
OLR Bill Analysis

sSB 1104

AN ACT CONCERNING COMMUNITY RESTORATION FUNDS.

SUMMARY

This bill imposes a 20% state sales tax and a 3% local sales tax on cannabis and cannabis products (excluding cannabis for palliative use), beginning on and after the date the Department of Consumer Protection (DCP) first issues a license to a cannabis retailer.

The bill directs the (1) state sales tax revenue from cannabis sales to a new Community Development Corporation (CDC) Trust Fund and (2) local sales tax revenue to a new municipal cannabis revenue account. It requires the Department of Revenue Services (DRS) commissioner to distribute the funds in the municipal cannabis revenue account each quarter to municipalities on a point-of-sale basis. Any funds for which the commissioner cannot determine the point of sale must be transferred to the CDC Trust Fund.

The bill also creates a framework for establishing nonprofit CDCs to partner with qualifying community development credit unions (CDCUs) in undertaking specified community restoration and revitalization programs and activities. It establishes a seven-member legislative council (the CDC oversight council) to designate the CDCs and CDCUs and oversee the distribution of cannabis tax revenue in the CDC Trust Fund for the programs and activities. It also establishes a process by which the Office of Policy and Management (OPM) secretary and CDC oversight council identify and designate community impact zones in which CDCs and CDCUs focus their programs and activities.

Lastly, the bill authorizes the state, municipalities, and nonprofit organizations that are exempt from property tax to make deposits with CDCUs that must in turn be invested by the CDCU to further the bill's

community restoration and revitalization purposes.

EFFECTIVE DATE: Upon passage

§ 1 — COMMUNITY DEVELOPMENT CORPORATIONS

Eligible Entities

The bill establishes the criteria organizations must meet in order to be designated as a CDC.

Under the bill, an entity may apply to the council to be designated as a CDC if it (1) is exempt from federal tax under section 501(c) of the federal tax code, (2) is located in a distressed municipality (see BACKGROUND) at the time of its application, and (3) meets the following requirements:

1. has demonstrated effectiveness in, or has been formed for the purposes of, building, attracting, and retaining neighborhood wealth;
2. provides financial, educational, or related services to support initiatives that concentrate investments in human capital and infrastructure in a specific neighborhood or neighborhoods, with measurable community revitalization achievements;
3. agrees to focus all of its efforts in the distressed municipality in which it is located;
4. agrees to establish or relocate its primary office in a community impact zone (described below) within the municipality after the zones are designated; and
5. agrees to establish or relocate any auxiliary locations to the municipality in which it is located.

Programs, Services, and Assistance

The bill requires each CDC to provide specific programs, services, and assistance or grants to support community reinvestment strategies in the community impact zone in which it is located. Its initiatives must include the programs and services described below, in the order

of priority listed. If the CDC has insufficient funds to execute these strategies to a high level of quality, it must pursue each strategy in the order listed, with an emphasis on achieving high quality before undertaking the next strategy.

Early Childhood. The CDC must encourage early childhood initiatives by providing, directly or in collaboration with other entities, free or low-cost early childhood education services to families living within the community impact zone, regardless of their income. The services must include kindergarten preparedness and readiness assessments. The CDC may expand its services to areas within the municipality that are outside the community impact zone that have poverty levels exceeding the municipal average.

Educational Achievement. The CDC must increase achievement at public elementary and middle schools in the zone. It must coordinate with officials at these schools to submit grant applications to the CDC oversight council to supplement per-student funding so that it matches or approaches the highest levels of per-student funding at any elementary or middle school in the state. Schools receiving grants must (1) set goals to achieve statewide mastery test scores in the top percentiles, based on specific target goals set for each school by the council, and (2) guarantee that a student residing in the zone will be able to attend that specific school.

Community Assets. The CDC must rebuild community assets by constructing, renovating, or repairing neighborhood structures or assets that are significant to the economy or community. These include playgrounds, sidewalks, parks, community centers, senior centers, public libraries, urban gardens, and green spaces. (Presumably, a CDC would undertake these efforts in conjunction with the municipality or property owner that owns or controls the asset or structure.) To be eligible for funding, the structures or assets must be owned by (1) the federal government, state, or municipality; (2) the CDC; (3) the partnered CDCU; or (4) a resident of the municipality in which it is located. The CDC must seek to train zone residents to do some of the work the projects require, either directly or indirectly with other

entities or through partnerships with existing technical education and apprenticeship programs.

The CDC must also retain, sell, or rent these structures or assets after their completion, but it may sell them only to zone residents. The partnered CDCU may develop a cooperative model for owning and renting the structures and assets.

Homeownership. The CDC must increase homeownership rates by doing the following:

1. It must track and make efforts to increase the percentage of owner-occupied residential buildings in the zone. It must set five-year target percentages and periodically evaluate and revise its target amounts.
2. It must restore and repair multifamily rental buildings located in the zone to convert them into owner-occupied residential buildings or multifamily cooperative buildings with at least one rental unit. To be eligible for funding, the property must generally be owned by the CDC, the partnered CDCU, or a resident of the municipality. However, properties that are not owned by such entities or individuals may still be considered for funding if the building's owner agrees, in writing, to the corporation's terms furthering the bill's homeownership purposes. The CDC may also promote participation in existing state and housing programs to encourage owner occupancy.
3. As with the community structures and assets described above, the CDC must retain, sell, or rent the buildings after their completion, but it may sell them only to zone residents. The CDC or partnered CDCU may develop a cooperative ownership or rental model for the buildings.

Homebuyer Education and Financial Literacy. The CDC must support pathways to homeownership by partnering with existing programs to offer education and financial literacy programs. The partnerships must be joint efforts between the CDC and its partnered

CDCU and each CDCU may develop and offer subsidized or incentivized financial products for individuals who participate in the programs.

Job Pipelines for Zone Residents. The CDC must consult or coordinate with other organizations, including the Workforce Investment Boards, to implement or participate in community work-based training programs. The programs must provide pre-apprenticeship or apprenticeship opportunities through instruction or training to (1) increase literacy, math, and other technical, prevocational, or vocational skills and (2) connect workforce, economic development, and education systems with businesses and other zone stakeholders. The CDC's efforts must focus on (1) zone residents and (2) businesses offering or carrying out training programs in the following order of priority: in the zone, in the municipality, and outside the municipality.

The CDC must also place zone residents with businesses that offer employment or on-the-job training. It must select businesses in the following order of priority: within the zone, within the municipality, and outside the municipality if the opportunities in the zone and municipality have been exhausted.

Community and Senior Centers. The CDC must (1) expand access to programs at existing community or senior centers that serve zone residents, regardless of age, or (2) convert the centers to ones to serve all zone residents, regardless of age. (Presumably, a CDC would undertake these efforts in conjunction with the municipality or organization that runs the existing community or senior center.)

Transportation. The CDC must provide municipal residents with low-cost transportation options by developing or supporting transportation alternatives within and between municipalities for travel to and from work, home, school, retail stores, and entertainment venues.

Powers

Under the bill, a CDC may:

1. acquire the real property described above (e.g., community assets and structures and multifamily residential buildings) in coordination with its partnered CDCU;
2. operate as a contractor or subcontractor, or establish a subsidiary to do so, as long as the CDC or subsidiary complies with all applicable state licensing and registration requirements; and
3. partner or contract with contractors or subcontractors to carry out projects and related work for the purposes described above, provided the CDC gives first priority to a contractor or subcontractor located in the zone and second priority to one located in the municipality.

Partnerships with CDCUs

No later than six months after being designated a CDC, the corporation must (1) identify a Connecticut credit union located within the municipality in which the CDC is located that will apply to the CDC oversight council to be designated as a CDCU or (2) issue a request for proposal for the organization of a new Connecticut credit union, or an existing Connecticut credit union, to partner with the CDC.

Foreclosed or Auctioned Property

A CDC must be offered the right of first refusal in the sale of any real property in the zone that has been foreclosed or is being sold at public auction, provided it has notified the mortgagee or municipal tax collector, as applicable, of its interest in acquiring the property. Under the bill, this provision applies regardless of the state laws on mortgage foreclosures and tax sales.

Financial Report

The bill requires each CDC to submit a financial report to the CDC oversight council, including any information the council requires. It must submit the report as often as the council requires, but at least

annually.

Removing a CDC Designation

The bill allows a CDC to request that its designation be removed. The CDC oversight council may grant the request as long as it designates another entity to replace the CDC, based on prior applications or through a new request for applications.

The bill also authorizes the council to remove a CDC's designation if (1) it determines that the CDC is unable to carry out or deficient in carrying out the purposes described above and (2) the corporation was given the opportunity to address and improve the deficiencies noted by the council.

§§ 2 & 9 — COMMUNITY DEVELOPMENT CREDIT UNIONS

Authorization

The bill authorizes Connecticut credit unions to (1) partner with CDCs; (2) be designated as CDCUs, and if designated, engage in the activities authorized under the bill; and (3) issue social impact bonds, as described below.

Under the bill, Connecticut credit union service organizations may also be designated as CDCUs. By law, a Connecticut credit union service organization is an organization that is incorporated under the state's laws and established by at least one Connecticut credit union or wholly owned by a federal or out-of-state credit union that converted to a Connecticut credit union.

Eligible Credit Unions

The bill authorizes Connecticut credit unions and credit union service organizations to apply to the CDC oversight council to be designated as a CDCU. To be designated, the credit union or credit union service organization must:

1. serve low- and moderate-income people and communities with limited access to affordable financial services and products, with priority, and

2. agree to partner with at least one CDC and focus its activities and efforts to support the corporation's purposes.

The CDC oversight council must give priority to credit unions and credit union service organizations that specialize in:

1. providing home mortgages or small business loans to members with imperfect, limited, or no credit history;
2. providing financial education and counseling to members; and
3. offering products, services, and support at a low or reasonable cost to members.

Duties and Powers

Under the bill, each CDCU must do the following:

1. submit its governance structure to the CDC oversight council for review;
2. approve the addition of the CDC's representatives to its governing board, executive committee, supervisory committee, or similar entity, in such numbers and as the credit union and CDC agree;
3. if applicable and necessary, expand its field of membership to allow residents of all community impact zones within the municipality in which its partnered CDC is located to be members of the credit union;
4. offer or agree to offer free or low-cost basic checking and savings account services to all residents of the zone in which its partnered CDC is located;
5. agree to establish in or move a location to the zone after it is designated (as described below) (but the bill specifies that the credit union is not precluded from establishing or having locations elsewhere in the state or municipality in which the zone is located); and

6. develop and issue social impact bonds, in consultation with its partnered CDC, to support or supplement the CDC's efforts.

The bill specifies that the social impact bonds must be designed to maximize tax benefits to investors in cases where the community impact zone aligns with federally designated opportunity zones.

Financing CDC Activities

The bill authorizes each CDCU to develop low-cost or subsidized financial products and services to support its CDC's goals and apply to the CDC oversight council for funding to do so. It also authorizes each CDCU to collaborate with its CDC to help finance or facilitate investments in real property or community structures and assets, as described above.

Financial Report

Each CDCU must submit a financial report to the CDC oversight council, including any information the council requires. It must submit the report as often as the council requires, but at least annually.

Removing a CDCU Designation

The bill allows a CDCU to request that its designation be removed and to cease its partnership with the CDC. The CDC oversight council may grant the request as long as the CDC identifies another credit union or credit union service organization to replace it or issues a request for proposal for one.

The bill also authorizes the council to remove a CDCU's designation if (1) it determines that the CDCU is unable to carry out or is deficient in carrying out the purposes described above and (2) the CDCU was given the opportunity to address and improve the deficiencies noted by the council.

§ 3 — CDC OVERSIGHT COUNCIL

Membership and Governance

The bill establishes a seven-member legislative council comprised of the treasurer, Department of Economic and Community Development

(DECD) commissioner, Commission on Women, Children, Seniors, Equity and Opportunity executive director, and four members appointed by the governor. The governor must seek to appoint individuals (1) with broad community knowledge and experience with communities within the eligible census tracts described below and (2) who reflect the ethnic, gender, and economic diversity of these communities. He must make his appointments between August 1, 2021 and August 31, 2021.

The treasurer and DECD commissioner must co-chair the council and jointly schedule and hold its first meeting by September 1, 2021. Beginning on and after January 1, 2022, the council must meet at least six times each year. A majority of the council constitutes a quorum for transacting business.

Vacancies must be filled for the unexpired term by the appointing authority (i.e., governor). (However, the bill does not specify the term length for appointees.) Council members are not paid, but must be reimbursed for expenses within available funds. The Commerce Committee's administrative staff serve as the council's staff.

Duties

The bill requires the council to perform the following duties:

1. establish eligibility criteria for designating CDCs, CDCUs, and community impact zones and designate them in accordance with the bill;
2. establish an annual budget as described below;
3. oversee the investments, deposits, and disbursements for the Community Development Corporation Trust Fund;
4. approve CDC and CDCU programs, services, and activities to further their purposes;
5. oversee, support, and coordinate these programs, services, and activities within and across municipalities and with other

relevant state agencies, entities, and initiatives;

6. advise CDCs, CDCUs, state agencies, and other entities on the core purposes of CDCs and CDCUs;
7. review the disbursement of funds to CDCs and CDCUs, and contracts entered into by these entities, to evaluate their impact and effectiveness and ensure that decisions they make regarding services, grants, or financial instruments are based solely on the purposes described under the bill;
8. review the reports CDCs and CDCUs submit to it; and
9. do all things necessary to carry out its duties and responsibilities under the bill.

Designating CDCUs

The bill requires the council to designate CDCUs from among applicants that fulfill the bill's requirements. It may designate only one CDCU for each municipality (i.e., town, city, borough, consolidated town and city, or consolidated town and borough).

Designating CDCs

Criteria. By October 1, 2021, the council must release its criteria for prospective applicants seeking to be designated as a CDC. In addition to the eligibility requirements for CDCs described above, the council's criteria must consider (1) whether the applicant's leadership and governance has broad community representation, with an emphasis on ethnic and economic diversity reflective of the municipality in which it is located, and (2) the professional competence and relevant experience of its management and staff.

Required Submissions. Each applicant must include a letter of support from the municipality's chief elected official and a statement that the applicant agrees to locate its office in a community impact zone once these zones are designated.

Deadlines. The council must accept applications from October 1,

2021 through January 31, 2022, and announce its selections by March 1, 2022. The council may designate only one CDC for each municipality.

Annual Budget

The council must establish an annual budget that sets forth the amount in the CDC Trust Fund to be (1) invested; (2) disbursed for CDC and CDCU programs, services, activities, and expenses; and (3) set aside for the intensive reading instruction program and mental health or substance abuse disorder treatment services described below.

Intensive Reading Instruction Program. The council's budget must set aside an amount equal to the amount appropriated in the state budget act, up to \$3 million, for the State Department of Education's (SDE) intensive reading program for grades kindergarten through three and select low-achieving elementary schools. The council may reduce the amount set aside for the program if there are insufficient funds in the CDC Trust Fund to provide for the CDC and CDCU purposes established under the bill.

The council must make the set-aside funds available to implement or support the intensive reading instruction program or any statewide early literacy initiative SDE develops and implements, regardless of whether the program relates to a community impact zone or qualifies for other CDC or CDCU programs or funding. The set-aside funds must supplement any existing or available funding.

The council must (1) establish application forms and criteria for the funds and (2) give first priority to applications from schools located in a community impact zone, as long as all such schools apply. Any funds awarded to these schools must be distributed on a zone-wide basis and be used solely to make the program available to all students reading below proficiency level who live, or attend a school, in the zone.

The council must give second priority to applications from schools located in a distressed municipality on the basis of their student reading achievement level, as determined by the SDE commissioner.

Mental Health and Substance Abuse Disorder Treatment

Services. The council must set aside an amount in its annual budget to provide financial assistance to health care providers and facilities providing mental health or substance abuse disorder treatment services in any municipality. The council must (1) determine the amount to be set aside, (2) establish eligibility requirements for the assistance, and (3) publicize its availability to the relevant community.

Investment Plan

The council must, in consultation with the treasurer and Connecticut Green Bank's chief executive officer, adopt an investment plan with the goals of (1) yielding long-term investment returns to support CDC and CDCU programs, services, and activities and (2) supporting a substantial portion of the fund's annual expenditures from the investment returns. The initial investment plan must establish an investment strategy for at least 20 years; the council may periodically revise the plan by affirmative vote.

The council must annually review the plan and investment returns generated and adjust the amounts invested and disbursed each year accordingly.

Social Impact Bonds

The council must develop a proposal to allow social impact bonds to be issued by the state to support public schools located in community impact zones. By February 1, 2022, the OPM secretary must report to the General Assembly on the proposal, including recommendations on ways to leverage the opportunity zone program to support these schools.

Audits

The council may require an external, independent audit of any CDC or CDCU. It may also request the Auditors of Public Accounts to perform audits and other related evaluations to facilitate the council's responsibilities under the bill. The auditors must perform any requested audits and evaluations.

Legislative Report

Annually, beginning by February 1, 2024, the council must report to the governor and General Assembly and provide:

1. a list of CDCs, CDCUs, and community impact zones designated to date and
2. a summary of CDC and CDCU programs, services, activities, and efforts and the CDC Trust Fund disbursements to support them.

§ 3 — COMMUNITY IMPACT ZONES

The bill establishes a process by which the OPM secretary and CDC oversight council identify and designate community impact zones (i.e., the targeted areas in which CDCs and CDCUs focus their activities).

Metrics for Selecting Census Tracts

The process begins with the OPM secretary selecting eligible census tracts within distressed municipalities that will be eligible to have a designated community impact zone. In selecting the tracts, the secretary must consider the:

1. educational level attained by the tract's population, specifically the percentage that has attained an associate or bachelor's degree;
2. most recent third grade reading and math scores on the statewide mastery test;
3. unemployment rate;
4. state of the local economy, employment availability, and job access and diversity;
5. percentage of the population receiving public assistance;
6. percentage of the population below the federal poverty level;
7. homeownership rate;
8. percentage of vacant housing; and

9. crime rates.

By August 1, 2021, the OPM secretary must release a list of census tracts eligible for consideration, based on a demonstration of the greatest socioeconomic need using the metrics listed above.

Zone Criteria

In addition to releasing a list of eligible census tracts, the secretary must also, by August 1, 2021, release the criteria for determining areas within the tracts to be designated as community impact zones.

The criteria must take into consideration the goals, purposes, and requirements the bill establishes for CDCs and may give weight to one or more of the following:

1. the existence of a public elementary school; early childhood center; or community center serving children, seniors, or both in the area;
2. the existence of a local community organization comprised of residents and leaders in the area whose role complements the goals, purposes, and requirements for CDCs;
3. the area's proximity to existing or planned public transportation; and
4. existing access to an asset-based housing organization focusing on homeownership and financial literacy.

Designated Zones

By June 1, 2022, each CDC must submit a proposal to the council for up to two geographically distinct areas within an eligible census tract in which it is located to be designated as a community impact zone. The council must, by August 1, 2022, announce its selections. It must designate one zone for a municipality with a population of 100,000 or fewer and two zones for a municipality with a population greater than 100,000.

If the council rejects a proposal or does not designate an area that a

CDC proposed, it may allow the CDC to resubmit a proposal if a zone has not otherwise been designated.

CDC Offices

By February 1, 2023, or as soon as practicable following the zone designations, each CDC must establish an office or relocate its office in the zone.

§ 4 — CDC TRUST FUND

Establishment

The bill establishes the CDC Trust Fund as a separate, nonlapsing fund and requires it to contain any money the law requires. The fund's investment earnings must be credited to its assets. The CDC oversight council must use the fund for the CDC and CDCU purposes established under the bill. (The bill does not appear to authorize the fund to be used for the reading instruction and mental health and substance abuse treatment programs described above.)

Investments

The treasurer must (1) invest the fund's deposits in a reasonable and appropriate way to achieve the fund's objectives; (2) exercise a prudent person's discretion and care; and (3) consider such things as rate of return, risk, term or maturity, portfolio diversification, liquidity, projected disbursements and expenditures, and expected gifts. The bill prohibits the treasurer from requiring the trust to invest directly in (1) obligations of the state or any of its political subdivisions or (2) investments or other funds he administers.

The treasurer must continuously invest and reinvest the fund's assets, consistent with the fund's objectives, until they are disbursed.

Report

The treasurer must report, annually by December 31, to the CDC oversight council and Finance, Revenue and Bonding Committee on the fund's receipts, disbursements, assets, investments, liabilities, and administrative costs for the prior fiscal year.

§ 5 — STATE, MUNICIPAL, AND NONPROFIT ORGANIZATION DEPOSITS IN A CDCU

The bill authorizes the state, municipalities, and federally tax-exempt 501(c) organizations that are exempt from property tax to make deposits with a CDCU to be invested by the CDCU to further the bill's community restoration and revitalization purposes. Each CDCU receiving such a deposit must provide a rate of return that is at least the London Interbank Offered Rate (LIBOR).

§ 6 — LOCAL SALES TAX ON CANNABIS AND CANNABIS PRODUCTS***Rate and Base***

The bill imposes a 3% local sales tax on the sale of all cannabis and cannabis products, beginning on and after the date DCP first issues a cannabis retailer license. The local tax applies in addition to the 6.35% state sales tax on these products and must be administered in the same manner as the state tax (state sales tax on these products goes to the CDC Trust Fund (§ 7)).

Under the bill, "cannabis" is any part of a plant or species of the genus cannabis, whether or not it is growing, including its seeds and resin; its compounds, manufactures, salts, derivatives, mixtures, and preparations; and cannabimon, cannabimol, and cannabidiol. It excludes a plant's mature stalks; fiber made from the stalks; a compound, manufacture, salt, derivative, mixture, or preparation made from the stalks; fiber, oil, or cake; sterilized seeds; industrial hemp; and marijuana authorized to be cultivated or sold for palliative use.

A "cannabis product" is a cannabis concentrate (e.g., oils and tinctures) or product containing cannabis, which may be combined with other ingredients, that is intended for use or consumption. It excludes raw cannabis plants.

Tax Remittance

Each licensed cannabis retailer making such sales to consumers (i.e., individuals age 21 or older) must (1) file a tax return with the DRS

commissioner, on or before the last day of each calendar quarter, for the immediately preceding quarter and (2) remit the tax due with the return. The returns must (1) be in the form and contain the information the commissioner prescribes and (2) indicate the municipality (i.e., town, city, borough, consolidated town and city, or consolidated town and borough) in which the sale occurred.

The bill prohibits any tax credits from being applied against the tax.

Municipal Cannabis Revenue Account

The DRS commissioner must deposit any local sales tax collected into a new municipal cannabis revenue account. The bill establishes the account as a separate General Fund account and requires it to contain any money the law requires. The DRS commissioner must use the account's funds to provide the disbursements described below to each municipality in which cannabis retailers are selling cannabis and cannabis products to consumers.

Accounting. The commissioner must maintain (1) an accounting of all deposits into the account, aggregated by municipality; (2) a list of amounts remitted by each cannabis retailer; and (3) any other information he deems necessary. He must make the respective information available to each municipality in which a cannabis retailer is located.

Distributions. Beginning in the second calendar quarter after the initial deposit into the account, the commissioner must distribute to each municipality in which a cannabis retailer is located, and for which a point-of-sale can be determined, an amount calculated on a point-of-sale basis. Any funds remaining at the close of the fiscal year for which the point-of-sale cannot be determined must be transferred to the CDC Trust Fund.

Delinquent Taxes

Under the bill, delinquent taxes are subject to a penalty of 10% of the tax due and unpaid or \$50, whichever is greater, plus interest at 1% of the unpaid principal for each month or fraction of a month from the

due date to the payment.

Subject to the Penalty Review Committee provisions, the commissioner may waive all or part of these penalties when it is proven to the commissioner's satisfaction that failing to pay the tax within the timeframe was due to reasonable cause and was not intentional or due to neglect.

Liability for Willful Nonpayment of Taxes Collected

The bill makes those who are responsible for collecting and paying the tax on behalf of a cannabis cultivation facility or cannabis retailer, respectively, personally liable if they willfully fail to collect, truthfully account for, or pay the tax and it cannot be collected from the business.

Under the bill, an individual or officer, partner, or employee of a business who is responsible for paying the tax on the facility's or retailer's behalf is personally liable for the full unpaid tax, plus interest and penalties, if (1) he or she willfully fails to collect, truthfully account for, and pay it, or willfully attempts to evade or defeat the tax and (2) the tax cannot otherwise be collected from the facility or retailer. The dissolution of the business does not free the person from liability. DRS must credit any amount collected from such a person against the taxes owed by the facility or retailer.

Tax Enforcement

The bill applies the same collection, enforcement, and appeal process requirements established in statute for the admissions and dues taxes to the cannabis excise tax and local sales tax, unless the provision is inconsistent with the bill. Under these provisions, the DRS commissioner can (1) require the facilities and retailers to keep certain records and examine all of their records and (2) administer oaths, subpoena witnesses, and receive testimony. The facilities and retailers can 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 facilities and retailers for willful violations or filing fraudulent returns.

Regulations

The bill authorizes the DRS commissioner to adopt implementing regulations for the tax.

Recording Revenue

The bill authorizes the comptroller to record the revenue the taxes generate each fiscal year no later than five business days after the end of July following the end of the fiscal year.

§§ 7 & 8 — STATE SALES TAX ON CANNABIS AND CANNABIS PRODUCTS

The bill imposes a 20% state tax on sales of cannabis and cannabis products (as described above) and requires the DRS commissioner to deposit the revenue into the CDC Trust Fund for each calendar quarter ending on or after the date of the initial remittance of the tax. It prohibits any tax credits from being allowed against the tax.

BACKGROUND

Related Bills

sSB 888 (File 569), favorably reported by the Judiciary Committee, establishes a state excise tax on cannabis and directs the revenue to the General Fund and two new accounts for specified purposes. It also imposes a 3% municipal sales tax on cannabis and cannabis products that applies in addition to the state's 6.35% sales tax and requires municipalities to use the revenue for specified purposes.

sHB 6443, favorably reported by the Finance, Revenue and Bonding Committee, directs any taxes collected and retained by the state on or after July 1, 2021 on recreational cannabis and cannabis products to a new Connecticut Equitable Investment Fund.

Distressed Municipalities

By law, the DECD commissioner must annually designate distressed municipalities based on a combination of economic, education, demographic, and housing criteria. In 2020, he designated the following 25 municipalities as distressed:

Ansonia	Bridgeport	Bristol
Chaplin	Derby	East Hartford
East Haven	Griswold	Hartford
Meriden	Montville	New Britain
New Haven	New London	Norwich
Preston	Putnam	Sprague
Stratford	Torrington	Voluntown
Waterbury	West Haven	Winchester
Windham		

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 30 Nay 18 (04/22/2021)