



# House of Representatives

General Assembly

**File No. 534**

February Session, 2024

House Bill No. 5302

*House of Representatives, April 17, 2024*

The Committee on Finance, Revenue and Bonding reported through REP. HORN of the 64th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## ***AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR TAX ADMINISTRATION.***

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

1 Section 1. Section 12-204 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) The commissioner shall, not later than three years after the due  
4 date for the filing of a return or not later than three years after the date  
5 of receipt of such return by the commissioner, whichever period expires  
6 later, examine [it] or reexamine such return and, in case any error is  
7 disclosed by such examination or reexamination, shall, not later than  
8 thirty days after such disclosure, notify the taxpayer of such error.

9 (1) When it appears that any part of the deficiency for which a  
10 deficiency assessment or reassessment is made is due to negligence or  
11 intentional disregard of the provisions of this chapter or regulations  
12 promulgated thereunder, there shall be imposed a penalty equal to ten  
13 per cent of the amount of such deficiency assessment or reassessment,

14 or fifty dollars, whichever is greater.

15 (2) When it appears that any part of the deficiency for which a  
16 deficiency assessment or reassessment is made is due to fraud or intent  
17 to evade the provisions of this chapter or regulations promulgated  
18 thereunder, there shall be imposed a penalty equal to twenty-five per  
19 cent of the amount of such deficiency assessment or reassessment. No  
20 taxpayer shall be subject to more than one penalty under this section in  
21 relation to the same tax period.

22 (3) Not later than thirty days after the mailing of such notice, the  
23 taxpayer shall pay to the commissioner, in cash or by check, draft or  
24 money order drawn to the order of the Commissioner of Revenue  
25 Services, any additional amount of tax shown to be due by the  
26 examination or reexamination, or shall be paid by the State Treasurer,  
27 upon order of the Comptroller, any amount shown to be due it by such  
28 examination or reexamination. The failure of the taxpayer to receive any  
29 notice required by this section shall not relieve the taxpayer of the  
30 obligation to pay the tax or any interest or penalties thereon.

31 (4) If, before the expiration of the time prescribed by this section for  
32 the examination or reexamination of the return or the assessment or  
33 reassessment of the tax, both the commissioner and the taxpayer consent  
34 in writing to such examination, [or] reexamination, assessment or  
35 reassessment after such time, the return may be examined or  
36 reexamined and the tax may be assessed or reassessed at any time prior  
37 to the expiration of the period agreed upon. The period so agreed upon  
38 may be extended by subsequent agreements in writing made before the  
39 expiration of the period agreed upon. The commissioner may also in  
40 such a case extend the period during which a claim for refund may be  
41 made by such taxpayer.

42 (b) To any taxes [which] that are assessed or reassessed under this  
43 section, there shall be added interest at the rate of one per cent per  
44 month or fraction thereof from the date when the original tax became  
45 due and payable. The amount of any tax, penalty or interest due and  
46 unpaid under the provisions of this chapter may be collected under the

47 provisions of section 12-35. The warrant therein provided for shall be  
48 signed by the commissioner or [his] the commissioner's authorized  
49 agent. The amount of any such tax, penalty or interest shall be a lien on  
50 the real estate of the taxpayer from the thirty-first day of December next  
51 preceding the due date of such tax until such tax is paid. The  
52 commissioner may, at any time after such December thirty-first, record  
53 such lien in the records of any town in which the real estate of such  
54 company is situated, but no such lien shall be enforceable against a bona  
55 fide purchaser or qualified encumbrancer of such real estate. When any  
56 tax with respect to which a lien has been recorded under the provisions  
57 of this section has been satisfied, the commissioner upon request of any  
58 interested party, shall issue a certificate discharging such lien, which  
59 certificate shall be recorded in the same office in which the lien was  
60 recorded. Any action for the foreclosure of such lien shall be brought by  
61 the Attorney General in the name of the state in the superior court for  
62 the judicial district in which the property subject to such lien is situated,  
63 or, if such property is located in two or more judicial districts, in the  
64 superior court for any one such judicial district, and the court may limit  
65 the time for redemption or order the sale of such property or make such  
66 other or further decree as it judges equitable.

67 Sec. 2. Subsection (a) of section 12-210 of the general statutes is  
68 repealed and the following is substituted in lieu thereof (*Effective from*  
69 *passage*):

70 (a) Each newly licensed insurance company incorporated by or  
71 organized under the laws of any other state or foreign government shall  
72 pay to the Commissioner of Revenue Services, [within forty-five] not  
73 later than ninety days [of] after the effective date of such company's  
74 initial license to transact business in this state, a tax on the net direct  
75 premiums received by such company in the next five preceding  
76 calendar years from policies written on property or risks located or  
77 resident in this state, except ocean marine insurance, at the rate in effect  
78 for each such calendar year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-204
Sec. 2	<i>from passage</i>	12-210(a)

**FIN**      *Joint Favorable*

*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.*

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**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Revenue Serv., Dept.	GF - Potential Revenue Gain	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill, which authorizes insurance premiums tax reaudits, results in a potential revenue gain to the extent these reaudits result in additional deficiency assessments by the Department of Revenue Services.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future.

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**OLR Bill Analysis****HB 5302****AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR TAX ADMINISTRATION.****SUMMARY**

This bill authorizes the Department of Revenue Services (DRS) commissioner to reaudit (i.e., reexamine) insurance premiums tax returns and impose more than one deficiency assessment (i.e., reassessment) for a tax period. It subjects these reexaminations and reassessments to the same requirements that apply to examinations and assessments under existing law, including interest, penalty, notice, and statute of limitations provisions. By law, with certain exceptions, the DRS commissioner generally has three years from the tax return's due date to examine the return and make a deficiency assessment. The same limitation applies to reexaminations and reassessments under the bill.

The bill also extends, from 45 days after being initially licensed to do business in Connecticut to 90 days after this date, the due date for newly licensed nonresident- and foreign-licensed insurance companies to remit their initial five-year return to DRS. By law, these companies must pay state insurance premiums tax on the net direct premiums they received in the five preceding calendar years from policies written on property or risks located in the state (except ocean marine insurance).

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 51 Nay 0 (04/02/2024)