



Senate

General Assembly

File No. 623

February Session, 2018

Substitute Senate Bill No. 10

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 MAKING ADJUSTMENTS TO STATE REVENUE AND CONCERNING THE AMBULATORY SURGICAL CENTERS TAX.

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

1 Section 1. Section 12-578j of the 2018 supplement to the general
2 statutes is repealed and the following is substituted in lieu thereof
3 (*Effective from passage*):

4 Not later than June 30, [2019] 2020, MMCT Venture, LLC, as defined
5 in subsection (a) of section 12-578f, shall pay to the state thirty million
6 dollars for deposit in the General Fund. Such money shall be credited
7 against any unpaid required payments pursuant to subsection (c) of
8 section 12-578g for each month in which the casino gaming facility is
9 conducting authorized games in such amount and manner as
10 determined pursuant to an agreement between the Secretary of the
11 Office of Policy and Management and MMCT Venture, LLC. No
12 interest shall be charged.

13 Sec. 2. Section 657 of public act 17-2 of the June special session is
14 repealed and the following is substituted in lieu thereof (*Effective from*
15 *passage*):

16 Notwithstanding any provision of the general statutes, the Secretary
17 of the Office of Policy and Management may transfer up to \$20,000,000
18 from nonappropriated accounts in the General Fund, excluding the
19 community investment account established pursuant to section 4-66aa
20 of the general statutes, that do not receive (1) gifts, grants or donations
21 from public or private sources, or (2) other revenues from individuals
22 to support a particular interest or purpose, to the resources of the
23 General Fund for the fiscal year ending June 30, 2019.

24 Sec. 3. (NEW) (*Effective July 1, 2018, and applicable to taxable years*
25 *commencing on or after January 1, 2018*) (a) Any taxpayer that (1) grows
26 or produces agricultural food commodities such as fruits, vegetables,
27 dairy, eggs, poultry or meat, and (2) donates such agricultural food
28 commodities to food banks, food pantries or soup kitchens in the state
29 that, as part of their ongoing services, provide food resources to low-
30 income individuals and families and are exempt from taxation under
31 Section 501(c)(3) of the Internal Revenue Code of 1986, or any
32 subsequent corresponding internal revenue code of the United States,
33 as amended from time to time, shall be allowed a deduction from such
34 taxpayer's adjusted gross income, for purposes of the tax imposed
35 under chapter 229 of the general statutes. Such deduction shall not
36 exceed forty thousand dollars of the wholesale value of the agricultural
37 food commodities donated during the taxable year for which the
38 deduction is claimed. Any taxpayer claiming the deduction shall make
39 available to the Department of Revenue Services documentation
40 supporting such deduction in the form and manner prescribed by the
41 Commissioner of Revenue Services.

42 (b) No taxpayer shall donate agricultural food commodities that the
43 Department of Public Health or a local director of health, or an
44 authorized agent thereof, has embargoed or ordered destroyed, are
45 adulterated, as defined in section 21a-101 of the general statutes, or are

46 not fit for human consumption.

47 (c) No taxpayer shall receive remuneration for a donation made
48 pursuant to this section.

49 Sec. 4. Subparagraph (B) of subdivision (20) of subsection (a) of
50 section 12-701 of the 2018 supplement to the general statutes is
51 repealed and the following is substituted in lieu thereof (*Effective July*
52 *1, 2018, and applicable to taxable years commencing on or after January 1,*
53 *2018*):

54 (B) There shall be subtracted therefrom:

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

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

60 (iii) To the extent properly includable in gross income for federal
61 income tax purposes, the amount of any refund or credit for
62 overpayment of income taxes imposed by this state, or any other state
63 of the United States or a political subdivision thereof, or the District of
64 Columbia; [, to the extent properly includable in gross income for
65 federal income tax purposes,]

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

71 (v) [to] To the extent any additional allowance for depreciation
72 under Section 168(k) of the Internal Revenue Code, as provided by
73 Section 101 of the Job Creation and Worker Assistance Act of 2002, for
74 property placed in service after December 31, 2001, but prior to
75 September 10, 2004, was added to federal adjusted gross income

76 pursuant to subparagraph (A)(ix) of this subdivision in computing
77 Connecticut adjusted gross income for a taxable year ending after
78 December 31, 2001, twenty-five per cent of such additional allowance
79 for depreciation in each of the four succeeding taxable years; [.]

80 (vi) [to] To the extent properly includable in gross income for
81 federal income tax purposes, any interest income from obligations
82 issued by or on behalf of the state of Connecticut, any political
83 subdivision thereof, or public instrumentality, state or local authority,
84 district or similar public entity created under the laws of the state of
85 Connecticut; [.]

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

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

99 (ix) [ordinary] Ordinary and necessary expenses paid or incurred
100 during the taxable year for the production or collection of income
101 which is subject to taxation under this chapter but exempt from federal
102 income tax, or the management, conservation or maintenance of
103 property held for the production of such income, and the amortizable
104 bond premium for the taxable year on any bond the interest on which
105 is subject to tax under this chapter but exempt from federal income tax,
106 to the extent that such expenses and premiums are not deductible in
107 determining federal adjusted gross income and are attributable to a
108 trade or business carried on by such individual; [.]

109 (x) (I) [for] For taxable years commencing prior to January 1, 2019,
110 for a person who files a return under the federal income tax as an
111 unmarried individual whose federal adjusted gross income for such
112 taxable year is less than fifty thousand dollars, or as a married
113 individual filing separately whose federal adjusted gross income for
114 such taxable year is less than fifty thousand dollars, or for a husband
115 and wife who file a return under the federal income tax as married
116 individuals filing jointly whose federal adjusted gross income for such
117 taxable year is less than sixty thousand dollars or a person who files a
118 return under the federal income tax as a head of household whose
119 federal adjusted gross income for such taxable year is less than sixty
120 thousand dollars, an amount equal to the Social Security benefits
121 includable for federal income tax purposes;

122 (II) [for] For taxable years commencing prior to January 1, 2019, for
123 a person who files a return under the federal income tax as an
124 unmarried individual whose federal adjusted gross income for such
125 taxable year is fifty thousand dollars or more, or as a married
126 individual filing separately whose federal adjusted gross income for
127 such taxable year is fifty thousand dollars or more, or for a husband
128 and wife who file a return under the federal income tax as married
129 individuals filing jointly whose federal adjusted gross income from
130 such taxable year is sixty thousand dollars or more or for a person who
131 files a return under the federal income tax as a head of household
132 whose federal adjusted gross income for such taxable year is sixty
133 thousand dollars or more, an amount equal to the difference between
134 the amount of Social Security benefits includable for federal income tax
135 purposes and the lesser of twenty-five per cent of the Social Security
136 benefits received during the taxable year, or twenty-five per cent of the
137 excess described in Section 86(b)(1) of the Internal Revenue Code;

138 (III) [for] For the taxable year commencing January 1, 2019, and each
139 taxable year thereafter, for a person who files a return under the
140 federal income tax as an unmarried individual whose federal adjusted
141 gross income for such taxable year is less than seventy-five thousand
142 dollars, or as a married individual filing separately whose federal

143 adjusted gross income for such taxable year is less than seventy-five
144 thousand dollars, or for a husband and wife who file a return under
145 the federal income tax as married individuals filing jointly whose
146 federal adjusted gross income for such taxable year is less than one
147 hundred thousand dollars or a person who files a return under the
148 federal income tax as a head of household whose federal adjusted
149 gross income for such taxable year is less than one hundred thousand
150 dollars, an amount equal to the Social Security benefits includable for
151 federal income tax purposes; and

152 (IV) [for] For the taxable year commencing January 1, 2019, and each
153 taxable year thereafter, for a person who files a return under the
154 federal income tax as an unmarried individual whose federal adjusted
155 gross income for such taxable year is seventy-five thousand dollars or
156 more, or as a married individual filing separately whose federal
157 adjusted gross income for such taxable year is seventy-five thousand
158 dollars or more, or for a husband and wife who file a return under the
159 federal income tax as married individuals filing jointly whose federal
160 adjusted gross income from such taxable year is one hundred
161 thousand dollars or more or for a person who files a return under the
162 federal income tax as a head of household whose federal adjusted
163 gross income for such taxable year is one hundred thousand dollars or
164 more, an amount equal to the difference between the amount of Social
165 Security benefits includable for federal income tax purposes and the
166 lesser of twenty-five per cent of the Social Security benefits received
167 during the taxable year, or twenty-five per cent of the excess described
168 in Section 86(b)(1) of the Internal Revenue Code; [.]

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

172 (xii) [to] To the extent properly includable in the gross income for
173 federal income tax purposes of a designated beneficiary, any
174 distribution to such beneficiary from any qualified state tuition
175 program, as defined in Section 529(b) of the Internal Revenue Code,

176 established and maintained by this state or any official, agency or
177 instrumentality of the state; [.]

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

183 (xiv) [to] To the extent properly includable in gross income for
184 federal income tax purposes, the amount of any Holocaust victims'
185 settlement payment received in the taxable year by a Holocaust victim;
186 [.]

187 (xv) [to] To the extent properly includable in gross income for
188 federal income tax purposes of an account holder, as defined in section
189 31-51ww, interest earned on funds deposited in the individual
190 development account, as defined in section 31-51ww, of such account
191 holder; [.]

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

198 (xvii) [to] To the extent properly includable in gross income for
199 federal income tax purposes, any income received from the United
200 States government as retirement pay for a retired member of (I) the
201 Armed Forces of the United States, as defined in Section 101 of Title 10
202 of the United States Code, or (II) the National Guard, as defined in
203 Section 101 of Title 10 of the United States Code; [.]

204 (xviii) [to] To the extent properly includable in gross income for
205 federal income tax purposes for the taxable year, any income from the
206 discharge of indebtedness in connection with any reacquisition, after

207 December 31, 2008, and before January 1, 2011, of an applicable debt
208 instrument or instruments, as those terms are defined in Section 108 of
209 the Internal Revenue Code, as amended by Section 1231 of the
210 American Recovery and Reinvestment Act of 2009, to the extent any
211 such income was added to federal adjusted gross income pursuant to
212 subparagraph (A)(xi) of this subdivision in computing Connecticut
213 adjusted gross income for a preceding taxable year; [.]

214 (xix) [to] To the extent not deductible in determining federal
215 adjusted gross income, the amount of any contribution to a
216 manufacturing reinvestment account established pursuant to section
217 32-9zz in the taxable year that such contribution is made; [.]

218 (xx) [to] To the extent properly includable in gross income for
219 federal income tax purposes, (I) for the taxable year commencing
220 January 1, 2015, ten per cent of the income received from the state
221 teachers' retirement system, (II) for the taxable years commencing
222 January 1, 2016, January 1, 2017, and January 1, 2018, twenty-five per
223 cent of the income received from the state teachers' retirement system,
224 and (III) for the taxable year commencing January 1, 2019, and each
225 taxable year thereafter, fifty per cent of the income received from the
226 state teachers' retirement system or the percentage, if applicable,
227 pursuant to clause (xxi) of this subparagraph; [.]

228 (xxi) [to] To the extent properly includable in gross income for
229 federal income tax purposes, except for retirement benefits under
230 clause (iv) of this subparagraph and retirement pay under clause (xvii)
231 of this subparagraph, for a person who files a return under the federal
232 income tax as an unmarried individual whose federal adjusted gross
233 income for such taxable year is less than seventy-five thousand dollars,
234 or as a married individual filing separately whose federal adjusted
235 gross income for such taxable year is less than seventy-five thousand
236 dollars, or as a head of household whose federal adjusted gross income
237 for such taxable year is less than seventy-five thousand dollars, or for a
238 husband and wife who file a return under the federal income tax as
239 married individuals filing jointly whose federal adjusted gross income

240 for such taxable year is less than one hundred thousand dollars, (I) for
241 the taxable year commencing January 1, 2019, fourteen per cent of any
242 pension or annuity income, (II) for the taxable year commencing
243 January 1, 2020, twenty-eight per cent of any pension or annuity
244 income, (III) for the taxable year commencing January 1, 2021, forty-
245 two per cent of any pension or annuity income, (IV) for the taxable
246 year commencing January 1, 2022, fifty-six per cent of any pension or
247 annuity income, (V) for the taxable year commencing January 1, 2023,
248 seventy per cent of any pension or annuity income, (VI) for the taxable
249 year commencing January 1, 2024, eighty-four per cent of any pension
250 or annuity income, and (VII) for the taxable year commencing January
251 1, 2025, and each taxable year thereafter, any pension or annuity
252 income; [.]

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

258 (xxiii) [to] To the extent properly includable in gross income for
259 federal income tax purposes, the amount of any financial assistance
260 received from the Crumbling Foundations Assistance Fund or paid to
261 or on behalf of the owner of a residential building pursuant to sections
262 8-442 and 8-443; and

263 (xxiv) The applicable amount of the wholesale value of the
264 agricultural food commodities donated pursuant to section 3 of this act
265 during the taxable year.

266 Sec. 5. Section 12-330c of the 2018 supplement to the general statutes
267 is repealed and the following is substituted in lieu thereof (*Effective July*
268 *1, 2018*):

269 (a) (1) A tax is imposed on all untaxed tobacco products held in this
270 state by any person. Except as otherwise provided in [subdivision]
271 subdivisions (2) and (3) of this subsection, [with respect to the tax on

272 cigars, or in subdivision (3) of this subsection with respect to the rate of
273 tax on snuff tobacco products,] the tax shall be imposed at the rate of
274 fifty per cent of the wholesale sales price of such products.

275 (2) Notwithstanding the provisions of subdivision (1) of this
276 subsection, in the case of cigars the tax shall not exceed fifty cents per
277 cigar.

278 (3) The tax shall be imposed on snuff tobacco products, on the net
279 weight as listed by the manufacturer, as follows: Three dollars per
280 ounce of snuff and a proportionate tax at the like rate on all fractional
281 parts of an ounce of snuff.

282 (b) [Such] (1) Except as provided in subdivision (2) of this
283 subsection, such tax shall be imposed on the distributor or the
284 unclassified importer at the time the tobacco product is manufactured,
285 purchased, imported, received or acquired in this state.

286 (2) Cigars owned by a distributor that are located on the premises of
287 a person who performs fulfillment services in this state for such
288 distributor and (A) are exported from this state shall not be subject to
289 the tax imposed by this chapter, or (B) are shipped, delivered or
290 otherwise transferred to a Connecticut address shall be subject to the
291 tax imposed by this chapter and such tax shall be imposed on the date
292 of such shipment, delivery or transfer and paid with, and reported by
293 such distributor on, the return prescribed under section 12-330d that
294 corresponds to the month such shipment, delivery or transfer
295 occurred. For purposes of this subdivision, "fulfillment services" means
296 services that are performed by a person on the premises of such person
297 on behalf of a distributor and that involve the receipt of orders from
298 such distributor or an agent thereof, which orders are to be filled by
299 the person from an inventory of cigars that are offered for sale by such
300 distributor, and the shipment of such orders to customers of such
301 distributor.

302 (3) The commissioner may require the person who performs
303 fulfillment services to file a quarterly informational return with the

304 commissioner with respect to cigars located on the premises of such
305 person, containing such information as the commissioner may
306 prescribe.

307 (c) Such tax shall not be imposed on any tobacco products that (1)
308 are exported from [the] this state, or (2) are not subject to taxation by
309 this state pursuant to any laws of the United States.

310 (d) Any tax imposed under this chapter shall be reduced by fifty per
311 cent for any product the Secretary of the United States Department of
312 Health and Human Services determines to be a modified risk tobacco
313 product pursuant to 21 USC 387k, as amended from time to time.

314 Sec. 6. Section 12-263p of the 2018 supplement to the general
315 statutes is repealed and the following is substituted in lieu thereof
316 (*Effective from passage*):

317 As used in sections 12-263p to 12-263x, inclusive, unless the context
318 otherwise requires:

319 (1) "Commissioner" means the Commissioner of Revenue Services;

320 (2) "Department" means the Department of Revenue Services;

321 (3) "Taxpayer" means any health care provider subject to any tax or
322 fee under section 12-263q, as amended by this act, or 12-263r, as
323 amended by this act;

324 (4) "Health care provider" means an individual or entity that
325 receives any payment or payments for health care items or services
326 provided;

327 (5) "Gross receipts" means the amount received, whether in cash or
328 in kind, from patients, third-party payers and others for taxable health
329 care items or services provided by the taxpayer in the state, including
330 retroactive adjustments under reimbursement agreements with third-
331 party payers, without any deduction for any expenses of any kind;

332 (6) "Net revenue" means gross receipts less payer discounts, charity

333 care and bad debts, to the extent the taxpayer previously paid tax
334 under section 12-263q, as amended by this act, on the amount of such
335 bad debts;

336 (7) "Payer discounts" means the difference between a health care
337 provider's published charges and the payments received by the health
338 care provider from one or more health care payers for a rate or method
339 of payment that is different than or discounted from such published
340 charges. "Payer discounts" does not include charity care or bad debts;

341 (8) "Charity care" means free or discounted health care services
342 rendered by a health care provider to an individual who cannot afford
343 to pay for such services, including, but not limited to, health care
344 services provided to an uninsured patient who is not expected to pay
345 all or part of a health care provider's bill based on income guidelines
346 and other financial criteria set forth in the general statutes or in a
347 health care provider's charity care policies on file at the office of such
348 provider. "Charity care" does not include bad debts or payer discounts;

349 (9) "Received" means "received" or "accrued", construed according
350 to the method of accounting customarily employed by the taxpayer;

351 (10) "Hospital" means any health care facility, as defined in section
352 19a-630, that (A) is licensed by the Department of Public Health as a
353 short-term general hospital; (B) is maintained primarily for the care
354 and treatment of patients with disorders other than mental diseases;
355 (C) meets the requirements for participation in Medicare as a hospital;
356 and (D) has in effect a utilization review plan, applicable to all
357 Medicaid patients, that meets the requirements of 42 CFR 482.30, as
358 amended from time to time, unless a waiver has been granted by the
359 Secretary of the United States Department of Health and Human
360 Services;

361 (11) "Inpatient hospital services" means, in accordance with federal
362 law, all services that are (A) ordinarily furnished in a hospital for the
363 care and treatment of inpatients; (B) furnished under the direction of a
364 physician or dentist; and (C) furnished in a hospital. "Inpatient

365 hospital services" does not include skilled nursing facility services and
366 intermediate care facility services furnished by a hospital with swing
367 bed approval;

368 (12) "Inpatient" means a patient who has been admitted to a medical
369 institution as an inpatient on the recommendation of a physician or
370 dentist and who (A) receives room, board and professional services in
371 the institution for a twenty-four-hour period or longer, or (B) is
372 expected by the institution to receive room, board and professional
373 services in the institution for a twenty-four-hour period or longer, even
374 if the patient does not actually stay in the institution for a twenty-four-
375 hour period or longer;

376 (13) "Outpatient hospital services" means, in accordance with
377 federal law, preventive, diagnostic, therapeutic, rehabilitative or
378 palliative services that are (A) furnished to an outpatient; (B) furnished
379 by or under the direction of a physician or dentist; and (C) furnished
380 by a hospital;

381 (14) "Outpatient" means a patient of an organized medical facility or
382 a distinct part of such facility, who is expected by the facility to receive,
383 and who does receive, professional services for less than a twenty-
384 four-hour period regardless of the hour of admission, whether or not a
385 bed is used or the patient remains in the facility past midnight;

386 (15) "Nursing home" means any licensed chronic and convalescent
387 nursing home or a rest home with nursing supervision;

388 (16) "Intermediate care facility for individuals with intellectual
389 disabilities" or "intermediate care facility" means a residential facility
390 for persons with intellectual disability that is certified to meet the
391 requirements of 42 CFR 442, Subpart C, as amended from time to time,
392 and, in the case of a private facility, licensed pursuant to section 17a-
393 227;

394 (17) "Medicare day" means a day of nursing home care service
395 provided to an individual who is eligible for payment, in full or with a

396 coinsurance requirement, under the federal Medicare program,
397 including fee for service and managed care coverage;

398 (18) "Nursing home resident day" means a day of nursing home care
399 service provided to an individual and includes the day a resident is
400 admitted and any day for which the nursing home is eligible for
401 payment for reserving a resident's bed due to hospitalization or
402 temporary leave and for the date of death. For purposes of this
403 subdivision, a day of nursing home care service shall be the period of
404 time between the census-taking hour in a nursing home on two
405 successive calendar days. "Nursing home resident day" does not
406 include a Medicare day or the day a resident is discharged;

407 (19) "Intermediate care facility resident day" means a day of
408 intermediate care facility residential care provided to an individual
409 and includes the day a resident is admitted and any day for which the
410 intermediate care facility is eligible for payment for reserving a
411 resident's bed due to hospitalization or temporary leave and for the
412 date of death. For purposes of this subdivision, a day of intermediate
413 care facility residential care shall be the period of time between the
414 census-taking hour in a facility on two successive calendar days.
415 "Intermediate care facility resident day" does not include the day a
416 resident is discharged;

417 (20) "Medicaid" means the program operated by the Department of
418 Social Services pursuant to section 17b-260 and authorized by Title XIX
419 of the Social Security Act, as amended from time to time; [and]

420 (21) "Medicare" means the program operated by the Centers for
421 Medicare and Medicaid Services in accordance with Title XVIII of the
422 Social Security Act, as amended from time to time; [.]

423 (22) "Ambulatory surgical center" means any distinct entity that (A)
424 operates exclusively for the purpose of providing surgical services to
425 patients not requiring hospitalization and in which the expected
426 duration of services would not exceed twenty-four hours following an
427 admission; (B) has an agreement with the Centers for Medicare and

428 Medicaid Services to participate in Medicare as an ambulatory surgical
429 center; and (C) meets the general and specific conditions for
430 participation in Medicare set forth in 42 CFR Part 416, Subparts B and
431 C, as amended from time to time; and

432 (23) "Ambulatory surgical center services" means only those items
433 and services included in a facility fee payment to an ambulatory
434 surgical center associated with each surgical procedure, that are not
435 separately reimbursable ancillary or professional services.
436 "Ambulatory surgical center services" does not include surgical
437 procedures, physicians' services, anesthetists' services, radiology
438 services, diagnostic services or ambulance services, that are
439 reimbursed separately from the facility fee payment to an ambulatory
440 surgical center.

441 Sec. 7. Subdivision (1) of subsection (a) of section 12-263q of the 2018
442 supplement to the general statutes is repealed and the following is
443 substituted in lieu thereof (*Effective from passage*):

444 (a) (1) For each calendar quarter commencing on or after July 1,
445 2017, each hospital shall pay a tax on the total net revenue received by
446 such hospital for the provision of inpatient hospital services and
447 outpatient hospital services. For each calendar quarter commencing on
448 or after July 1, 2018, each ambulatory surgical center shall pay a tax on
449 the total net revenue received by such ambulatory surgical center for
450 the provision of ambulatory surgical center services.

451 (A) On and after July 1, 2017, and prior to July 1, 2019, the rate of tax
452 for the provision of inpatient hospital services shall be six per cent of
453 each hospital's audited net revenue for fiscal year 2016 attributable to
454 inpatient hospital services.

455 (B) On and after July 1, 2017, and prior to July 1, 2019, the rate of tax
456 for the provision of outpatient hospital services shall be nine hundred
457 million dollars less the total tax imposed on all hospitals for the
458 provision of inpatient hospital services, which sum shall be divided by
459 the total audited net revenue for fiscal year 2016 attributable to

460 outpatient hospital services, of all hospitals that are required to pay
461 such tax.

462 (C) On and after July 1, 2019, the rate of tax for the provision
463 of inpatient hospital services and outpatient hospital services shall be
464 three hundred eighty-four million dollars divided by the total audited
465 net revenue for fiscal year 2016, of all hospitals that are required to pay
466 such tax.

467 (D) On and after July 1, 2018, the rate of tax for the provision of
468 ambulatory surgical center services shall be six per cent, except that
469 revenue from Medicaid and Medicare payments for the provision of
470 ambulatory surgical center services and the first million dollars of
471 gross receipts of an ambulatory surgical center, excluding such
472 Medicaid and Medicare payments, in the applicable fiscal year shall be
473 exempt from tax, except as provided in subdivision (2) of subsection
474 (c) of section 12-263q, as amended by this act. Nothing in this section
475 shall prohibit an ambulatory surgical center from seeking
476 remuneration for the tax imposed by this section.

477 Sec. 8. Subsection (c) of section 12-263q of the 2018 supplement to
478 the general statutes is repealed and the following is substituted in lieu
479 thereof (*Effective from passage*):

480 (c) (1) Prior to January 1, 2018, and every three years thereafter, the
481 Commissioner of Social Services shall seek approval from the Centers
482 for Medicare and Medicaid Services to exempt financially distressed
483 hospitals from the net revenue tax imposed on outpatient hospital
484 services. Any such hospital for which the Centers for Medicare and
485 Medicaid Services grants an exemption shall be exempt from the net
486 revenue tax imposed on outpatient hospital services under subsection
487 (a) of this section. Any hospital for which the Centers for Medicare and
488 Medicaid Services denies an exemption shall be required to pay the net
489 revenue tax imposed on outpatient hospital services under subsection
490 (a) of this section. For purposes of this subsection, "financially
491 distressed hospital" means a hospital that has experienced over a five-
492 year period an average net loss of more than five per cent of aggregate

493 revenue. A hospital has an average net loss of more than five per cent
494 of aggregate revenue if such a loss is reflected in the five most recent
495 years of financial reporting that have been made available by the
496 Office of Health Care Access for such hospital in accordance with
497 section 19a-670 as of the effective date of the request for approval
498 which effective date shall be July first of the year in which the request
499 is made.

500 (2) (A) Prior to July 1, 2018, and annually thereafter, the
501 Commissioner of Social Services shall seek approval from the Centers
502 for Medicare and Medicaid Services to exempt the first million dollars
503 of net revenue an ambulatory surgical center receives during each state
504 fiscal year from the tax imposed on the provision of ambulatory
505 surgical center services. If the Centers for Medicare and Medicaid
506 Services does not grant such exemption, the Commissioner of Social
507 Services shall seek approval from the Centers for Medicare and
508 Medicaid Services to exempt the amount of net revenue closest to one
509 million dollars that will meet the applicable waiver provisions set forth
510 in 42 CFR 433.72, as amended from time to time, provided such
511 amount shall not be less than five hundred thousand dollars nor more
512 than one million five hundred thousand dollars. If the Centers for
513 Medicare and Medicaid Services does not grant such exemption or
514 grants the exemption for less or more than the first million dollars of
515 net revenue, the exemption set forth in subparagraph (D) of
516 subdivision (1) of subsection (a) of section 12-263q, as amended by this
517 act, shall, as applicable, cease to be effective or shall be effective for the
518 lesser or greater amount for which the exemption was granted, as of
519 the first day of the calendar quarter next succeeding such decision by
520 the Centers for Medicare and Medicaid Services.

521 (B) Each ambulatory surgical center shall provide to the
522 Commissioner of Social Services, annually upon request, the following
523 information for the prior calendar year to enable the commissioner to
524 make any computations necessary to seek approval for the exemption
525 under this subdivision: (i) The net revenue received by such
526 ambulatory surgical center for the provision of ambulatory surgical

527 center services; (ii) the Medicaid payments received by such
528 ambulatory surgical center for the provision of ambulatory surgical
529 center services; and (iii) the Medicare payments received by such
530 ambulatory surgical center for the provision of ambulatory surgical
531 center services. Such information shall be provided, if requested, not
532 later than April thirtieth, and shall be considered return information
533 subject to the provisions of section 12-15.

534 Sec. 9. (*Effective from passage*) The Commissioner of Social Services,
535 in consultation with the Connecticut Association of Ambulatory
536 Surgical Centers, shall establish a pilot program to study ways to
537 increase access to medical care and decrease costs for such care under
538 the Medicaid program by having certain medical procedures
539 performed at ambulatory surgical centers. Such pilot program shall
540 include the establishment of an application procedure and
541 participation criteria for the program, the medical procedures to be
542 considered and the appropriate reimbursement rates for such
543 procedures. Not later than December 31, 2019, the commissioner shall
544 submit a report, in accordance with the provisions of section 11-4a of
545 the general statutes, regarding the pilot program and the
546 commissioner's finding and recommendations to the joint standing
547 committee of the General Assembly having cognizance of matters
548 relating to finance, revenue and bonding.

549 Sec. 10. Subdivision (1) of subsection (b) of section 12-263i of the
550 2018 supplement to the general statutes is repealed and the following
551 is substituted in lieu thereof (*Effective from passage*):

552 (b) (1) For each calendar quarter commencing on or after October 1,
553 2015, and prior to July 1, 2018, there is hereby imposed a tax on each
554 ambulatory surgical center in this state to be paid each calendar
555 quarter. The tax imposed by this section shall be at the rate of six per
556 cent of the gross receipts of each ambulatory surgical center, except
557 that such tax shall not be imposed on any amount of such gross
558 receipts that constitutes [either] any of the following: (A) [the] The first
559 million dollars of gross receipts of the ambulatory surgical center in

560 the applicable fiscal year, [or] excluding Medicaid and Medicare
 561 payments, (B) net revenue of a hospital that is subject to the tax
 562 imposed under section [602 of public act 17-2 of the June special
 563 session] 12-263q, as amended by this act, (C) Medicaid payments
 564 received by the ambulatory surgical center, and (D) Medicare
 565 payments received by the ambulatory surgical center. Nothing in this
 566 section shall prohibit an ambulatory surgical center from seeking
 567 remuneration for the tax imposed by this section.

568 Sec. 11. Subsection (a) of section 12-263s of the 2018 supplement to
 569 the general statutes is repealed and the following is substituted in lieu
 570 thereof (*Effective from passage*):

571 (a) [No] Except for any exemption approved by the Centers for
 572 Medicare and Medicaid Services, tax credit or credits shall be
 573 allowable against any tax or fee imposed under section 12-263q, as
 574 amended by this act, or 12-263r. Notwithstanding any other provision
 575 of the general statutes, any health care provider that has been assigned
 576 tax credits under section 32-9t for application against the taxes
 577 imposed under chapter 211a may further assign such tax credits to
 578 another taxpayer or taxpayers one time, provided such other taxpayer
 579 or taxpayers may claim such credit only with respect to a taxable year
 580 for which the assigning health care provider would have been eligible
 581 to claim such credit and such other taxpayer or taxpayers may not
 582 further assign such credit. The assigning health care provider shall file
 583 with the commissioner information requested by the commissioner
 584 regarding such assignments, including but not limited to, the current
 585 holders of credits as of the end of the preceding calendar year.

586 Sec. 12. Sections 658 and 659 of public act 17-2 of the June special
 587 session are repealed. (*Effective from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-578j

Sec. 2	<i>from passage</i>	PA 17-2 of the June Sp. Sess., Sec. 657
Sec. 3	<i>July 1, 2018, and applicable to taxable years commencing on or after January 1, 2018</i>	New section
Sec. 4	<i>July 1, 2018, and applicable to taxable years commencing on or after January 1, 2018</i>	12-701(a)(20)(B)
Sec. 5	<i>July 1, 2018</i>	12-330c
Sec. 6	<i>from passage</i>	12-263p
Sec. 7	<i>from passage</i>	12-263q(a)(1)
Sec. 8	<i>from passage</i>	12-263q(c)
Sec. 9	<i>from passage</i>	New section
Sec. 10	<i>from passage</i>	12-263i(b)(1)
Sec. 11	<i>from passage</i>	12-263s(a)
Sec. 12	<i>from passage</i>	Repealer 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 18 \$	FY 19 \$	FY 20 \$
Social Services, Dept.	GF - Potential Cost	See Below	See Below	See Below
Revenue Serv., Dept.	GF - Cost	None	5,000	None
Department of Revenue Services	GF - Revenue Loss	(200,000)	(63,700,000)	(3,700,000)

Note: GF=General Fund

Municipal Impact: None

Explanation

Section 1 delays by 1 year (from FY 19 to FY 20) the \$30 million advanced payment required from MMCT Venture LLC (a company jointly owned and operated by the Mashantucket Pequot and Mohegan tribes) for the right to conduct authorized games at a new off-reservation commercial casino. The 2018-2019 Budget assumes a one-time \$30 million revenue gain in FY 19 due to advanced payment.

Section 2 prohibits the Secretary of the Office of Policy and Management from transferring funds from the (non-appropriated) Community Investment Account (CIA) as part of the budget initiative to identify \$20 million total in transfers from various non-appropriated accounts in FY 19. It is anticipated that the Secretary of the Office of Policy and Management will meet the \$20 million target even though the CIA is unavailable.

Sections 3 - 4 establish a tax deduction of up to \$40,000 for certain

food donations, which results in a General Fund revenue loss estimated to be less than \$10,000 annually beginning in FY 19.

Section 4 also extends the 100% income tax deduction for pension and annuity income for qualifying taxpayers which results in an annualized revenue loss of \$57.5 million in FY 26 and \$115 million in FY 27 and annually thereafter.

Section 5 does not result in any net fiscal impact as it clarifies the exemption process for certain tobacco taxes.

Sections 6 - 8 result in a General Fund revenue loss of \$3.7 million in FY 19 and annually thereafter by modifying the ambulatory surgical center (ASC) tax.

Specifically the bill results in (1) a \$3.2 million revenue loss annually by applying the ASC tax to certain items and services included in a facility fee payment (rather than gross receipts as under current law) and (2) a \$500,000 revenue loss annually by exempting revenue from Medicaid and Medicare payments from the ASC tax. The bill continues an exemption for the first \$1 million in gross receipts similar to current law so there is no fiscal impact to this provision.

Section 9 may result in a fiscal impact to the Department of Social Services to establish a pilot program to study Medicaid services at Ambulatory Surgical Centers. The fiscal impact will depend on implementation of the pilot program which is uncertain based on the parameters specified in the bill.

Section 10 results in a General Fund revenue loss of \$125,000 in FY 18 only by exempting gross receipts from Medicaid and Medicare payments from the ASC tax effective from passage. This provision is anticipated to impact the second quarterly payment due July 30th only. The first quarterly payment for this calendar year is due April 30th.

Section 11 has no fiscal impact by restricting the use of tax credits against the ASC tax. Per the Department of Revenue Services Annual Reports, no credits were claimed against ASC tax since its enactment in

FY 16.

Section 12 repeals the \$20 million fee revenues target in Section 659 of the Budget Act; and the \$10 million tax expenditure target in Section 658 of PA 17-2 JSS.

The bill also results one-time cost of less than \$5,000 to the Department of Revenue Services (DRS) in FY 19 only for updates to the DRS' online Taxpayer Service Center and the agency's internal Integrated Tax Administration System.

The Out Years

General Fund revenue losses from various provisions of the bill are projected to be \$43.7 million in FY 21 and thereafter. In addition, Section 4 of the bill results in an annualized revenue loss of \$57.5 million in FY 26 and \$115 million in FY 27 and annually thereafter.

OLR Bill Analysis**sSB 10****AN ACT MAKING ADJUSTMENTS TO STATE REVENUE AND CONCERNING THE AMBULATORY SURGICAL CENTERS TAX.****SUMMARY**

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

1. beginning July 1, 2018, replaces the current 6% gross receipts tax on ambulatory surgical centers (ASC) with a 6% net revenue tax on ASCs, with certain exclusions, subject to the same administrative requirements and tax credit prohibition that apply under existing law to the hospital provider tax and user fees on nursing homes and intermediate care facilities for individuals with intellectual disabilities (ICF-IDs)(§§6-11);
2. establishes a personal income tax deduction of up to \$40,000 for businesses that donate agricultural food commodities they grew or produced to nonprofit food banks, food pantries, or soup kitchens (§§ 3 & 4);
3. exempts from the tobacco products tax cigars that are (a) exported from Connecticut and (b) owned by a distributor located on the premises of a company performing “fulfillment services” for the distributor (§ 5); and
4. makes permanent the personal income tax deduction for pension and annuity income currently scheduled to phase in from the 2019 to 2025 tax years, and end after 2025 (§ 4).

The bill also makes the following adjustments to the FY 18-19 biennial budget:

1. delays, by one year, the date by which MMCT Venture, LLC must provide a \$30 million advance to the state (§ 1);
2. prohibits the Office of Policy and Management (OPM) secretary from transferring funds from the Community Investment Account for FY 19 as part of his authority to transfer up to \$20 million to the General Fund from nonappropriated accounts (§ 2);
3. repeals a requirement that the OPM secretary, in consultation with the revenue services and economic and community development commissioners, evaluate state tax expenditures, and by February 1, 2018, report his findings and recommendations to the Finance, Revenue and Bonding Committee (§ 12); and
4. repeals a requirement that (a) all agency heads, except the OPM secretary, determine whether the fees their agencies charge cover program administration costs and (b) OPM recommend fee increases, of up to \$20 million in the aggregate, to the Finance, Revenue and Bonding Committee by February 7, 2018 (§ 12).

EFFECTIVE DATE: Upon passage, except the income tax provisions are effective July 1, 2018, and applicable to tax years beginning on or after January 1, 2018.

§ 1 — MMCT VENTURE, LLC PAYMENT

The bill delays, by one year, from June 30, 2019, to June 30, 2020, the date by which MMCT Venture, LLC must provide a \$30 million advance to the state, which will be credited against required future monthly casino gross gaming revenue payments to the state.

Existing law authorizes MMCT Venture, LLC, a company jointly owned and operated by the Mashantucket Pequot and Mohegan tribes, to conduct authorized games at a new off-reservation commercial casino, once certain conditions are met, and requires MMCT to pay the

state 25% of its gross gaming revenue once the casino is operational.

§ 2 — TRANSFERS FROM NONAPPROPRIATED ACCOUNTS

Current law authorizes the OPM secretary, for FY 19, to transfer to the General Fund up to \$20 million from nonappropriated accounts that do not receive (1) gifts, grants, or donations from public or private sources or (2) other revenues from individuals to support a particular interest or purpose. The bill prohibits him from transferring any such funds from the Community Investment Account (CIA).

By law, the CIA is a separate, nonlapsing General Fund account that provides funding for open space, farmland preservation, historic preservation, affordable housing, and promoting agriculture, among other things. The account is capitalized by land recording fees.

§§ 3 & 4 — INCOME TAX DEDUCTION FOR AGRICULTURAL FOOD DONATIONS

The bill establishes a personal income tax deduction for businesses that donate agricultural food commodities they grew or produced to nonprofit (i.e., 501(c)(3)) food banks, food pantries, or soup kitchens providing food resources to low-income individuals and families. The donated commodities may include fruit, vegetables, dairy, eggs, poultry, or meat.

Under the bill, the deduction is equal to the wholesale value of the commodities donated during the tax year for which the taxpayer claims the deduction, up to \$40,000. Taxpayers claiming the deduction must provide documentation supporting the deduction to the Department of Revenue Services (DRS), in the form and manner the commissioner prescribes.

The bill prohibits a taxpayer from donating commodities that are adulterated, are unfit for human consumption, or were embargoed or ordered destroyed by the Department of Public Health. It also prohibits a taxpayer from claiming a deduction if it received any remuneration for a donated commodity.

§ 4 — INCOME TAX DEDUCTION FOR PENSION AND ANNUITY INCOME

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

§ 5 — TOBACCO PRODUCTS TAX EXEMPTION FOR CERTAIN EXPORTED CIGARS

The bill exempts from the tobacco products tax cigars that are (1) exported from Connecticut and (2) owned by a distributor located on the premises of a company performing “fulfillment services” for the distributor. A company provides “fulfillment services” when it receives orders from a distributor or its agent, fills them with the distributor’s inventory stored on its premises, and ships them to the distributor’s customers. By law, exported tobacco products are already exempt from tobacco products tax and distributors are eligible for a refund for any taxes paid on products that are subsequently exported.

Under the bill, cigars owned by such distributors are subject to the tax if they are shipped, delivered, or transferred to a Connecticut address. The tax must be (1) imposed on the date the cigars are shipped, delivered, or transferred and (2) reported and paid on the tobacco products tax return corresponding to the month the shipment, delivery, or transfer occurred.

The bill authorizes the DRS commissioner to require the fulfillment company to file a quarterly informational return, containing the information the commissioner prescribes, for the cigars located on the company’s premises.

§§ 6-11 — ASC TAX***Sunset of ASC Gross Receipts Tax***

Beginning July 1, 2018, the bill sunsets the current 6% gross receipts tax on ASCs and imposes on them a 6% net revenue tax, with certain exclusions.

Under current law, the tax is based on an ASC's gross receipts for each quarter, excluding the first \$1 million in the applicable fiscal year and any portion of the ASC's gross receipts that constitutes net patient revenue of a hospital subject to the hospital provider tax. Although the bill sunsets the gross receipts tax on June 30, 2018, it (1) excludes from the tax gross receipts from any Medicaid and Medicare payments the ASC receives and (2) specifies that the existing exclusion for the first \$1 million of an ASC's gross receipts excludes Medicaid and Medicare payments. In doing so, it appears to limit the tax base for the gross receipts tax due for the calendar quarter in which the bill takes effect, but before July 1, 2018 (i.e., the second quarter of 2018).

ASCs Subject to the Tax

By law, and under the bill, an ASC is a distinct entity that (1) operates exclusively to provide surgical services to patients not requiring hospitalization, where the services are not expected to take more than 24 hours, (2) has an agreement with the Centers for Medicare and Medicaid Services (CMS) to participate in Medicare as an ASC, and (3) meets the federal requirements to do so.

Tax Base and Rate

Under current law, the ASC tax is based on an ASC's gross receipts for each quarter, excluding the first \$1 million in the applicable fiscal year and any portion of the ASC's gross receipts that constitutes net patient revenue of a hospital subject to the hospital provider tax. For calendar quarters beginning July 1, 2018, the bill instead bases the tax on the total net revenue the ASC receives for providing ASC services, excluding the (1) revenue from Medicaid and Medicare payments and (2) first \$1 million of gross receipts (other than Medicaid and Medicare payments) in the applicable fiscal year, subject to the approval of the federal waiver described below. The bill maintains the tax rate at 6%.

Under the bill, the same definitions of net revenue and gross receipts that apply under the hospital provider tax apply to the ASC tax. “Net revenue” means gross receipts minus payer discounts, charity care, and bad debts on which the taxpayer previously paid the tax and “gross receipts” means the amount received (cash or in-kind) from patients, third-party payers, and others for taxable health care items or services the taxpayer provides in the state. It includes retroactive adjustments under reimbursement agreements with third-party payers, with no deduction for expenses.

Under the bill, “ASC services” are the items and services included in a facility fee payment to an ASC that are (1) associated with a surgical procedure and (2) not separately reimbursable ancillary or professional services. They exclude surgical procedures and physicians’, anesthetists’, radiology, diagnostic, and ambulance services that are separately reimbursed to an ASC from the facility fee payment.

As is the case under the current ASC tax, the bill does not prohibit an ASC from seeking remuneration for the tax it imposes.

Request for Federal Waiver

The bill requires the Department of Social Services (DSS) commissioner, before July 1, 2018, and annually thereafter, to seek approval from the Centers for Medicare and Medicaid (CMS) to exempt from the ASC tax the first \$1 million of net revenue an ASC receives during the fiscal year. (However, the bill excludes the first \$1 million of gross receipts, rather than net revenue, an ASC receives during the fiscal year.)

If CMS denies the exemption, the DSS commissioner must seek its approval to exempt the amount closest to \$1 million, but between \$500,000 and \$1.5 million, that meets the applicable federal waiver provisions applicable to health care-related taxes (see BACKGROUND). If CMS denies the exemption or grants it for an amount other than \$1 million, the exemption terminates or equals the

approved amount, as applicable, as of the first day of the quarter following CMS's decision.

Annually, upon request, the bill requires each ASC to provide the DSS commissioner with certain information to allow him to make the calculations necessary for the annual waiver request. Specifically, each ASC must indicate, for the prior calendar year, the amount of net revenue and Medicaid and Medicare payments it received for providing ASC services. The ASCs must provide this information, if requested, by April 30.

Under the bill, the information the ASCs provide to DSS is considered confidential tax return information. The law establishes narrow conditions under which return information may be disclosed and sets penalties for unauthorized disclosures (a fine of up to \$1,000, up to one year in prison, or both (CGS § 12-15(g))).

Tax Credits

The bill extends to ASCs the prohibition against using tax credits that applies under existing law to hospitals, nursing homes, and ICF-IDs. Under current law, ASCs may apply urban and industrial site reinvestment tax credits against the ASC gross receipts tax.

Administrative Requirements

The bill extends to ASCs the same administrative requirements that apply to the hospital provider tax and nursing home and ICF-ID user fees. Among other things, these provisions:

1. require ASCs to file quarterly returns and generally remit their tax payment to the DRS commissioner by the last day of January, April, July, and October of each year on DRS-prescribed forms;
2. subject delinquent and non-filing ASC taxpayers to a penalty of 10% of the unpaid tax or fee or \$50, whichever is greater, plus 1% interest for each full or partial month that the tax or fee remains unpaid;

3. subject ASC taxpayers to penalties for willfully failing to pay the tax or supplying false information;
4. authorize the DRS commissioner to examine an ASC's records as he deems necessary and impose deficiency assessments;
5. authorize the DRS commissioner to enter into an agreement with the DSS commissioner delegating to the DSS commissioner the authority to examine ASC taxpayer records and returns and determine whether the correct amount has been paid;
6. allow aggrieved ASC taxpayers to appeal certain orders and decisions; and
7. authorize the DRS commissioner, and any duly authorized agent, to take certain measures to enforce and collect the tax.

Pilot Program (§ 9)

The bill requires the DSS commissioner, in consultation with the Connecticut Association of Ambulatory Surgical Centers, to establish a pilot program to study ways of increasing access to, and decreasing the cost of, medical care under the Medicaid program by having certain medical procedures performed at ASCs. The program must establish the (1) application procedure, (2) participation criteria, (3) applicable medical procedures, and (4) appropriate reimbursement rates for the procedures.

By December 31, 2019, the commissioner must report on the pilot program and his findings and recommendations to the Finance, Revenue and Bonding Committee.

BACKGROUND

Federal Waiver Provisions Applicable to Health Care-Related Taxes

As a condition of receiving federal matching funds, federal law generally requires state provider taxes to be both broad-based (i.e., imposed on all providers within a specified class of providers) and

uniform (i.e., the same tax for all providers within a specified class of providers). But states may submit a waiver request to CMS if a provider tax does not meet these requirements.

In order to waive either the broad-based or uniform requirement, a state needs to prove that the (1) net impact of the tax is generally redistributive, (2) amount of the tax is not directly correlated to Medicaid payments, and (3) tax program does not guarantee that providers receive their money back (or be “held harmless”) (42 CFR 433.72).

Related Bills

sSB 414 and sHB 5433, favorably reported by the Finance, Revenue and Bonding Committee, contain identical provisions that make permanent the personal income tax deduction for pension and annuity income.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/05/2018)