not over \$2,600,000	None

T257	Over \$2,600,000	7.2% of the excess
T258	but not over \$3,600,000	over \$2,600,000
T259	Over \$3,600,000	\$72,000 plus 7.8% of the excess
T260	but not over \$4,100,000	over \$3,600,000
T261	Over \$4,100,000	\$111,000 plus 8.4% of the excess
T262	but not over \$5,100,000	over \$4,100,000
T263	Over \$5,100,000	\$195,000 plus 10% of the excess
T264	but not over \$6,100,000	over \$5,100,000
T265	Over \$6,100,000	\$295,000 plus 10.4% of the excess
T266	but not over \$7,100,000	over \$6,100,000
T267	Over \$7,100,000	\$399,900 plus 10.8% of the excess
T268	but not over \$8,100,000	over \$7,100,000
T269	Over \$8,100,000	\$507,000 plus 11.2% of the excess
T270	but not over \$9,100,000	over \$8,100,000
T271	Over \$9,100,000	\$619,000 plus 11.6% of the excess
T272	but not over \$10,100,000	over \$9,100,000
T273	Over \$10,100,000	\$735,000 plus 12% of the excess
T274		over \$10,100,000

1086 (7) With respect to Connecticut taxable gifts, as defined in section
 1087 12-643, made by a donor during a calendar year commencing on or
 1088 after January 1, 2019, but prior to January 1, 2020, including the
 1089 aggregate amount of all Connecticut taxable gifts made by the donor
 1090 during all calendar years commencing on or after January 1, 2005, the
 1091 tax imposed by section 12-640 for the calendar year shall be at the rate
 1092 set forth in the following schedule, with a credit allowed against such
 1093 tax for any tax previously paid to this state pursuant to this
 1094 subdivision or pursuant to subdivision (3), (4), (5) or (6) of this
 1095 subsection, provided such credit shall not exceed the amount of tax
 1096 imposed by this section:

T275	Amount of Taxable Gifts	Rate of Tax
T276	Not over \$3,600,000	None
T277	Over \$3,600,000	7.8% of the excess

T278	but not over \$4,100,000	over \$3,600,000
T279	Over \$4,100,000	\$39,000 plus 8.4% of the excess
T280	but not over \$5,100,000	over \$4,100,000
T281	Over \$5,100,000	\$123,000 plus 10% of the excess
T282	but not over \$6,100,000	over \$5,100,000
T283	Over \$6,100,000	\$223,000 plus 10.4% of the excess
T284	but not over \$7,100,000	over \$6,100,000
T285	Over \$7,100,000	\$327,000 plus 10.8% of the excess
T286	but not over \$8,100,000	over \$7,100,000
T287	Over \$8,100,000	\$435,000 plus 11.2% of the excess
T288	but not over \$9,100,000	over \$8,100,000
T289	Over \$9,100,000	\$547,000 plus 11.6% of the excess
T290	but not over \$10,100,000	over \$9,100,000
T291	Over \$10,100,000	\$663,000 plus 12% of the excess
T292		over \$10,100,000

1097 (8) With respect to Connecticut taxable gifts, as defined in section
 1098 12-643, made by a donor during a calendar year commencing on or
 1099 after January 1, 2020, but prior to January 1, 2021, including the
 1100 aggregate amount of all Connecticut taxable gifts made by the donor
 1101 during all calendar years commencing on or after January 1, 2005, the
 1102 tax imposed by section 12-640 for the calendar year shall be at the rate
 1103 set forth in the following schedule, with a credit allowed against such
 1104 tax for any tax previously paid to this state pursuant to this
 1105 subdivision or pursuant to subdivision (3), (4), (5), (6) or (7) of this
 1106 subsection, provided such credit shall not exceed the amount of tax
 1107 imposed by this section:

T293	[Amount of Taxable Gifts	Rate of Tax
T294	Not over the	None
T295	federal basic exclusion amount,	
T296	as defined in section 12-643	
T297	Over the	10% of the excess over the
T298	federal basic exclusion amount	federal basic exclusion amount

T299	but not over \$6,100,000	
T300	Over \$6,100,000	10.4% of the excess over the
T301	but not over \$7,100,000	federal basic exclusion amount
T302	Over \$7,100,000	10.8% of the excess over the
T303	but not over \$8,100,000	federal basic exclusion amount
T304	Over \$8,100,000	11.2% of the excess over the
T305	but not over \$9,100,000	federal basic exclusion amount
T306	Over \$9,100,000	11.6% of the excess over the
T307	but not over \$10,100,000	federal basic exclusion amount
T308	Over \$10,100,000	12% of the excess over the
T309		federal basic exclusion amount]

T310	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T311	<u>Not over \$5,100,000</u>	<u>None</u>
T312	<u>Over \$5,100,000</u>	<u>10% of the excess</u>
T313	<u>but not over \$6,100,000</u>	<u>over \$5,100,000</u>
T314	<u>Over \$6,100,000</u>	<u>\$100,000 plus 10.4% of the excess</u>
T315	<u>but not over \$7,100,000</u>	<u>over \$6,100,000</u>
T316	<u>Over \$7,100,000</u>	<u>\$204,000 plus 10.8% of the excess</u>
T317	<u>but not over \$8,100,000</u>	<u>over \$7,100,000</u>
T318	<u>Over \$8,100,000</u>	<u>\$312,000 plus 11.2% of the excess</u>
T319	<u>but not over \$9,100,000</u>	<u>over \$8,100,000</u>
T320	<u>Over \$9,100,000</u>	<u>\$424,000 plus 11.6% of the excess</u>
T321	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T322	<u>Over \$10,100,000</u>	<u>\$540,000 plus 12% of the excess</u>
T323		<u>over \$10,100,000</u>

1108 (9) With respect to Connecticut taxable gifts, as defined in section
 1109 12-643, made by a donor during a calendar year commencing on or
 1110 after January 1, 2021, but prior to January 1, 2022, including the
 1111 aggregate amount of all Connecticut taxable gifts made by the donor
 1112 during all calendar years commencing on or after January 1, 2005, the
 1113 tax imposed by section 12-640 for the calendar year shall be at the rate

1114 set forth in the following schedule, with a credit allowed against such
 1115 tax for any tax previously paid to this state pursuant to this
 1116 subdivision or pursuant to subdivision (3), (4), (5), (6), (7) or (8) of this
 1117 subsection, provided such credit shall not exceed the amount of tax
 1118 imposed by this section:

T324	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T325	<u>Not over \$7,100,000</u>	<u>None</u>
T326	<u>Over \$7,100,000</u>	<u>10.8% of the excess</u>
T327	<u>but not over \$8,100,000</u>	<u>over \$7,100,000</u>
T328	<u>Over \$8,100,000</u>	<u>\$108,000 plus 11.2% of the excess</u>
T329	<u>but not over \$9,100,000</u>	<u>over \$8,100,000</u>
T330	<u>Over \$9,100,000</u>	<u>\$220,000 plus 11.6% of the excess</u>
T331	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T332	<u>Over \$10,100,000</u>	<u>\$336,000 plus 12% of the excess</u>
T333		<u>over \$10,100,000</u>

1119 (10) With respect to Connecticut taxable gifts, as defined in section
 1120 12-643, made by a donor during a calendar year commencing on or
 1121 after January 1, 2022, but prior to January 1, 2023, including the
 1122 aggregate amount of all Connecticut taxable gifts made by the donor
 1123 during all calendar years commencing on or after January 1, 2005, the
 1124 tax imposed by section 12-640 for the calendar year shall be at the rate
 1125 set forth in the following schedule, with a credit allowed against such
 1126 tax for any tax previously paid to this state pursuant to this
 1127 subdivision or pursuant to subdivision (3), (4), (5), (6), (7), (8) or (9) of
 1128 this subsection, provided such credit shall not exceed the amount of
 1129 tax imposed by this section:

T334	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T335	<u>Not over \$9,100,000</u>	<u>None</u>
T336	<u>Over \$9,100,000</u>	<u>11.6% of the excess</u>
T337	<u>but not over \$10,100,000</u>	<u>over \$9,100,000</u>
T338	<u>Over \$10,100,000</u>	<u>\$116,000 plus 12% of the excess</u>

T339 over \$10,100,000

1130 (11) With respect to Connecticut taxable gifts, as defined in section
1131 12-643, made by a donor during a calendar year commencing on or
1132 after January 1, 2023, including the aggregate amount of all
1133 Connecticut taxable gifts made by the donor during all calendar years
1134 commencing on or after January 1, 2005, the tax imposed by section 12-
1135 640 for the calendar year shall be at the rate set forth in the following
1136 schedule, with a credit allowed against such tax for any tax previously
1137 paid to this state pursuant to this subdivision or pursuant to
1138 subdivision (3), (4), (5), (6), (7), (8), (9) or (10) of this subsection,
1139 provided such credit shall not exceed the amount of tax imposed by
1140 this section:

T340	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T341	<u>Not over the</u>	<u>None</u>
T342	<u>federal basic exclusion amount</u>	
T343	<u>Over the</u>	<u>12% of the excess over the</u>
T344	<u>federal basic exclusion amount</u>	<u>federal basic exclusion amount</u>

1141 Sec. 16. Subdivision (3) of subsection (b) of section 12-392 of the 2018
1142 supplement to the general statutes is repealed and the following is
1143 substituted in lieu thereof (*Effective from passage*):

1144 (3) (A) A tax return shall be filed, in the case of every decedent who
1145 died prior to January 1, 2005, and at the time of death was (i) a resident
1146 of this state, or (ii) a nonresident of this state whose gross estate
1147 includes any real property situated in this state or tangible personal
1148 property having an actual situs in this state, whenever the personal
1149 representative of the estate is required by the laws of the United States
1150 to file a federal estate tax return.

1151 (B) A tax return shall be filed, in the case of every decedent who dies
1152 on or after January 1, 2005, but prior to January 1, 2010, and at the time

1153 of death was (i) a resident of this state, or (ii) a nonresident of this state
1154 whose gross estate includes any real property situated in this state or
1155 tangible personal property having an actual situs in this state. If the
1156 decedent's Connecticut taxable estate is over two million dollars, such
1157 tax return shall be filed with the Commissioner of Revenue Services
1158 and a copy of such return shall be filed with the court of probate for
1159 the district within which the decedent resided at the date of his or her
1160 death or, if the decedent died a nonresident of this state, the court of
1161 probate for the district within which such real property or tangible
1162 personal property is situated. If the decedent's Connecticut taxable
1163 estate is two million dollars or less, such return shall be filed with the
1164 court of probate for the district within which the decedent resided at
1165 the date of his or her death or, if the decedent died a nonresident of
1166 this state, the court of probate for the district within which such real
1167 property or tangible personal property is situated, and no such return
1168 shall be filed with the Commissioner of Revenue Services. The judge of
1169 probate for the district in which such return is filed shall review each
1170 such return and shall issue a written opinion to the estate
1171 representative in each case in which the judge determines that the
1172 estate is not subject to tax under this chapter.

1173 (C) A tax return shall be filed, in the case of every decedent who
1174 dies on or after January 1, 2010, but prior to January 1, 2011, and at the
1175 time of death was (i) a resident of this state, or (ii) a nonresident of this
1176 state whose gross estate includes any real property situated in this
1177 state or tangible personal property having an actual situs in this state.
1178 If the decedent's Connecticut taxable estate is over three million five
1179 hundred thousand dollars, such tax return shall be filed with the
1180 Commissioner of Revenue Services and a copy of such return shall be
1181 filed with the court of probate for the district within which the
1182 decedent resided at the date of his or her death or, if the decedent died
1183 a nonresident of this state, the court of probate for the district within
1184 which such real property or tangible personal property is situated. If
1185 the decedent's Connecticut taxable estate is three million five hundred
1186 thousand dollars or less, such return shall be filed with the court of
1187 probate for the district within which the decedent resided at the date

1188 of his or her death or, if the decedent died a nonresident of this state,
1189 the court of probate for the district within which such real property or
1190 tangible personal property is situated, and no such return shall be filed
1191 with the Commissioner of Revenue Services. The judge of probate for
1192 the district in which such return is filed shall review each such return
1193 and shall issue a written opinion to the estate representative in each
1194 case in which the judge determines that the estate is not subject to tax
1195 under this chapter.

1196 (D) A tax return shall be filed, in the case of every decedent who
1197 dies on or after January 1, 2011, but prior to January 1, 2018, and at the
1198 time of death was (i) a resident of this state, or (ii) a nonresident of this
1199 state whose gross estate includes any real property situated in this
1200 state or tangible personal property having an actual situs in this state.
1201 If the decedent's Connecticut taxable estate is over two million dollars,
1202 such tax return shall be filed with the Commissioner of Revenue
1203 Services and a copy of such return shall be filed with the court of
1204 probate for the district within which the decedent resided at the date
1205 of his or her death or, if the decedent died a nonresident of this state,
1206 the court of probate for the district within which such real property or
1207 tangible personal property is situated. If the decedent's Connecticut
1208 taxable estate is two million dollars or less, such return shall be filed
1209 with the court of probate for the district within which the decedent
1210 resided at the date of his or her death or, if the decedent died a
1211 nonresident of this state, the court of probate for the district within
1212 which such real property or tangible personal property is situated, and
1213 no such return shall be filed with the Commissioner of Revenue
1214 Services. The judge of probate for the district in which such return is
1215 filed shall review each such return and shall issue a written opinion to
1216 the estate representative in each case in which the judge determines
1217 that the estate is not subject to tax under this chapter.

1218 (E) A tax return shall be filed, in the case of every decedent who dies
1219 on or after January 1, 2018, but prior to January 1, 2019, and at the time
1220 of death was (i) a resident of this state, or (ii) a nonresident of this state
1221 whose gross estate includes any real property situated in this state or

1222 tangible personal property having an actual situs in this state. If the
1223 decedent's Connecticut taxable estate is over two million six hundred
1224 thousand dollars, such tax return shall be filed with the Commissioner
1225 of Revenue Services and a copy of such return shall be filed with the
1226 court of probate for the district within which the decedent resided at
1227 the date of his or her death or, if the decedent died a nonresident of
1228 this state, the court of probate for the district within which such real
1229 property or tangible personal property is situated. If the decedent's
1230 Connecticut taxable estate is two million six hundred thousand dollars
1231 or less, such return shall be filed with the court of probate for the
1232 district within which the decedent resided at the date of his or her
1233 death or, if the decedent died a nonresident of this state, the court of
1234 probate for the district within which such real property or tangible
1235 personal property is situated, and no such return shall be filed with the
1236 Commissioner of Revenue Services. The judge of probate for the
1237 district in which such return is filed shall review each such return and
1238 shall issue a written opinion to the estate representative in each case in
1239 which the judge determines that the estate is not subject to tax under
1240 this chapter.

1241 (F) A tax return shall be filed, in the case of every decedent who dies
1242 on or after January 1, 2019, but prior to January 1, 2020, and at the time
1243 of death was (i) a resident of this state, or (ii) a nonresident of this state
1244 whose gross estate includes any real property situated in this state or
1245 tangible personal property having an actual situs in this state. If the
1246 decedent's Connecticut taxable estate is over three million six hundred
1247 thousand dollars, such tax return shall be filed with the Commissioner
1248 of Revenue Services and a copy of such return shall be filed with the
1249 court of probate for the district within which the decedent resided at
1250 the date of his or her death or, if the decedent died a nonresident of
1251 this state, the court of probate for the district within which such real
1252 property or tangible personal property is situated. If the decedent's
1253 Connecticut taxable estate is three million six hundred thousand
1254 dollars or less, such return shall be filed with the court of probate for
1255 the district within which the decedent resided at the date of his or her
1256 death or, if the decedent died a nonresident of this state, the court of

1257 probate for the district within which such real property or tangible
1258 personal property is situated, and no such return shall be filed with the
1259 Commissioner of Revenue Services. The judge of probate for the
1260 district in which such return is filed shall review each such return and
1261 shall issue a written opinion to the estate representative in each case in
1262 which the judge determines that the estate is not subject to tax under
1263 this chapter.

1264 (G) A tax return shall be filed, in the case of every decedent who
1265 dies on or after January 1, 2020, but prior to January 1, 2021, and at the
1266 time of death was (i) a resident of this state, or (ii) a nonresident of this
1267 state whose gross estate includes any real property situated in this
1268 state or tangible personal property having an actual situs in this state.
1269 If the decedent's Connecticut taxable estate is over five million one
1270 hundred thousand dollars, such tax return shall be filed with the
1271 Commissioner of Revenue Services and a copy of such return shall be
1272 filed with the court of probate for the district within which the
1273 decedent resided at the date of his or her death or, if the decedent died
1274 a nonresident of this state, the court of probate for the district within
1275 which such real property or tangible personal property is situated. If
1276 the decedent's Connecticut taxable estate is five million one hundred
1277 thousand dollars or less, such return shall be filed with the court of
1278 probate for the district within which the decedent resided at the date
1279 of his or her death or, if the decedent died a nonresident of this state,
1280 the court of probate for the district within which such real property or
1281 tangible personal property is situated, and no such return shall be filed
1282 with the Commissioner of Revenue Services. The judge of probate for
1283 the district in which such return is filed shall review each such return
1284 and shall issue a written opinion to the estate representative in each
1285 case in which the judge determines that the estate is not subject to tax
1286 under this chapter.

1287 (H) A tax return shall be filed, in the case of every decedent who
1288 dies on or after January 1, 2021, but prior to January 1, 2022, and at the
1289 time of death was (i) a resident of this state, or (ii) a nonresident of this
1290 state whose gross estate includes any real property situated in this

1291 state or tangible personal property having an actual situs in this state.
1292 If the decedent's Connecticut taxable estate is over seven million one
1293 hundred thousand dollars, such tax return shall be filed with the
1294 Commissioner of Revenue Services and a copy of such return shall be
1295 filed with the court of probate for the district within which the
1296 decedent resided at the date of his or her death or, if the decedent died
1297 a nonresident of this state, the court of probate for the district within
1298 which such real property or tangible personal property is situated. If
1299 the decedent's Connecticut taxable estate is seven million one hundred
1300 thousand dollars or less, such return shall be filed with the court of
1301 probate for the district within which the decedent resided at the date
1302 of his or her death or, if the decedent died a nonresident of this state,
1303 the court of probate for the district within which such real property or
1304 tangible personal property is situated, and no such return shall be filed
1305 with the Commissioner of Revenue Services. The judge of probate for
1306 the district in which such return is filed shall review each such return
1307 and shall issue a written opinion to the estate representative in each
1308 case in which the judge determines that the estate is not subject to tax
1309 under this chapter.

1310 (I) A tax return shall be filed, in the case of every decedent who dies
1311 on or after January 1, 2022, but prior to January 1, 2023, and at the time
1312 of death was (i) a resident of this state, or (ii) a nonresident of this state
1313 whose gross estate includes any real property situated in this state or
1314 tangible personal property having an actual situs in this state. If the
1315 decedent's Connecticut taxable estate is over nine million one hundred
1316 thousand dollars, such tax return shall be filed with the Commissioner
1317 of Revenue Services and a copy of such return shall be filed with the
1318 court of probate for the district within which the decedent resided at
1319 the date of his or her death or, if the decedent died a nonresident of
1320 this state, the court of probate for the district within which such real
1321 property or tangible personal property is situated. If the decedent's
1322 Connecticut taxable estate is nine million one hundred thousand
1323 dollars or less, such return shall be filed with the court of probate for
1324 the district within which the decedent resided at the date of his or her
1325 death or, if the decedent died a nonresident of this state, the court of

1326 probate for the district within which such real property or tangible
1327 personal property is situated, and no such return shall be filed with the
1328 Commissioner of Revenue Services. The judge of probate for the
1329 district in which such return is filed shall review each such return and
1330 shall issue a written opinion to the estate representative in each case in
1331 which the judge determines that the estate is not subject to tax under
1332 this chapter.

1333 [(G)] (J) A tax return shall be filed, in the case of every decedent
1334 who dies on or after January 1, [2020] 2023, and at the time of death
1335 was (i) a resident of this state, or (ii) a nonresident of this state whose
1336 gross estate includes any real property situated in this state or tangible
1337 personal property having an actual situs in this state. If the decedent's
1338 Connecticut taxable estate is over the federal basic exclusion amount,
1339 such tax return shall be filed with the Commissioner of Revenue
1340 Services and a copy of such return shall be filed with the court of
1341 probate for the district within which the decedent resided at the date
1342 of his or her death or, if the decedent died a nonresident of this state,
1343 the court of probate for the district within which such real property or
1344 tangible personal property is situated. If the decedent's Connecticut
1345 taxable estate is equal to or less than the federal basic exclusion
1346 amount, such return shall be filed with the court of probate for the
1347 district within which the decedent resided at the date of his or her
1348 death or, if the decedent died a nonresident of this state, the court of
1349 probate for the district within which such real property or tangible
1350 personal property is situated, and no such return shall be filed with the
1351 Commissioner of Revenue Services. The judge of probate for the
1352 district in which such return is filed shall review each such return and
1353 shall issue a written opinion to the estate representative in each case in
1354 which the judge determines that the estate is not subject to tax under
1355 this chapter.

1356 Sec. 17. (Effective from passage) Notwithstanding subsection (f) of
1357 section 16-245mm of the general statutes, the obligation of the
1358 Connecticut Green Bank to make basic rental payments, consisting of a
1359 principal component and an interest component, under the equipment

1360 lease-purchase agreement entered into by said bank in December,
 1361 2017, for the installation of solar equipment at various locations of the
 1362 Connecticut State Colleges and Universities, may be secured by a
 1363 special capital reserve fund, provided said bank obtains the approvals
 1364 described in said subsection after the issuance of such obligation and
 1365 notwithstanding that such obligation is set forth in the form of a lease
 1366 agreement.

1367 Sec. 18. (*Effective from passage*) The Commissioner of Economic and
 1368 Community Development shall conduct a study to identify best
 1369 practices for marketing the benefits of qualified opportunity zones, as
 1370 defined in 26 USC 1400Z-1, to increase investment in distressed census
 1371 tracts and municipalities. Not later than January 1, 2019, the
 1372 commissioner shall submit the results of such study, in accordance
 1373 with the provisions of section 11-4a of the general statutes, to the joint
 1374 standing committees of the General Assembly having cognizance of
 1375 matters relating to commerce, finance, revenue and bonding and
 1376 municipalities.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2018</i>	New section
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2018</i>	New section
Sec. 3	<i>from passage</i>	12-719(b)(1)
Sec. 4	<i>from passage</i>	12-719(c)(1)
Sec. 5	<i>from passage and applicable to taxable years commencing on or after January 1, 2018</i>	12-726

Sec. 6	<i>from passage and applicable to taxable years commencing on or after January 1, 2018</i>	12-733(b)
Sec. 7	<i>from passage</i>	4-30a(a)
Sec. 8	<i>May 15, 2018</i>	3-20(aa)(1)
Sec. 9	<i>from passage</i>	3-114g
Sec. 10	<i>July 1, 2018</i>	New section
Sec. 11	<i>from passage and applicable to taxable years commencing on or after January 1, 2017</i>	12-701(a)(20)(A) and (B)
Sec. 12	<i>from passage</i>	12-217(b)
Sec. 13	<i>from passage and applicable to income years commencing on or after January 1, 2017</i>	12-217(a)(2)
Sec. 14	<i>from passage</i>	12-391(g)
Sec. 15	<i>from passage</i>	12-642(a)
Sec. 16	<i>from passage</i>	12-392(b)(3)
Sec. 17	<i>from passage</i>	New section
Sec. 18	<i>from passage</i>	New section

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 Impact	See Below	See Below
Department of Revenue Services	GF - Cost	Less than 100,000	None

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 19 \$	FY 20 \$
Various Municipalities	See Below	See Below	See Below

Explanation

The bill makes a number of tax-related and other changes, the fiscal impact of which is detailed in a section-by-section analysis below:

Sections 1-9 establish a new Pass-Through Entity Tax (PET) and an offsetting Personal Income Tax credit. This may result in a minimal revenue gain beginning in FY 19; however the credit is anticipated to offset nearly the entire amount of revenue gained under the PET. This also results in a one-time cost to the Department of Revenue Services (DRS) of less than \$100,000 in FY 19 to implement the PET and associated credit.

Section 10 allows municipalities to provide a property tax credit to taxpayers who make voluntary donations to a "community supporting organization" approved by the municipality. It is assumed that the net budgetary impact of any town choosing to utilize this option would be

neutral and thus this does not result in any fiscal impact to municipalities.

Sections 11-12 establish alternative depreciation and asset expensing schedules for certain property and assets impacted by federal bonus depreciation and asset expensing rules. This precludes a deferral of revenue that would have reduced revenue in the early years and increased revenue in later years due to the accelerated depreciation of capital and other assets. The total annual amount of state revenue impacted by the alternative bonus depreciation and asset expensing provisions is estimated to be less than \$50 million and less than \$20 million, respectively.

Section 13 provides that expenses related to dividends equal 10% of all dividends received by a company during an income year, except when DRS agrees to a different percentage as petitioned by a taxpayer. The revenue impact of this provision is uncertain as affected companies would have had to add back related expenses in the absence of this provision and it is unclear how those amounts would compare to the 10% provided under the bill.

Sections 14-16 extend, by three years, the phase-in of the Estate and Gift Tax threshold to the federal threshold. This results in a revenue gain of \$28.3 million in FY 21 and \$15.1 million in FY 22, and a diminishing revenue gain through FY 24 (at which point the state exemption level would be equal to the federal exemption level).

Section 17 allows the Connecticut Green Bank to secure its obligations under a lease-purchase agreement entered into in December 2017. This does not result in any fiscal impact as this validates an existing contract.

Section 18 requires the Department of Economic and Community Development to study various aspects of federal qualified opportunity zones and report findings to the Commerce, Planning and Development, and Finance committees. This does not result in any fiscal impact as it is anticipated that the agency has the expertise to

complete such study without additional agency resources.

The Out Years

See above.

Sources: *Department of Revenue Services*
Joint Committee on Taxation Analysis of 2017 Tax Cuts and Jobs Act

OLR Bill Analysis**sSB 11*****AN ACT CONCERNING CONNECTICUT'S RESPONSE TO FEDERAL TAX REFORM.*****SUMMARY**

This bill makes various changes to state and local tax laws. Specifically, the bill:

1. imposes a new income tax on most pass-through businesses, levied at the top personal income tax rate (6.99%) and offset by a credit at the personal or corporate income tax level (§§ 1-8);
2. allows municipalities to provide a property tax credit to eligible taxpayers who make voluntary payments to municipally-approved "community supporting organizations" (§ 10);
3. requires individuals, for personal income tax purposes, to apportion the federal deduction for bonus depreciation over four tax years (§§ 11 & 12);
4. requires individuals and corporations, for personal income and corporation business tax purposes respectively, to apportion the federal asset expensing deduction over five years (§§ 11 & 12);
5. for purposes of calculating the dividends received deduction under the corporation business tax, specifies that expenses related to dividends equal 10% of all dividends received by a company during an income year and allows companies to petition the Department of Revenue Services (DRS) commissioner for an alternative percentage under certain conditions (§ 13);
6. extends, by three years, the phase-in of the state estate and gift

tax threshold to the federal threshold (§§ 14-16);

7. authorizes the Connecticut Green Bank to secure its obligations under a lease-purchase agreement it entered into in December 2017 with a special capital reserve fund (SCRF) even though it did not receive the statutorily-required approvals before entering into the agreement (§ 17); and
8. requires the economic and community development commissioner to study and report on the best practices for marketing the benefits of qualified opportunity zones in order to increase investment in distressed census tracts and municipalities (§ 18).

The bill also moves up the deadline by which DRS must receive corporate income tax receipts in order for the comptroller to record them as revenue for a fiscal year, making it the same as the deadline that applies to other taxes (i.e., five business days after July 31, rather than after August 15, immediately following the fiscal year) (§9). The bill also applies this deadline to entity tax receipts.

Lastly, the bill makes technical and conforming changes.

EFFECTIVE DATE: Upon passage, unless noted otherwise below.

§§ 1-8 — PASS-THROUGH ENTITY TAX

The bill imposes a new income tax on most pass-through businesses (i.e., “affected business entities”) at the entity-level (i.e., entity tax). The tax is (1) levied at the top personal income tax rate of 6.99% and (2) offset by a credit at the personal or corporate income tax level.

Under current law, pass-through businesses doing business in the state do not pay income tax at the entity level; instead, their profits “pass-through” to their owners and are taxed as part of the owners’ personal income tax returns. Paying taxes at the entity level as required under the bill, instead of at the personal income tax level, may provide pass-through income with favorable federal tax

treatment, given recent tax changes that limit the amount of state and local taxes (SALT) that can be deducted for federal personal income tax purposes, (see BACKGROUND).

Under the bill, the entity tax applies to each pass-through business that is required by state law to file a return with DRS containing information about its finances and its resident and nonresident members (CGS § 12-726). Such businesses must file an entity tax return on or before the 15th day of the third month following the close of each entity's taxable year for federal income tax purposes (i.e., taxable year).

The bill requires pass-through businesses to make estimated entity tax payments and gives DRS authority to enforce the entity tax and the estimated payments.

The bill also incorporates entity tax revenue into the volatility cap that was passed in PA 17-2, June Special Session (JSS) (see BACKGROUND).

EFFECTIVE DATE: Upon passage, and applicable to taxable years beginning on or after January 1, 2018, except that the conforming change to the volatility cap bond covenant provision (§ 8) is effective May 15, 2018.

Affected Business Entities and Members

Under the bill, an "affected business entity" ("pass-through businesses") is (1) any entity, including a limited liability company (LLC), that is considered a partnership for federal income tax purposes or (2) any corporation treated as an S corporation for federal tax purposes. It does not include publicly-traded partnerships that have agreed to file an annual return reporting the name, address, Social Security or federal employer identification number, and other DRS-required information for each unitholder whose income from Connecticut sources was more than \$500.

"Member" refers to (1) an S corporation shareholder; (2) a partner in a general partnership, limited partnership, or limited liability

partnership; or (3) a member of an LLC treated as a partnership for federal tax purposes.

Tax Calculation

Under the bill, a business's entity tax liability equals (1) its taxable income, or the alternative tax base (see below), (2) multiplied by 6.99% (i.e., the top marginal personal income tax rate). The business's taxable income equals:

1. the pass-through business's net income, for federal income tax purposes, that is derived from or connected to Connecticut sources,
2. as increased or decreased by any adjustments that currently apply to the personal income tax and are related to the business's income, gain, loss, or deduction, to the extent derived or connected to Connecticut sources.

In determining their taxable income, pass-through businesses must use sourcing rules that currently apply to the personal income tax to determine whether their income, gains, losses, or deductions are derived from, or are connected to, Connecticut sources. If the business's net income results in a net loss, the business may carry the loss forward until it is fully used.

Tiered Business Entities. The bill requires pass-through businesses to adjust their income to account for instances where one business is a member of another business. Specifically, if a pass-through business (which the bill calls the lower-tier entity) is a member of another pass-through business (which the bill calls the upper-tier entity), the lower-tier entity must subtract or add, as applicable, its distributive share of the upper tier entity's loss or income from Connecticut sources when calculating its taxable income.

Alternative Tax Base. The bill allows businesses to calculate their tax on an alternative basis. The alternative tax base equals a business's "resident portion of unsourced income" plus its "modified

Connecticut source income.”

Each taxable year, any business electing to calculate entity tax on the alternative basis must notify the DRS commissioner, in writing, by the tax’s due date or extended due date (if applicable). The bill specifies that the election does not affect the calculation of any other state taxes due, except for the calculation of the tax credits the bill authorizes (see “offsetting credits” below).

The bill defines “modified Connecticut source income” as the business’s taxable (i.e., Connecticut-sourced) income, calculated as described above, multiplied by a percentage equal to the sum of ownership interests in the business that are held by members that are (1) subject to personal income tax or (2) pass-through businesses subject to the entity tax, to the extent such businesses are directly or indirectly owned by people subject to the income tax. Members that are pass-through businesses are assumed to be directly or indirectly owned as such, unless the business can establish otherwise through clear and convincing evidence satisfactory to the DRS commissioner.

Under the bill, the “resident portion of unsourced income” equals “unsourced income” multiplied by a percentage equal to the sum of the ownership interests in the pass-through business that belong to Connecticut residents. “Unsourced income” equals:

1. the business’s net income for federal income tax purposes, as increased or decreased by any adjustments that currently apply to the personal income tax under state law, regardless of the location from which the income and adjustments are derived or connected;
2. minus the business’s taxable (i.e., Connecticut-sourced) income, calculated as described above but without any adjustments for tiered business entities; and
3. minus the business’s net income, for federal income tax purposes, that is derived from or connected to sources in

another state with jurisdiction to tax the entity, as increased or decreased by any adjustments that currently apply to the personal income tax under state law, to the extent that the adjustments are derived from, or connected to, sources in another state with jurisdiction to tax the entity.

Nonresidents

Under the bill, nonresident members of pass-through businesses are generally not required to file a Connecticut personal income tax return for taxable years in which (1) the pass-through business is the only source of Connecticut income for the member or the member's spouse and (2) the pass-through business has paid the entity tax. However, nonresident members must still file a return if (1) the pass-through entity of which they are a member chooses to file on a combined basis (see below) and (2) the member's personal income tax liability would not be entirely satisfied by the offsetting credit the member earns for the business's entity tax payment (see below).

Under current law, a pass-through business is generally required to file an income tax return and pay the tax on behalf of any nonresident member for whom the business is the only source of Connecticut income. For taxable years beginning on or after January 1, 2018, the bill eliminates these requirements.

Offsetting Credits

The bill authorizes offsetting corporate and personal income tax credits for individuals and companies that are members of pass-through businesses that pay the entity tax or a substantially similar tax in another state.

Personal Income Tax. If the pass-through business member is an individual subject to the personal income tax, the bill allows the person to claim a credit equal to his or her direct and indirect pro rata share of the tax paid by the pass-through business of which he or she is a member, multiplied by 93.01%. The bill makes this credit refundable and requires the DRS commissioner to treat the amount by which the

person's credit exceeds his or her personal income tax liability as a tax overpayment, unless the excess must be held for certain obligations (e.g., past due taxes).

The bill also authorizes a personal income tax credit for members of pass-through businesses that have paid taxes to other states or the District of Columbia that are substantially similar, in the DRS commissioner's determination, to the entity tax imposed under this bill. The credit is for the member's direct and indirect pro rata share of such taxes paid by the pass-through business and is calculated in a manner prescribed by the DRS commissioner, which must be consistent with the calculation for the credit for personal income taxes paid to another state.

Under the bill, neither of these tax credits may be applied against the withholding tax.

Corporation Business Tax. If a pass-through business member is a company subject to the corporation tax, the bill allows the company to claim a credit equal to its direct and indirect pro rata share of the tax paid by the pass-through business of which it is a member, multiplied by 93.01%.

The company must apply this credit after all other tax credits are applied, and the credit is not subject to the corporation business tax credit cap, which generally prohibits a business from using tax credits to reduce its corporation tax liability by more than a specified percentage (e.g., 65% for the 2018 income year) (CGS § 12-217zz). Unused credits must be carried forward, indefinitely, until fully used.

Tax Collection, Enforcement, and Penalties

Upon the failure of any pass-through business to pay the entity tax within 30 days of its due date, the bill allows the DRS commissioner to collect the entity tax by taking any action that he can currently take to collect money owed to the state. This means he (or another authorized agent) can levy on the property or sign a warrant to take control of the business, including operating it to secure its income for the state,

forcing an end to its operations. Additionally, the attorney general may start civil proceedings to collect the tax.

From last day of the last month of a business's taxable year next preceding the tax's due date until the tax is paid, the tax plus the interest and penalty act as a lien against any real estate the taxpayer owns in the state. A lien certificate, signed by the commissioner, may be recorded on the land record in the town where the property is located. However, the lien is not effective against a bona fide purchaser or the interest of any qualified encumbrancer. And if any interested party asks, the commissioner must file a certificate discharging the lien on the same land record.

Under the bill, the attorney general can foreclose the lien by bringing an action in the Superior Court of the judicial district where the property is located. If located in two or more districts, the attorney general may file suit in any one. At the conclusion of any such action, the court can limit the redemption period, order the property sold, or issue any other equitable decree.

If entity taxes are not paid by their due date, the bill imposes an interest penalty of 1% per month or part of a month.

The bill additionally applies provisions related to tax collection and enforcement that apply to other taxes under current law (i.e., the admissions and dues tax). Under these provisions, the DRS commissioner can, among other things, (1) assess tax deficiencies where necessary; (2) require the businesses to keep certain records and examine all of their records; (3) administer oaths, subpoena witnesses, and receive testimony; and (4) extend the tax due date for reasonable cause. Businesses can file for a refund for tax overpayments, request a hearing on the amount of taxes they are required to pay, and appeal the hearing decision if aggrieved. Lastly, an additional penalty may be imposed on businesses for willful violations or filing fraudulent returns.

Combined Return Election

The bill allows pass-through businesses to file a combined return with one or more commonly-owned pass-through businesses that are subject to the entity tax. (“Commonly-owned” means that more than 80% of the voting control of a pass-through business is directly owned or indirectly owned, as determined under federal tax law, by a common owner or owners.) Each taxable year, any business that chooses to file in this manner must notify the DRS commissioner, in writing and along with the written consent of the other commonly-owned businesses, by the tax’s due date or extended due date (if applicable).

The bill generally requires pass-through businesses filing a combined return to net their taxable incomes after such amounts are separately allocated by each business. If the combined group elects to calculate the tax due on the alternative basis (see above), the businesses must instead net their alternative tax bases.

Under the bill, each business electing to file a combined return is jointly and separately liable for the entity taxes due. The election does not affect the calculation of any other state taxes due, except for the calculation of the tax credits the bill authorizes.

Reporting Of Members’ Shares of Entity Tax Payments

The bill requires pass-through businesses to report, for each taxable year, each member’s (1) direct pro rata share of entity tax imposed on the business and (2) indirect pro rata share of the entity tax imposed on any upper-tier entities of which the business is a member.

Businesses that elect to file a combined report must report to the DRS commissioner the direct and indirect pro rata share of the entity tax paid under the combined return that is allocated to each of their members. The report must be filed with the combined return and the allocation is irrevocable.

The bill makes corresponding changes to require that this information be included in the returns that pass-through businesses doing business in the state must file with the DRS commissioner. It

also moves up, from the fourth to the third month following the taxable year, the date by which these returns must be filed.

Estimated Payments

By law, Connecticut income tax payers must make estimated income tax payments throughout the tax year through withholding, estimated payments, or both (CGS § 12-722). When calculating estimated income tax payments, taxpayers may take into account any tax credits they expect to receive, among other things. Currently, members of pass-through businesses typically make estimated payments on the income they expect to receive from such businesses.

The bill requires pass-through businesses to make estimated entity tax payments on a quarterly basis, in a similar manner to the estimated income tax payments under existing law. (Presumably, because pass-through business members receive offsetting credits for the entity taxes the business pays, such members will no longer be required to make quarterly payments on the income they receive from the pass-through business.)

Under the bill, the business's quarterly estimated payments are (1) generally equal to 25% of the "required annual payment" and (2) due on the 15th day of the taxable year's fourth, sixth, and ninth month, and on the 15th day of the first month of the next taxable year. The "required annual payment" means the lesser of (1) 90% of the entity tax reported or due for the current taxable year or (2) 100% of the entity tax reported on the entity tax return for the preceding taxable year, if the pass-through business filed a return for that year that covered a 12-month period.

The bill allows businesses to make payments based on the "annualized income installment" calculation if, for any required installment, such a calculation results in a lower installment payment. Under the bill, the annualized income installment is the amount by which the product of the applicable percentage (see Table 1) and the amount of entity tax that would be due if the business's taxable income

for the months in the taxable year prior to the installment's due date exceeds the aggregate amount of any prior required installments for the taxable year. Any installment reduction that results from such a calculation must be recaptured by increasing the next required installment and, if the reduction has not been recaptured, subsequent installments.

Table 1: Applicable Percentages of Annualized Installment Calculation

<i>Installment</i>	<i>Applicable Percentage</i>
First	22.5%
Second	45%
Third	67.5%
Fourth	90%

If a pass-through business underpays the required estimated tax, the bill imposes an interest penalty of 1% of the underpayment amount per month, or part of a month, of the underpayment period. The underpayment amount is the amount by which the required installment exceeds the payment made, if any, on or before the installment's due date. The underpayment period runs from the installment's due date to the earlier of (1) the 15th day of the third month of the next succeeding taxable year or (2) the date on which the underpayment is paid. Estimated tax payments must be credited against unpaid or underpaid installments in the order in which the installments must be paid.

The bill allows businesses to make any required payment before its due date. Under the bill, estimated entity tax payments are considered payments toward the business's annual entity tax liability.

For taxable years of fewer than 12 months, the bill specifies that its provisions apply in a manner consistent with the income tax regulations pertaining to the relevant taxable years.

§ 10 — PROPERTY TAX CREDIT FOR DONATIONS TO COMMUNITY SUPPORTING ORGANIZATIONS

The bill allows municipalities to provide a property tax credit to eligible taxpayers who make voluntary, unrestricted, and irrevocable contributions to a community supporting organization (organization) approved by the municipality (see BACKGROUND).

Under the bill, a “community supporting organization” is a charitable nonprofit that is organized exclusively to support municipal spending on programs and services, such as public education. A “municipality” is any town, city, borough, consolidated town and city, or consolidated town and borough.

Under the bill, the credit applies only to taxes on “residential property,” which the bill defines as (1) buildings with three or fewer dwelling units, the parcel of land on which the building is situated, and any accessory buildings or other improvements on the parcel; (2) residential condominiums; and (3) common interest communities.

EFFECTIVE DATE: July 1, 2018

Municipal Approval of Credit

The bill requires a municipality to annually approve the credit by a vote of its legislative body, or the board of selectman if the municipality’s legislative body is a town meeting. In its approval, the municipality may include a residency requirement or other requirements that it deems necessary or desirable. The municipality must approve the credit by October first in order to provide the tax credit in the following fiscal year.

Under the bill, the municipality determines the tax credit amount, which may not exceed the lesser of:

1. the amount of property tax owed or
2. 85% of the taxpayer’s donation, or the amount donated on his or her behalf, to an organization during the calendar year preceding the year in which the tax credit application is filed.

Community Supporting Organization and Municipal Grants

The bill requires a municipality that approves a credit to designate a single organization to receive qualifying cash donations. Municipalities can appropriate and spend grant funds received from the organization.

The municipality's chief executive must enter into an agreement with the organization the municipality selects, which must require the:

1. organization to accept only voluntary, unrestricted, and irrevocable cash donations;
2. organization, annually on or before July 1, to give the municipality a grant equal to the amount of all donations it received in the prior fiscal year and a written statement of all the donations it received, including each donor's name and residential address, the name and residential address of the property owner if the donation was made on his or her behalf, and donation date;
3. municipality, by December 31 following such fiscal year (it is unclear which year the bill is referencing), to give the organization a written statement of the municipal programs and services supported by the grant in such fiscal year;
4. municipality to serve as the organization's administrative and fiscal agent (the bill limits administrative expenses to 15% of total grant amount); and
5. organization to provide donors with a contemporaneous written contribution receipt.

Donations and Credit Application

Upon the municipality's approval of the tax credit, the bill allows a residential property owner, or a person on his or her behalf, to make a donation to the organization designated by the municipality.

In order to receive the property tax credit, the bill requires a taxpayer to apply, to the tax collector in the municipality in which the

property is located, between January 1 and April 1 of the fiscal year prior to the fiscal year for which the taxpayer will claim the credit. The application must include (1) evidence, satisfactory to the tax collector, of the amount of the taxpayer's donations to the organization in the preceding calendar year and (2) an affidavit, on an Office of Policy and Management-prescribed form, affirming that the taxpayer's donations were made in cash and were voluntary, unrestricted, and irrevocable.

Upon receiving the application and required documentation, the tax collector must apply the tax credit, subject to any limits the municipality applied to the tax credit in its authorizing ordinance, to the property tax due for the fiscal year for which the application was made. The bill prohibits taxpayers from using a donation made to an organization to claim a tax credit for more than one fiscal year.

Under the bill, a taxpayer who knowingly submits false records or makes a false affidavit in order to claim a tax credit must (1) pay a fine of up to \$500 and (2) refund to the municipality the entire amount of the tax credit the taxpayer improperly received.

§§ 11 & 12 — BONUS DEPRECIATION AND ASSET EXPENSING DEDUCTIONS

The bill requires taxpayers to make certain adjustments to federal business tax deductions for bonus depreciation and asset expensing for purposes of state personal income and corporation business tax (see BACKGROUND).

Beginning with the 2017 tax year, the bill requires individuals receiving income from pass-through businesses (e.g., limited liability partnerships and limited liability corporations) to add back the federal bonus depreciation deduction for property placed in service after September 27, 2017, when calculating their Connecticut adjusted gross income for the state personal income tax. But it allows them to deduct 25% of the disallowed deduction for each of the four succeeding tax years. Existing law, unchanged by the bill, disallows the federal bonus depreciation deduction for state corporation business tax purposes.

The bill also requires individuals and corporations, for state personal income and corporation business tax purposes respectively, to apportion the federal deduction for the cost of qualifying property (“section 179 property”) over a five-year period. They must do so for tax years (for personal income tax) or income years (for corporation business tax) beginning on or after January 1, 2018. Under the bill, individuals and corporations (1) must add back 80% of the federal deduction in the first year and (2) may deduct 25% of the disallowed portion of the deduction in each of the four succeeding tax years (i.e., 20% a year for five years).

EFFECTIVE DATE: Upon passage; the personal income tax provisions are applicable to tax years beginning on or after January 1, 2017.

§ 13 — DIVIDENDS RECEIVED DEDUCTION

Existing law generally allows corporations to deduct from their gross income the dividends they receive from other corporations in which they have an ownership stake. But the law disallows any deduction for expenses related to those dividends. The bill provides that expenses related to dividends equal 10% of all dividends received by a company during an income year, except as described below. For multi-state companies or financial service companies, the bill requires the net income associated with the disallowed expenses to be apportioned according to the existing statutory requirements for doing so.

Alternate Percentage

The bill allows companies to petition the DRS commissioner for a different percentage if the company believes that the dividend-related expenses it incurred during the income year and prior income years are less than 10% of such dividends. The company must submit its petition to the commissioner within 60 days before its tax return for the applicable income year is due, taking into account any filing extensions granted for the return. The commissioner may grant the petition if he determines that the company has established, by clear and convincing

evidence, that the company's proposed alternate percentage accurately reflects its dividend-related expenses. The commissioner must grant or deny the petition before the return's due date.

EFFECTIVE DATE: Upon passage, and applicable to income years beginning on or after January 1, 2017.

§§ 14-16 — GIFT AND ESTATE TAX

The bill extends, by three years, the phase-in of the estate and gift tax threshold to the federal threshold. Under current law, the estate and gift tax threshold increases over three years, from \$2.6 million in 2018, to \$3.6 million in 2019, and to the federal basic exclusion amount in 2020 and thereafter. As Tables 2 and 3 show, the bill extends the phase-in to 2023 by setting the gift and estate tax threshold at \$5.1 million for 2020, \$7.1 million for 2021, \$9.1 million for 2022, and the federal basic exclusion amount for 2023 and thereafter.

The federal Tax Cuts and Jobs Act of 2017 doubled the federal threshold (to \$11 million in 2018, after adjusting for inflation).

Table 2: Estate and Gift Tax Rates, 2020 to 2022

<i>Value of Taxable Estate or Gift</i>	<i>Rates</i>			
	<i>Current Law</i>	<i>Bill</i>		
	<i>2020 and after*</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Up to \$5,100,000	None	None	None	None
\$5,100,001 to federal threshold		10%		
Federal threshold to \$6,100,000	10%			
\$6,100,001 to \$7,100,000	10.4%	10.4%		
\$7,100,001 to \$8,100,000	10.8%	10.8%	10.8%	
\$8,100,001 to \$9,100,000	11.2%	11.2%	11.2%	
\$9,100,001 to \$10,100,000	11.6%	11.6%	11.6%	11.6%
Over \$10,100,000	12%	12%	12%	12%

*Rates apply to the excess over the federal threshold

Table 3: Estate and Gift Tax Rates Under the Bill, 2023 and Thereafter

<i>Value of Taxable Estate and Gift</i>	<i>Rate for 2023 and Thereafter</i>
Up to federal threshold	None
Over federal threshold	12%

The bill makes conforming changes to requirements for filing tax returns with the Department of Revenue Services (DRS) and the probate court. By law, all estates, regardless of their gross value, must file an estate tax return. If the estate's value is more than the taxable threshold, the executor must file the return with DRS, with a copy to the probate court for the district where the decedent lived or, if the decedent was not a Connecticut resident, where the Connecticut property is located. If the estate's value is below the tax threshold, the return must be filed only with the appropriate probate court. The probate judge must review the return and issue a written opinion to the estate's representative if the judge determines it is not subject to the estate tax.

Under current law, for deaths on or after January 1, 2020, the threshold for filing an estate tax return only with the probate court is the federal estate tax threshold. The bill instead sets the threshold at:

1. \$5.1 million for deaths on or after January 1, 2020, but before January 1, 2021;
2. \$7.1 million for deaths on or after January 1, 2021, but before January 1, 2022;
3. \$9.1 million for deaths on or after January 1, 2022, but before January 1, 2023; and
4. the federal threshold for deaths on or after January 1, 2023.

§ 17 — CONNECTICUT GREEN BANK

Existing law allows the Green Bank to issue bonds secured by a SCRF, subject to the (1) approval of the Office of Policy and Management (OPM) secretary and state treasurer, or their deputies, and (2) Green Bank determining and documenting that project revenue will be sufficient to pay the bond principal and interest and other specified costs.

The bill authorizes the Green Bank to secure with a SCRF its

obligations to make basic rental payments, consisting of principal and interest, under the equipment lease-purchase agreement it entered into in December 2017 for the installation of solar equipment at various locations of the Connecticut State Colleges and Universities. The authorization applies as long as the Green Bank obtains the required approvals after the obligation's issuance and regardless that the obligation is established in the form of a lease agreement.

§ 18 — OPPORTUNITY ZONES STUDY

The bill requires the Department of Economic and Community Development commissioner to conduct a study identifying best practices for marketing the benefits of qualified "opportunity zones," as defined by federal law, in order to increase investment in distressed census tracts and municipalities. By January 1, 2019, the commissioner must report the findings to the Commerce; Planning and Development; and Finance, Revenue and Bonding committees.

The federal Tax Cuts and Jobs Act of 2017 allows state chief executive officers to nominate low-income communities for designation as a qualified opportunity zone and establishes tax incentives for investing in the designated zones through a qualified fund.

BACKGROUND

SALT Deduction

The federal SALT (i.e., state and local taxes) deduction allows taxpayers to reduce their taxable income by the amount they paid in certain state and local taxes during the tax year. Under prior law, taxpayers could claim the deduction (with no dollar limit) for four types of nonbusiness taxes, including state personal income taxes and property taxes. Under the federal Tax Cuts and Jobs Act, for the 2018 to 2025 tax years, the deduction is limited to \$10,000 (\$5,000 for married taxpayers filing separately) for such taxes paid or accrued in the tax year. Taxpayers may still claim a deduction with no dollar limit for state and local property taxes related to a business (e.g., property taxes paid for rental property) (26 U.S.C.A. § 164, as amended by P.L.

115-97, § 11042).

Volatility Cap

Established under PA 17-2, JSS (§§ 704, 707, 708 & 729), the “volatility cap” is a mechanism for diverting volatile tax revenue to the Budget Reserve Fund (BRF). It effectively caps at \$3.15 billion the amount of personal income tax estimated and final payments that may be used to balance the budget, thus requiring any excess amounts to be transferred to the BRF after the close of General Fund accounts each fiscal year. It also requires certain state bonds to include a pledge to bondholders that the state will comply with the BRF law, except in limited circumstances.

Bonus Depreciation Deduction (26 USC § 168(k))

The federal Tax Cuts and Jobs Act of 2017 authorizes a first-year bonus depreciation deduction of 100% on qualified new and used property businesses place in service after September 27, 2017, and before January 1, 2023 (the rate phases down by 20% each year thereafter). Prior law generally provided for a 50% bonus depreciation deduction in 2017, 40% in 2018, and 30% in 2019.

Asset Expensing (26 USC § 179)

Under federal law, businesses can elect to treat the cost of qualifying property (“section 179 property”) as a deductible expense rather than a capital expenditure, subject to a maximum deduction and investment limitation. The federal Tax Cuts and Jobs Act of 2017 expands the type of property that taxpayers may elect to treat as section 179 property and increases the (1) maximum deduction for section 179 expensing from \$510,000 to \$1 million and (2) investment limitation from \$2.03 million to \$2.5 million. (The investment limitation reduces the maximum deduction allowed, dollar for dollar, by the amount of section 179 property placed in service during the tax year that exceeds the limit.)

Related Bills

HB 5581, favorably reported by the Finance, Revenue and Bonding

Committee, requires business taxpayers to add back half of their federal bonus depreciation and asset expensing deductions and deduct the disallowed portion in the succeeding tax year.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 44 Nay 7 (04/05/2018)