OFFICE OF FISCAL ANALYSIS

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SB-11
AN ACT CONCERNING CONNECTICUT'S RESPONSE TO FEDERAL TAX REFORM.

AMENDMENT

LCO No.: 5867
File Copy No.: 624
Senate Calendar No.: 385

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 amendment strikes the underlying bill an associated fiscal impact.

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.

Primary Analyst: CW — 5/9/18
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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 establishes a Corporation Business Tax deduction for contributions made by the state or municipalities on and after December 23, 2017. This results in a revenue loss beginning in FY 19.

It provides that expenses related to dividends equal 5% of all dividends received by a company during an income year. 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 5% provided under the bill.

It also specifies that certain business interest be treated the same under state law as it is under federal law for deductibility purposes, with certain exceptions. The net revenue impact of this provision is anticipated to be minimal.

Sections 14-18 establish the state exemption level under the Estate & Gift Tax at $5.49 million permanently beginning in 2020. This results in a revenue gain of approximately $30 million annually beginning in FY 21.

Section 19 makes a technical change that does not result in any fiscal impact.

Section 20 establishes alternative income sourcing rules for certain non-resident taxpayers under the Personal Income Tax which results in a revenue gain beginning in FY 20.

Section 21 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.

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