

Revenue Changes

General Fund

PA 13-184, the FY 14 and FY 15 Budget as adjusted by PA 13-232, PA 13-234, PA 13-247, and PA 13-271, includes various policy changes that yield net General Fund (GF) revenue increases of \$732.3 million in FY 14 and \$441.5 million in FY 15,¹ of which \$451.5 million in FY 14 and \$176.4 million in FY 15 are due to transfers. These changes are identified in the tables below.

Major General Fund Revenue Changes by Revenue Category (in millions)

Revenue Category	FY 14 \$	FY 15 \$
Personal Income Tax		
Tax Amnesty	11.9	(2.4)
Reduce Earned Income Tax Credit	21.1	11.0
Subtotal	33.0	8.6
Sales & Use Tax		
Eliminate Transfer to Municipal Revenue Sharing Account	52.9	56.9
Tax Amnesty	12.6	(2.5)
Enhanced Online Collections	15.0	15.0
Alternative Collections Methods Target	10.0	15.0
Phase-In Clothing Exemption	-	(11.5)
Eliminate Luxury Tax on Boats	(0.1)	(0.1)
Establish 60-Day Exemption for Boats	(2.0)	(2.0)
Subtotal	88.4	70.8
Corporation Business Tax		
Maintain 20% Surcharge for 2014 & 2015	44.4	74.0
Tax Amnesty	10.5	(2.1)
Subtotal	54.9	71.9
Insurance Companies Tax		
Maintain Credit Cap for 2013 & 2014	18.7	18.7
Urban/Industrial Site Credit Buy-Back	20.0	20.0
Feature Film Credit Moratorium	2.0	4.0
Subtotal	40.7	42.7
Real Estate Conveyance Tax		
Eliminate Transfer to Municipal Revenue Sharing Account	39.5	41.0
Subtotal	39.5	41.0

¹These figures exclude federal revenue.

Revenue Category	FY 14 \$	FY 15 \$
Electric Generation Tax		
Maintain Tax through 10/1/13	17.5	-
Subtotal	17.5	-
Transfers from Special Revenue		
Establish Keno	3.8	27.0
Subtotal	3.8	27.0
Miscellaneous		
Various Transfers	451.5	176.4
Other Miscellaneous Changes	3.0	3.1
Subtotal	454.5	179.5
TOTAL	732.3	441.5

Please note that the “Various Transfers” item above includes Tobacco Settlement transfers and transfers to the Special Transportation Fund (STF), which are reflected in different revenue categories in the detailed “Revenue Impact of General Fund Revenue Policy Changes” table that follows.

Transfers between the General Fund and Special Transportation Fund

The biennial budget makes various transfers between the GF and the STF. The impact of the transfers is provided in the table below which reflects the net transfers of \$91.3 million from the STF to the GF in FY 14 and \$18.4 million from the STF to the GF in FY 15.

Transfers between the GF and the STF (in millions)

Transfer Component	FY 14 \$		FY 15 \$	
	GF	STF	GF	STF
Adjust transfer to include all estimated petroleum products gross earnings tax revenues from gasoline	(158.0)	158.0	(152.3)	152.3
Adjust statutory transfers in CGS Sec. 13b-61c	172.8	(172.8)	170.7	(170.7)
One-time additional transfer in FY 14 only	76.5	(76.5)	-	-
TOTAL	91.3	(91.3)	18.4	(18.4)

Federal Revenue Adjustments

The budget resulted in several major federal revenue changes related to: 1) decreases to appropriations, 2) the elimination of the Medicaid Low Income Adult (MLIA) program and establishment of the Medicaid Coverage for the Lowest Income Population (MCLIP) program, and 3) the net appropriation of the Department of Social Services' (DSS) Medicaid account. The appropriation decreases are primarily due to a reduction in state appropriations for hospitals as well as various savings initiatives for DSS.

The MCLIP program replaces MLIA as of January 1, 2014 when the federal government assumes 100% of the costs for individuals formerly enrolled in MLIA as well as new enrollees allowed under the federal expansion. The net appropriation of the DSS Medicaid account is reflected beginning in the FY 14 and FY 15 appropriation, which shows only the state's share of this joint state/federal program. For FY 13, the \$4,697,969,332 gross appropriation for Medicaid included both the state's obligation as well as the reimbursable federal funds.

General Fund Revenue Policy Changes in Detail

The following information provides greater detail on the tax and other revenue changes enacted during the 2013 regular session. A corresponding table below showing the associated revenue amounts for the FY 14 - FY 15 biennium and three ensuing fiscal years follows these descriptions. For reference, the policies are listed by the order in which they appear in the corresponding table, with the exception of items affecting multiple revenue categories.

Implement a Tax Amnesty Program

Implement a Tax Amnesty Program covering all state taxes (other than motor carrier road taxes) from September 16, 2013 to November 15, 2013, including amounts already identified as accounts receivables. The program includes interest rate reductions and penalty waivers for eligible participants, as well as a 25% penalty that applies to any taxpayer eligible for the program that does not file an Amnesty application but is subsequently found to have been eligible to do so.

Eliminate the Municipal Revenue Sharing Account

Eliminate the Municipal Revenue Sharing Account, established under PA 11-6, the FY 12 and FY 13 Budget, as amended by PA 11-61, thus requiring the associated funds to go into the General Fund.

Reflect Enhanced Collections Due to Amazon.com Agreement

Amazon.com has agreed to begin collecting sales tax on Connecticut sales beginning in November 2013. This is anticipated to result in a revenue gain to be recognized in the budget. There is no legislation required to implement the change.

Establish a Pilot to Automate Sales and Use Tax Collection

Establish a pilot program that authorizes the Department of Revenue Services commissioner to require retailers that are delinquent on tax payments to electronically remit the sales tax due on each sale made using consumer credit or debit cards or electronic transfers.

Alter Administration of Sales Tax on Cigarettes

Change the point at which the sales tax on cigarettes is collected and remitted to the state. Stampers that buy unstamped cigarettes and put tax stamps on them must collect and remit to the state sales tax on cigarettes sold to licensed dealers. Under prior law, sales tax was collected only by licensed dealers from customers at the point of purchase.

Exempt Boats in the State Under 60 Days

Exempt boats docked in the state for 60 days or less in a calendar year from the sales and use tax.

Eliminate the "Luxury" Tax on Boats

Reduce, from 7% to 6.35%, the sales and use tax rate on boats costing more than \$100,000.

Restore the Sales Tax Exemption for Certain Clothing

Exempt clothing and footwear under \$50 beginning June 1, 2015. This restores the same sales tax exemption eliminated under PA 11-6, the FY 12 and FY 13 Budget.

Extend the 20% Corporate Business Tax Surcharge

Extend the 20% corporate income tax surcharge to the 2014 and 2015 income years, at which point the policy will sunset. The surcharge applies to companies that have more than the minimum \$250 corporation tax liability and either (1) have at least \$100 million in annual gross income in those years or (2) file combined or unitary returns, regardless of the amount of annual gross income.

Recognize the Revenue Provisions of PA 13-232

PA 13-232, "AAC the Interest Paid by the State on Overpayment of Taxes, Various Changes to Tax Credit Programs Available under the Insurance Premiums Tax and the Corporation Business Tax, Exemptions from the Petroleum Products Gross Receipts Tax, and a Study of the Structure of the Personal Income Tax," contains various provisions related to tax administration. Particular provisions of the Act exempt cosmetic grade mineral oil and material used by businesses manufacturing paint, coatings and adhesives from the petroleum products gross earnings tax. Additional provisions of the Act reduce the periods of interest payments on overpayments by certain tax filers.

Extend the Cap on the Use of Insurance Premiums Tax Credits

Extend the temporary cap on the maximum insurance premium tax liability that an insurer may offset through tax credits to the 2013 and 2014 calendar years. The cap is extended at 70% for the Insurance Reinvestment Fund tax credit, 55% for the Film Production, Film Production Infrastructure, and Digital Animation tax credits, and 30% for all other tax credits.

Support the Urban & Industrial Site Reinvestment (URA) Program with Bond Funds

Authorize up to \$20 million in bond funds to pay for URA tax credits claimed in each year of the FY 14 and FY 15 Budget.² Use up to \$40 million in proceeds from bond authorizations to fund the program over the biennium precludes the loss of revenue in the same amount.

Establish a Moratorium on Issuance of Film Tax Credits

Establish a two-year (FY 14 & FY 15) moratorium on film production tax credits for motion pictures by (1) barring the issuance of tax credit vouchers for motion pictures and (2) excluding motion pictures from the types of qualified productions that are eligible for the credits for those years. An exception is provided in FY 15 for a motion picture that conducts at least 25% of its principal photography days in a Connecticut facility that (1) receives at least \$25 million in private investment and (2) opens for business on or after July 1, 2013.

Alter Oil Companies Transfer to the Special Transportation Fund (STF)

Enact the provisions of CGS Sec. 13b-61a(c) by transferring alternative amounts between the GF and the STF for the FY 14 - FY 15 biennium. (This provision was included in Section 121 of PA 11-6, but was never enacted as it conflicted with existing law in CGS Sec. 13b-61a(b)).³

Adjust the Electric Generation Tax

Extend the Electric Generation Tax for three months, from July 1, 2013 to October 1, 2013.

Reduce Earned Income Tax Credit (EITC)

Reduce the state's EITC rate from 30% to 25% of the federal EITC in Income Year 2013 and 27.5% of the federal EITC in Income Year 2014. Beginning in Income Year 2015, the state rate is restored to 30% of the federal EITC.

²Section 95 of PA 13-184, the FY 14 and FY 15 Budget, authorizes up to \$40 million in aggregate bonds for this purpose.

³Petroleum products gross earnings tax revenue is deposited in the GF, and a portion is subsequently transferred to the STF. The amounts to be transferred are governed by CGS Sec. 13b-61a(b). However, CGS Sec. 13b-61a(c) requires petroleum products gross earnings tax revenue transfers to be based on the percentage of said revenue derived from gasoline.

Authorize Keno Gambling

Authorize the Connecticut Lottery Corporation to operate Keno. Public Act 13-184 allows the Secretary of the Office of Policy and Management to enter into agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut to distribute to each Tribe up to 12.5% of the gross state operating revenue from Keno, which reduces total General Fund revenue from Keno by \$1.2 million in FY 14 and \$9 million in FY 15.

Increase Diversion to Chronic Gamblers' Account

Divert additional funds annually to the Chronic Gamblers' Account, which is established in CGS Sec. 17a-713 and is funded by a revenue diversion from the Connecticut Lottery Corporation.

Increase Fees

Increase fees as follows:

- Increase license renewal fees by \$5 for physicians, surgeons, nurses, nurse midwives;
- Enact licensing fees for home health care agencies, assisted living services agencies and hospices;
- Expand the scope of the fee for the design review of health care institutions; and
- Expand the scope of the state childhood immunization program, which will trigger an increase in fees pursuant to CGS 19a-j(b)(5)(A).

Recognize Revenue Provisions of PA 13-271

Increase the fines for driving while operating a cell phone by the following amounts: for a first violation from \$125 to \$150, a second violation from \$250 to \$300 and a third or subsequent violation from \$400 to \$500.

Adjust Tobacco Settlement Fund Transfers

Adjust the statutory transfer of Tobacco Settlement Fund (TSF) revenue as follows:

- Authorize General Obligation bond funds to support the Stem Cell Research Fund (SCRF), eliminate the annual \$10 million transfer from the TSF to SCRF⁴ and increase by this amount the "Transfer from Tobacco Settlement" in the GF revenue schedule that is adopted by the General Assembly for FY 14 and FY 15, thereby increasing GF resources by \$10 million in both fiscal years.
- Reduce the transfer from the TSF to the Tobacco and Health Trust Fund (THTF) by \$6 million in both FY 14 and FY 15 pursuant to Section 71 of PA 13-184. Increase by this amount the "Transfer from Tobacco Settlement" in the GF revenue schedule that is adopted by the General Assembly for FY 14 and FY 15, thereby increasing GF resources by \$6 million in both fiscal years.

⁴CGS Sec. 19a-32e established the Stem Cell Research Fund (SCRF) and authorized that not less than \$10 million be made available from SCRF in FY 06 through FY 15 (ten fiscal years) for grants-in-aid to eligible institutions for the purpose of conducting embryonic or human adult stem cell research.

- Credit \$3.5 million of additional FY 13 THTF revenue to the resources of the GF in FY 14. This is authorized by Section 109 of PA 13-184.

Transfers to and from Other Funds (in millions)

Transfer	FY 14 \$	FY 15 \$
Use FY 13 Surplus Funds as FY 14 -FY 15 Revenue	190.8	30.0
Reduce GF Transfer to STF	172.8	170.7
Transfer Part of STF Fund Balance to GF	76.5	-
Adjust Transfer of Revenue from Casino Gaming	73.2	73.2
Transfer from CT Resources Recovery Authority	35.0	-
Transfer from the Banking Fund	10.7	5.7
Recognize Revenue from Tobacco Settlement ⁵	10.0	-
Transfer from the Clean Energy Finance and Investment Authority	6.2	19.2
Transfer Mortgage Electronic Transfer System Funds	5.4	5.4
Transfer from the Muni Video Competitiveness Account	5.0	5.0
Credit Additional THTF Revenue to the GF	3.5	-
Transfer from Public, Education, and Governmental Account	3.4	3.5
Transfer from Probate Court Administration Fund	1.0	-
NET GENERAL FUND TOTAL	593.5	312.7

Outyears Revenue Impact

While the FY 14 and FY 15 Budget results in net GF increases in FY 14 and FY 15, it results in revenue losses in the outyears. The following table outlines the GF revenue impact of the policy changes included in the FY 14 and FY 15 Budget through FY 18, as broken out by major revenue category.

Revenue Impact of General Fund Revenue Policy Changes (in millions)

Public Act	Item Description	FY 14	FY 15	FY 16	FY 17	FY 18
Personal Income Tax						
13-184	Implement a Tax Amnesty Program	11.9	(2.4)	-	-	-
	Subtotal	11.9	(2.4)	-	-	-

⁵In May of 2013, Connecticut joined 21 other states in a partial settlement with the major tobacco companies of a dispute dating from 2006 regarding payments to the states under the 1998 tobacco Master Settlement Agreement (MSA), from which Connecticut received \$63 million. Of the \$63 million total, up to \$40 million is reserved to help fulfill the state's obligation to meet Generally Accepted Accounting Principles (GAAP), \$13 million is deposited in a separate, non-lapsing reserve account to be utilized to enforce the MSA, and the remaining \$10 million is deposited in the GF to be used as revenue in FY 14.

Public Act	Item Description	FY 14	FY 15	FY 16	FY 17	FY 18
Sales & Use Tax						
13-184	Eliminate the Municipal Revenue Sharing Account	52.9	56.9	59.0	61.2	63.4
13-184	Reflect Enhanced Collections Due to Amazon.com	15.0	15.0	18.8	23.4	29.3
13-184	Implement a Tax Amnesty Program	12.6	(2.5)	-	-	-
13-184	Establish Pilot to Automate Collections	10.0	15.0	-	-	-
13-184	Alter Administration of Sales Tax on Cigarettes	2.6	2.6	2.6	2.6	2.6
13-184	Exempt Boats in the State Under 60 Days	(2.0)	(2.0)	(2.1)	(2.2)	(2.2)
13-184	Eliminate the "Luxury" Tax on Boats	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
13-184	Restore Exemption for Certain Clothing	-	(11.5)	(143.2)	(148.5)	(153.7)
	Subtotal	91.0	73.4	(65.0)	(63.5)	(60.8)
Corporation Business Tax						
13-184	Extend the 20% Surcharge	44.4	74.0	29.6	-	-
13-184	Implement a Tax Amnesty Program	10.5	(2.1)	-	-	-
	Subtotal	54.9	71.9	29.6	-	-
Public Service Tax						
13-232	Recognize Revenue Provisions of PA 13-232	0.3	0.3	0.3	0.3	0.3
	Subtotal	0.3	0.3	0.3	0.3	0.3
Inheritance and Estate Tax						
13-232	Recognize Revenue Provisions of PA 13-232	0.3	0.3	0.3	0.3	0.3
	Subtotal	0.3	0.3	0.3	0.3	0.3
Insurance Premiums Tax						
13-184	Extend the Cap on Use of Tax Credits	18.7	18.7	-	-	-
13-184	Support the URA Tax Credit Program with Bonds	20.0	20.0	-	-	-
13-184	Establish Moratorium on Film Tax Credits	2.0	4.0	-	-	-
	Subtotal	40.7	42.7	-	-	-
Real Estate Conveyance Tax						
13-184	Eliminate the Municipal Revenue Sharing Account	39.5	41.0	42.8	44.7	46.7
	Subtotal	39.5	41.0	42.8	44.7	46.7
Petroleum Products Gross Earnings Tax						
13-184	Alter Oil Companies Transfer to STF	(158.0)	(152.3)	(145.9)	(145.9)	(145.9)
13-232	Recognize Revenue Provisions of PA 13-232	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
	Subtotal	(158.6)	(152.9)	(146.5)	(146.5)	(146.5)
Electric Generation Tax						
13-184	Adjust the Electric Generation Tax	17.5	-	-	-	-
	Subtotal	17.5	-	-	-	-
Earned Income Tax Credit						
13-184	Reduce Rate of the Earned Income Tax Credit	21.1	11.0	-	-	-
	Subtotal	21.1	11.0	-	-	-
Transfers- Special Revenue						
13-184	Authorize Keno Gambling	3.8	27.0	27.0	27.0	27.0
13-247	Increase Diversion to Chronic Gamblers' Account	(0.4)	(0.4)	(0.4)	(0.4)	(0.4)
	Subtotal	3.4	26.6	26.6	26.6	26.6

Public Act	Item Description	FY 14	FY 15	FY 16	FY 17	FY 18
Licenses, Permits, and Fees						
13-234	Increase Fees	0.3	0.3	0.3	0.3	0.3
	Subtotal	0.3	0.3	0.3	0.3	0.3
Rents, Fines, and Escheats						
13-271	Recognize Revenue Provisions of PA 13-271	0.5	0.6	0.6	0.6	0.6
	Subtotal	0.5	0.6	0.6	0.6	0.6
Federal Grants						
13-184	Net Appropriate Medicaid	(2,322.5)	(2,069.1)	(2,222.3)	(2,371.1)	(2,513.4)
13-184	Eliminate Funding for Low Income Adult Program	(446.2)	(1,135.8)	(1,261.9)	(1,304.2)	(1,306.9)
13-184/234/247	Reflect Reimbursement Level for Spending Changes	(166.9)	(280.1)	(261.4)	(273.9)	(273.9)
	Subtotal	(2,935.6)	(3,485.0)	(3,745.5)	(3,949.2)	(4,094.1)
Transfers from Tobacco Settlement						
13-184/239	Transfer from the Stem Cell Research Fund	10.0	10.0	-	-	-
13-184	Reduce Transfer to Tobacco and Health Trust Fund	6.0	6.0	-	-	-
	Subtotal	16.0	16.0	-	-	-
Transfers (To)/From Other Funds						
13-184	Use FY 13 Surplus Funds as FY 14 -FY 15 Revenue	190.8	30.0	-	-	-
13-184	Reduce GF Transfer to STF	172.8	170.7	20.0	10.0	10.0
13-184	Transfer Part of STF Fund Balance to GF	76.5	-	-	-	-
13-184	Adjust Transfer of Revenue from Casino Gaming	73.2	73.2	-	-	-
13-184	Transfer from CT Resources Recovery Authority	35.0	-	-	-	-
13-247	Transfer from the Banking Fund	10.7	5.7	-	-	-
13-184	Recognize Revenue from Tobacco Settlement	10.0	-	-	-	-
13-247	Transfer from CEFLA	6.2	19.2	-	-	-
13-247	Transfer Mortgage Electronic Transfer System Funds	5.4	5.4	5.4	5.4	5.4
13-184	Transfer from the Muni Video Competitiveness Acct	5.0	5.0	-	-	-
13-184	Credit Additional THTF Revenue to the GF	3.5	-	-	-	-
13-184	Transfer from Public, Education, and Gov'tal Acct	3.4	3.5	-	-	-
13-184	Transfer from Probate Court Administration Fund	1.0	-	-	-	-
	Subtotal	593.5	312.7	25.4	15.4	15.4
Total- General Fund		(2,203.3)	(3,043.5)	(3,831.1)	(4,071.0)	(4,211.3)

Special Transportation Fund

PA 13-184, the FY 14 and FY 15 Budget as adjusted by PA 13-89, PA 13-277 and PA 13-271, includes various policy changes that yield net Special Transportation Fund (STF) revenue decreases of \$90.0 million in FY 14 and \$14.2 million in FY 15.

Recognize Revenue Provisions of PA 13-89

PA 13-89, AAC the Issuance of Motor Vehicle Operators' Licenses, allows individuals who cannot provide the Department of Motor Vehicles (DMV) with proof of legal residence in the United States or a Social Security Number to obtain a driver's licenses for driving purposes only. The licenses cannot be used for federal identification purposes or as proof of identity in order to vote.

PA 13-89 is anticipated to result in a revenue gain to the STF of approximately \$1.8 million in FY 15 due to an estimated 16,200 individuals applying for a permit/license.

Increase Permit Fees

PA 13-277, "AAC Revisions to the Transportation Statutes and the Designation of Roads and Bridges in Honor or in Memory of Persons and Organizations," doubles fees related to billboards which are anticipated to result in a revenue gain to the STF of \$100,000 in FY 14 and FY 15.

The fee changes consist of:

- Increasing, from \$50 to \$100, the application fee for a permit to erect signs containing less than 300 square feet of advertising space;
- Increasing, from \$100 to 200, the application fee for signs with at least 300 square feet of advertising space

Increase Motor Vehicle Fees

PA 13-271, "AAC Distracted Driving and Revisions to the Motor Vehicle Statutes," increases the fees for certain motor vehicle licenses.

- Increase the fee for renewing a two-year license for people age 65 or older from \$22 to \$24 which is anticipated to result in a revenue gain to the Special Transportation Fund of \$50,000 in FY 14 and FY 15.
- Increase the renewal fee for a Commercial Driver's License (CDL) from \$60 to \$70 which is anticipated to result in a revenue gain to the STF of \$227,300 in FY 14 and \$303,000 in FY 15.
- Increase the renewal fee for a motor vehicle license from \$65 to \$72 for a six year period and is anticipated to result in revenue gain to the STF of \$1.2 million in FY 14 and \$2.5 million in FY 15.

Transfers between the Special Transportation Fund and General Fund

Please see General Fund revenue for a table that illustrates the transfers between funds, which have the net impact of shifting \$91.3 million from the STF to the GF in FY 14 and \$18.4 million from the STF to the GF in FY 15.

Outyears Revenue Impact

The following table outlines the STF revenue impact of the policy changes included in the FY 14 and FY 15 Budget through FY 18, as broken out by major revenue category.

Revenue Impact of Special Transportation Fund Revenue Policy Changes (in millions)

Public Act	Item Description	FY 14 \$	FY 15 \$	FY 16 \$	FY 17 \$	FY 18 \$
Motor Vehicle Receipts						
13-89	Establish Licenses for Undocumented Individuals	-	1.8	3.4	0.9	1.4
13-271	Increase Motor Vehicle Fees	1.3	2.4	2.0	2.0	2.0
	Subtotal	1.3	4.2	5.4	2.9	3.4
Petroleum Products Gross Earnings Tax						
13-184	Alter Oil Companies Transfer to the STF	158.0	152.3	145.9	145.9	145.9
	Subtotal	158.0	152.3	145.9	145.9	145.9
Transfers (To)/From Other Funds						
13-184	Reduce GF Transfer to STF	(172.8)	(170.7)	(20.0)	(10.0)	(10.0)
13-184	Transfer Part of STF Fund Balance to GF	(76.5)	-	-	-	-
	Subtotal	(249.3)	(170.7)	(20.0)	(10.0)	(10.0)
TOTAL - Special Transportation Fund		(90.0)	(14.2)	131.3	138.8	139.3