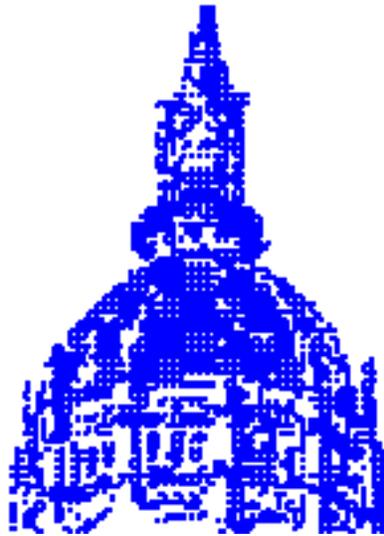


Office of Legislative Research
Connecticut General Assembly



OLR ACTS AFFECTING

BUSINESS



By:
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2006-R-0328
June 14, 2006

TO THE READER

During the 2006 regular session, the legislature enacted many laws that affect businesses. Some affect many different types of businesses while others affect specific types, such as manufacturing and insurance. This report summarizes those laws in lay terms. We encourage you to read the laws that interest you. You can obtain them on line at www.cga.ct.gov or from the Connecticut State Library or the House Clerk's Office. A detailed analysis of all 2006 laws will be available in early fall when OLR publishes its *Public Act Summary* book. In the meantime, you can review completed analyses by visiting our web page (www.cga.state.ct.us/olr).

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BUSINESS LAW AND PRACTICE

Truth in Music Advertising

With few exceptions, a new law bans people from advertising or conducting live musical performances or productions by using false, deceptive, or misleading association between a performing group and a recording group.

(**PA 06-16**, effective July 1, 2006)

Partnerships

A new law sets conditions under which specified partnerships and limited partnerships can convert into limited liability companies (LLCs). It also specifies the circumstances under which a partnership formed for a limited time or purpose dissolves.

(**PA 06-57**, effective October 1, 2006 except the provision dealing with LLC conversions takes effect upon passage)

Corporation and Nonstock Corporations

The legislature changed various laws governing stock and nonstock corporations. Among other things, it made several changes regarding the types of transactions that constitute a conflict of interest for corporate directors.

(**PA 06-68**, effective October 1, 2006)

Connecticut Business Opportunity Investment Act Fines

A new law increases, from \$10,000 to \$100,000, the maximum fine for violating the Connecticut Business Opportunity Investment Act.

(**PA 06-75**, effective October 1, 2006).

Rental Property

The legislature excluded personal property rented or leased under consumer rent-to-own agreements from the types of personal property subject to penalties for converting leased property. It also defined economic loss for 2nd degree criminal trover.

(**PA 06-118**, effective October 1, 2006)

ECONOMIC DEVELOPMENT

Manufacturing Machinery and Equipment Property Tax Exemption

New laws exempt all manufacturing and recycling machinery and equipment from property taxes and reimburse towns for the revenue loss after a five year phase-in.

(**PA 06-83** (§§ 9-14) and **PA 06-186** (§ 84), effective July 1, 2006 and applicable to assessment years starting on or after October 1, 2006)

Innovation

The legislature established new programs to (1) recruit eminent faculty to UConn, (2) create an entrepreneurial center there, (3) provide operating funds to business incubators, (4) finance early stage ventures, and (5) match federal small business research grants.

(**PA 06-83** (§§ 1-7), effective July 1, 2006)

Business Advocate Office

A new law establishes a business advocate office within the Office of Policy and Management to provide information and other assistance to businesses seeking public and private assistance.

(**PA 06-83** (§ 8), effective July 1, 2006)

Microenterprises

The legislature established a pilot program to help microenterprises prepare business plans, complete loan applications, and obtain financial and technical assistance from public and private agencies.

(**PA 06-166**, effective July 1, 2006)

Brownfield Development

The legislature authorized several new initiatives to clean up and redeveloped contaminated properties. These initiatives include establishing a Brownfield Remediation and Development Office, expanding Transfer Act exemptions, and extending clean-up funding to owners of existing manufacturing facilities.

(**PA 06-184**, effective July 1, 2006, except for Transfer Act exemptions, which take effect upon passage, and extending clean-up funding to current owners, which take effect October 1, 2006)

Film and Digital Media Promotion

The legislature created corporation business tax credits for companies that produce films and other types of television, video, and digital programming content in Connecticut. The credit equals 30% of the production costs incurred here. It is administered by the Connecticut Commission on Culture and Tourism.

(**PA 06-83** and **PA 06-186**, effective July 1, 2006 and applicable to income years beginning on or after January 1, 2006)

Job Training

A new law authorizes business tax credits for companies that relocate to Connecticut, create new jobs, and fill them with Connecticut residents. The credit equals up to 25% of the state income tax withheld from the new employees' wages and applies for five years.

(PA 06-186 (§ 80), effective July 1, 2006 and applicable to income years starting on or after January 1, 2006)

Another new law authorizes a job skills training program to sustain high growth occupations and economically vital industries and help workers obtain the skills to start on or move up their career ladders. Businesses requesting training must cover at least 50% of the costs.

(PA 06-187 (§§ 14-21), effective July 1, 2006)

Displaced Workers Tax Credit

The legislature authorized business tax credits for companies that hire workers who were previously laid off because of corporate restructurings in which at least 10 Connecticut workers lost their jobs. The credit equals \$1,500 per worker.

(PA 06-186 (§ 81), effective July 1, 2006 and applicable to income years starting on or after January 1, 2006)

Historic Structure Tax Credits

A new law authorizes up to \$15 million annually in corporate tax credits for rehabilitating historic commercial and industrial properties for residential use. The credit equals up to 25% of the qualified rehabilitation costs, up to \$2.7 million. The Connecticut Commission on Culture and Tourism administers the credits.

(PA 06-186 (§ 82), effective July 1, 2006 and applicable to income years starting on or after January 1, 2006)

Urban and Industrial Sites Reinvestment Tax Credits

A new law expands the range of projects that qualify for corporate business tax credits under the Urban and Industrial Sites Reinvestment Program.

(PA 06-187 (§ 12), effective upon passage)

Nanotechnology

The legislature authorized matching grants to support students and university-business teams researching new nanotechnology products and processes.

(PA 06-187 (§§ 27 & 91), effective July 1, 2006)

Fuel Cell Economy Plan

The legislature authorized the economic and community development commissioner to prepare a plan for commercializing fuel cells and hydrogen-based technologies.

(PA 06-187 (§ 64), effective upon passage)

Agriculture Promotion

The legislature required the agriculture commissioner to plan and implement a multiyear advertising campaign to promote the state's farm products.

(PA 06-187 (§§ 65-66), effective July 1, 2006)

FINANCE, INSURANCE, AND REAL ESTATE

Underwriting Insurance Policies Based on Lawful Travel

A new law limits the extent to which an insurer can underwrite a life insurance policy based on a person's past or future travel to lawful places.

(PA 06-5, effective upon passage)

Bank Applications and Public Deposit Requirements

Among other things, the legislature (1) eliminated the application fee Connecticut banks pay when they establish branches outside the state and (2) increased the maximum

amount a bank can spend on real estate without the banking commissioner's approval. It also specified when public depositories can reduce the amount of eligible collateral maintained to secure those deposits.

(PA 06-10, effective upon passage)

Check Cashiers, Money Transmitters, and other Nonmortgage Licenses

Among other things, a new law extends, from one to two years, the period during which money transmitters and check casher licenses are valid and correspondingly adjusts the application deadlines and fees. It also prohibits them from using any name other than the one on the license.

(PA 06-35, effective October 1, 2006)

Mortgage Practices and Licensing Procedures

The legislature made several changes regarding misstatements in mortgagor originators' registration applications and changed the registration fee schedule. It prohibited first mortgage lenders and brokers from charging borrowers a fee for failing to close on a loan and prohibited brokers from imposing a fee for prepaying a loan. Lastly, it expanded the group of lenders banned from imposing excessive

prepaid finance charges on borrowers.

(PA 06-45, effective upon passage, except of the changes to the originator registration fee schedule, which take effect October 1, 2006)

State Investments in Companies Doing Business in Sudan

While federal Executive Order 13067 is in effect, the legislature authorized the state treasurer to divest state funds, or decide against further or future investments, in any company doing business in Sudan and required her to divest or stop further investments in any security or instrument that country issues.

(PA 06-51, effective upon passage)

Uninsured or Underinsured Motorist Benefit Claims

Among other things, the legislature specified when insurers could file and use new rates for home, auto, and other personal lines without Insurance Department prior approval. It also prohibited auto insurers from requiring claimants to obtain affidavits from owners or operators of allegedly uninsured or underinsured vehicles.

(PA 06-104, effective October 1, 2006 except the property and casualty insurance rate provisions take effect July 1, 2006 and end July 1, 2009)

Insurance Statute Revisions

The legislature made several substantive changes to the insurance statutes, including (1) giving the insurance commissioner more time to hear and decide contested cases related to licenses, rates, or forms and (2) allowing insurers to invest in their affiliates under the same terms and conditions for investing in subsidiaries.

(PA 06-54, effective October 1, 2006)

Policy Cancellation

Under specified conditions, property and casualty insurers do not have to give a policy cancellation or cancellation notice to policyholders when they transfer a policy to an affiliate insurer under a merger or acquisition.

(PA 06-109, effective October 1, 2006)

Insurers' Annual Reports and Financial Statements

A new law requires the insurance commissioner to keep an actuary's or reserve specialist's workpapers, actuarial reports, and actuarial opinions confidential and specifies that they cannot be subpoenaed or disclosed under the Freedom of Information Act.

(PA 06-117, effective October 1, 2006)

Outstanding Money Orders

The legislature increased, from three to seven years, the escheat period for an outstanding money order issued or sold in Connecticut for which any business association, except a financial organization, is directly liable.

(PA 06-127, effective July 1, 2007)

Mortgages, Real Estate Financing, and Land Record Examination Fees

A new law allows nonprofit organizations and limited liability companies to secure commercial revolving loans with an open-end mortgage and specifies when mortgage releases and assignments are effective. It also reduces, from 40 to 20 years after full performance was due, the time after which an unreleased mortgage is valid.

(PA 06-156, effective October 1, 2006)

Tax Credits for Developing Housing

The legislature increased, from \$5 million to \$10 million, the annual amount of tax credits the Connecticut Housing Finance Authority (CHFA) can award to businesses that contribute funds to nonprofit housing developers. It also required CHFA to set aside \$1 million in credits for developing housing for workers.

(PA 06-186 (§ 65), effective July 1, 2006)

The legislature eliminated the employer-assisted tax credit, which allowed businesses to claim a credit of up to \$100,000 in any tax year for contributions they made to a revolving loan fund for making loans to their low- and moderate-income employees.

(PA 06-23, effective upon passage)

HEALTH CARE

Breast Cancer Screening

A new law changes when health insurance policies must provide coverage for a comprehensive ultrasound breast screening. Its changes apply to individual and group health policies that cover (1) basic hospital expenses; (2) basic medical-surgical expenses; (3) major medical expenses; and (4) hospital or medical services, including those provided by HMOs. They also apply to individual policies that cover accidents only and limited benefits.

(PA 06-38, effective October 1, 2006)

Elevated Blood Alcohol Content

A new law prohibits health insurance policies from denying coverage for services rendered to an injured client if the injury is alleged to have occurred or

occurs when he has an elevated blood alcohol content level or is under the influence of intoxicating liquor, any drug, or both. The law applies to individual and group health insurance policies delivered, issued, amended, renewed, or continued on or after October 1, 2006 that cover (1) basic hospital expenses; (2) basic medical-surgical expenses; (3) major medical expenses; and (4) hospital or medical services, including HMOs

(PA 06-39, effective October 1, 2006)

Self-insured Government Health Plan

The legislature required managed care organizations (MCOs) to (1) provide information to the insurance commissioner or a designated review entity regarding a self-insured government health plan under which an appeal is made. An MCO must do this within five business days after receiving the request. The MCO must also notify the plan's sponsor that it must send a copy of the policy or the contract.

(PA 06-54, effective upon passage)

Certificate of Need (CON)

A new law amends the process for reviewing health care facilities' capital expenditures by (1) modifying the letter of intent phase of CON in emergency

situations, (2) allowing the Office of Health Care Access (OHCA) to waive CON for specific termination or relocation of certain services, and (3) modifying the existing waiver from the CON for replacement equipment.

(PA 06-64, effective July 1, 2006)

Another new law raises to \$3 million the capital and major medical equipment expenditure threshold that triggers an OHCA CON review. This new threshold does not affect the acquisition of imaging equipment, such as a CT or PET scanner, which is subject to CON review regardless of the cost unless it was purchased or leased for under \$400,000 before July 1, 2005. But the new law conditions this exemption by specifying that the equipment must be in operation before July 1, 2006.

(PA 06-28, effective July 1, 2006 for the higher CON threshold and upon passage for the provision affecting the CON exemption for imaging equipment)

Preferred Provider Networks (PPNs)

A new law excludes Public Health Department-licensed private clinical laboratories from the insurance code's definition of PPNs if their primary payments for contracted or referred services are made to other licensed laboratories or for associated

pathology services. (PA 06-196 applies this exclusion to all laboratories meeting these criteria.)

(PA 06-90, effective upon passage)

Medical Malpractice Insurance Policies

The legislature limited the circumstances under which insurers must provide certain medical malpractice insurance coverage at no cost to hospitals and physicians, surgeons, and other health care professionals. These changes apply to policies renewed, delivered, or issued for delivery in Connecticut on or after October 1, 2006.

(PA 06-108, effective October 1, 2006)

Assessments for Immunizations

A new law removes the cap on the amount each Connecticut insurance company and HMO must pay for immunization services the Public Health Department provides.

(PA 06-113, July 1, 2006)

Developmental Needs of Children and Youth with Cancer

A new law requires individual and group health insurance policies to cover neuropsychological testing of children diagnosed with cancer after December 31, 1999. This

requirement applies to plans delivered, issued for delivery, amended, renewed, or continued in Connecticut on or after October 1, 2006.

(PA 06-131, effective October 1, 2006)

Health Insurer Fee Information

The legislature required MCOs and PPNs to implement a procedure under which contracted physicians, physician groups, or physician organizations can review the fee schedule for determining payment amounts for the most commonly performed and billed services. They must implement these procedures by October 1, 2007.

(PA 06-178, effective October 1, 2006)

Access to Imaging Services

The legislature limited the copayments for all magnetic resonance imaging and computed axial tomography services performed in a network to no more than (1) \$375 for all such services annually and (2) \$75 for each one. It also limited the copayments for positron emission tomography provided in a network to no more than (1) \$400 for all such scans annually and (2) \$100 for each one.

(PA 06-180, effective October 1, 2006)

LABOR

Unemployment Compensation

A new law requires employers exempted from the state unemployment compensation law and that do not voluntarily accept liability under that law to notify all current and prospective employees of that fact by July 1, 2006.

(PA 06-3, effective upon passage)

The legislature specified conditions exempting an unemployed person with a disability from looking for full-time work and made him eligible for compensation upon meeting certain other requirements.

(PA 06-171, effective October 1, 2006)

Minors

The legislature increased and made uniform the fines, maximum prison terms, and civil penalties for violating laws governing the hours and type of work minors, elderly people, and other specified groups can perform. The new fines and maximum prison terms are \$2,000 to \$5,000, up to five years in prison, or both for each offense. The civil penalty is \$600.

(PA 06-139, effective January 1, 2007)

Safety Training

Under a new law, contractors constructing or repairing a public building must prove that all of their workers performing manual labor or telecommunications work completed safety training. The law applies to contractors working on state or state-funded municipal contracts costing \$100,000 or more. It requires the labor commissioner to enforce its provisions.

(PA 06-175, effective October 1, 2006)

LAND USE AND ENVIRONMENT

Hazardous Waste Management

Among other things, the legislature:

1. exempted from the Transfer Act (a) certain properties or businesses that deal solely with batteries, pesticides, and other types of universal waste and (b) transfers of condominiums and similar communities that meet certain conditions;
2. specified conditions exempting the transfer of a remediated portion of a property from the act before the entire property is remediated;
3. revised the permitting process for solid waste facilities, required non-permitted solid waste disposal area owners to either submit closure plans to the

- Environmental Protection Department (DEP) or remediate the area, and changed other solid waste laws;
4. imposed criminal penalties for certain violations of the laws governing the sale, labeling, and collection of mercury and products containing it;
 5. reestablished exemptions for certain packaging containing toxic materials and made other changes affecting toxics in packaging;
 6. authorized DEP to issue general permits for certain industrial wastewater discharges; and
 7. eliminated the Connecticut Hazardous Waste Management Service and laws relating to low-level radioactive waste facilities, the Low-Level Radioactive Waste Facility Trust Fund, Low-Level Radioactive Waste Advisory Committee, and Low-Level Radioactive Waste Management Fund.
- (PA 06-76, effective October 1, 2006, except for the (1) penalties for violating the mercury reduction laws, which take effect October 1, 2007, and (2) provisions concerning special conservation officers, which take effect upon passage)

Reducing Nitrogen Effluent in Long Island Sound

The legislature authorized the DEP commissioner to issue general permits for private sector entities that discharge nitrogen into the state's water. Permits must establish nitrogen effluent limits and an annual compliance schedule for each entity and may include marketable permit, effluent reduction credits, or other economic incentives.

(PA 06-82, effective October 1, 2006)

Shellfish Harvesting and Relay

Under a new law, the agriculture commissioner may allow shellfishermen to relay (transplant) shellfish from grounds classified as "restricted" (i.e., polluted) to other grounds, in accordance with the National Shellfish Sanitation Program Model Ordinance, on the same day they harvest shellfish for market. Under this law, a harvester cannot harvest approved market shellfish for the remainder of the day after beginning such a relay.

(PA 06-116, effective upon passage)

Lobster Restoration

The legislature established a lobster trap allocation buy-back program and an economic assistance program for resident commercial lobster fishermen. But it made the funding for these programs contingent on the Atlantic State Marine Fisheries

Commission establishing a v-notch program that meets certain standards.

(**PA 06-187** (§§ 46-51), effective upon passage)

Sulfur Content Reductions

The legislature required Connecticut to reduce the maximum sulfur content in number two heating oil and number two off-road diesel fuel if and when neighboring states do.

(**PA 06-143**, effective upon passage)

Greenhouse Gas Labeling Program

A new law requires the DEP commissioner to (1) establish a greenhouse gas labeling program for new motor vehicles sold or leased in Connecticut beginning with the 2009 model year and (2) educate the public about the program. It imposes a \$5 registration on new car registrations starting January 1, 2007 and bars the sale of a 2009 or later model year vehicle without the required label.

(**PA 06-161**, effective October 1, 2006)

MOTOR VEHICLES AND TRANSPORTATION

Motor Vehicle Law Changes

The legislature made numerous changes to commercial motor vehicle laws, including:

1. modifying the requirements for disqualifying drivers of commercial motor vehicles from driving them;
2. allowing motor carriers who have unsatisfactory safety ratings to be ordered out of operation until they get a satisfactory rating;
3. authorizing the Motor Vehicles Department (DMV) to report someone's name to certain authorized entities if his license or endorsement to carry passengers has been withdrawn, suspended, or revoked;
4. replacing criminal penalties on commercial driving school licensees who violate the laws with DMV license suspensions and civil penalties;
5. prohibiting anyone holding a commercial driver's license from invoking the pretrial alcohol education program for a drunk driving charge occurring in a noncommercial vehicle;

6. allowing registered wreckers to transport vehicles under more circumstances that previously allowed;
7. allowing refuse collection vehicles to make use of video backing monitors for longer periods than allowed for others;
8. allowing the DMV commissioner to participate in the federally mandated unified carrier registration system;
9. requiring motor carriers to give their prospective drivers an on-road skills test and certify that they have the qualifications to drive certain vehicles before employing them to do so;
10. conforming several definitions to comply with federal requirements.

(PA 06-130, effective upon passage except the commercial driver's license, motor carrier sanction, unified carrier registration program, and motor carrier pre-employment driver skill testing provisions are effective July 1, 2006 and the reporting of drivers with suspended licenses provision is effective October 1, 2006)

Transportation Projects

Among other changes, the legislature authorized \$1 billion in special tax obligation bonds for strategic transportation projects and initiatives, allowed

the proceeds from previously authorized bonds to fund transit oriented development projects, and authorized the state's economic development agencies to fund these projects and encourage those that use port and rail freight facilities and services.

(PA 06-136, effective July 1, 2006)

TAXES AND FEES

Tax Credits for School Donations

The legislature made businesses donating computers to private schools eligible for the tax credit that is already available for donating computers to public schools. The maximum credit is 50% of the computer's fair market value when donated.

(PA 06-145, effective July 1, 2006 and applicable to income years starting on or after January 1, 2006)

Property Tax Revaluation

The changes the legislature made to the revaluation laws include authorizing new methods to phase in the increases in assessed values after a revaluation

(PA 06-148, effective October 1, 2006 and applicable to assessment years beginning on or after that date; **PA 06-176** authorizes similar phase-in methods, but these take effect October 1, 2006 and are applicable to assessment years

beginning on or after October 1, 2005)

Tax Returns

Among other things, a new law eliminates optional group income tax returns for Connecticut partnerships, S corporations, and other pass-through entities with nonresident partners, shareholders, or members and instead requires all these businesses to pay the income taxes their nonresident members owe on their income from businesses.

(PA 06-159, effective upon passage and applicable to tax years starting on or after January 1, 2006)

Corporation Tax Surcharge

The legislature eliminated a 15% corporation tax surcharge for the 2007 income year. The surcharge applies to all corporations except those that owe only the \$250 minimum tax. (The 20% surcharge for 2006 remains in effect.)

(PA 06-186 (§§ 66-67), effective July 1, 2006 and applicable to income years starting on or after January 1, 2006)

Sales Tax Exemption for Aircraft Repair

The legislature extended the sales tax exemption for aircraft repair or replacement parts and

aircraft repair services to all aircraft.

(PA 06-186 (§ 74), effective July 1, 2006)

Sales Tax Exemption for Weatherization Products

A new law exempts residential weatherization and energy efficiency products and energy efficient heating equipment from the sales tax for 13 months, from June 1, 2006 through June 30, 2007. (An earlier exemption for these items expired on April 1, 2006.)

(PA 187 (§ 18), effective July 1, 2006)

Authorization to Pass-through Corporation Tax Credits

A new law sets conditions under which certain types of business entities can pass through corporation tax credits to their constituent corporations. The pass-through authorization applies to partnerships, limited partnerships, LLCs, or other types of pass-through businesses in which one or more corporations have an interest as a general or limited partner. These entities can pass through the credits if they sponsor an “employment expansion project” meeting the law’s criteria.

(PA 06-187 (§ 19), as amended by PA 06-189, effective upon passage and applicable to projects with commencement dates on or after September 1, 2005)

Sales Tax Exemptions for Services Provided by Participants in certain Joint Ventures

The legislature made LLCs eligible for the existing sales tax exemption for specified business services rendered between participants in certain kinds of joint ventures under a joint venture agreement. The legislature also extended the exemption's duration from 10 to 20 consecutive years and specified that the exemption starts from the date the joint venture is formed, incorporated, or organized.

(PA 06-187 (§ 80), effective upon passage)

Petroleum Gross Earnings Tax Exemption

The legislature exempted from the petroleum products gross earnings tax the first sale in the state of a commercial heating oil blend containing not less than 10% of alternative fuels made from agricultural produce, food waste, waste vegetable oil, or municipal solid waste, including biodiesel and low-sulfur dyed diesel fuel.

(PA 06-143, effective July 1, 2006 and applicable to income years beginning on or after January 1, 2006)

Electronic Signature on Tax Liens

Under a new law, the revenue services commissioner can use an electronic signature on certificates filing or discharging tax liens on real property, and town clerks must accept these signatures and record the certificates. It validates, as of the date originally filed, otherwise valid certificates with the commissioner's electronic signature that are filed with town clerks before the law's effective date.

(PA 06-194 (§ 503), effective upon passage)

TELECOMMUNICATIONS

A new law deems certain telephone company services to be competitive and therefore subject to less extensive regulation. But these companies may still adhere to a statutory pricing standard regarding these services until January 1, 2010.

(PA 06-144, effective July 1, 2006)

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