

# OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building

Hartford, CT 06106 - (860) 240-0200

E-Mail: [ofa@cga.ct.gov](mailto:ofa@cga.ct.gov)

[www.cga.ct.gov/ofa](http://www.cga.ct.gov/ofa)

Attached is a summary list of policies impacting General and Special Transportation fund revenues which was favorably reported on 4/29/15 by the Finance, Revenue and Bonding Committee. Also included is the following: 1) a list of additional services to be subject to the Sales and Use Tax in accordance with the plan; 2) a schedule of the Sales and Use Tax rate changes; and 3) a summary calculation of the General Fund surplus/(deficit) using January 2015 consensus revenue projections and relative to the spending package favorably reported by the Appropriations Committee on 4/27/15.

**Revenue Adjustments 4-29-15 Plan (\$ - millions)**

Fund	Rev Category	Rev Stream	Policy	Date	GOV		COMM		DIF		Notes
					2016	2017	2016	2017	2016	2017	
GF	Taxes	Personal Income	Delay Increase in the Personal Exemption for Single Filers	1/1/2015	15.1	10.8	15.1	10.8	-	-	
GF	Taxes	Personal Income	Establish a New Marginal Rate of 6.99%	1/1/2015	-	-	102.4	94.7	102.4	94.7	\$ 500K (Single); \$800K (Head of Household); \$1M (Married Filing Jointly)
GF	Taxes	Personal Income	Establish a 2% Supplemental Tax on all Capital Gains income for those w/CT AGI greater than \$500K (Single Filers), \$800K (Head of Household) or \$1M (Married Filing Jointly)	1/1/2015	-	-	167.6	178.0	167.6	178.0	
GF	Taxes	Personal Income	Increase, from 50% to 100%, the Income Tax exemption for Military Retirement Pay	1/1/2015	-	-	-6.0	-4.0	-6.0	-4.0	Use language from sSB 520
GF	Taxes	Sales & Use	Reduce the State's Sales and Use Tax Rate	10/1/2015; 7/1/2016	(70.1)	(154.9)	(252.7)	(702.4)	(182.6)	(547.5)	5.85% then 5.35%
GF	Taxes	Sales & Use	Repeal Exemption for Clothing/Footwear and Reduce the per-item Exemption for the Sales Tax Holiday from \$300 to \$100	7/1/2015	139.0	143.2	137.8	143.6	-1.2	0.4	
GF	Taxes	Sales & Use	Repeal Exemptions for Computer and Data Processing Services and World Wide Web Services	10/1/2015	-	-	162.8	207.0	162.8	207.0	
GF	Taxes	Sales & Use	Tax Additional Services	10/1/2015	-	-	322.7	410.3	322.7	410.3	See Detailed List Attached
GF	Taxes	Sales & Use	Amend Various Alcohol Policies	7/1/2015	1.5	1.5	1.6	1.6	0.1	0.1	Growlers only
GF	Taxes	Corporations	Extend the Surcharge on the Corporate Income Tax	1/1/2016	44.4	75.0	44.4	75.0	-	-	Phase it out over 4 years: 20/20/10/0
GF	Taxes	Corporations	Restrict Net Operating Loss Carryforward Use by Corporations	1/1/2015	156.3	90.1	156.3	90.1	-	-	
GF	Taxes	Corporations	Reduce the Use of Credits against Certain Taxes	1/1/2015	74.8	36.8	42.5	34.0	(32.3)	(2.8)	Lower to 50.01%
GF	Taxes	Corporations	Adjust Business Entity Tax	1/1/2016	-	(40.0)	-	(20.0)	-	20.0	cut fee in 1/2
GF	Taxes	Corporations	Establish Mandatory Combined Reporting	Upon passage, applicable to income tax year 2015 and thereafter	-	-	38.6	23.7	38.6	23.7	
GF	Taxes	Public Service Corporations	Adjust Revenue Diversion to CT-N	7/1/2015	0.7	0.7	-	-	(0.7)	(0.7)	Maintain funding @ \$3.2M Annually
GF	Taxes	Insurance Companies	Maintain the 3-Tier Credit System against the Ins. Prem. Tax	1/1/2015	18.7	18.7	18.7	18.7	-	-	
GF	Taxes	Insurance Companies	Maintain the Moratorium on New Film Tax Credits	7/1/2015	4.0	4.0	4.0	4.0	-	-	

**Revenue Adjustments 4-29-15 Plan (\$ - millions)**

Fund	Rev Category	Rev Stream	Policy	Date	GOV		COMM		DIF		Notes
					2016	2017	2016	2017	2016	2017	
GF	Taxes	Alcoholic Beverages	Amend Various Alcohol Policies - Extend sale hours	7/1/2015	0.3	0.3	-	-	(0.3)	(0.3)	
GF	Taxes	Alcoholic Beverages	Amend Various Alcohol Policies - Revise minimum pricing	7/1/2015	1.5	1.5	0.2	0.2	(1.3)	(1.3)	Growlers only
GF	Taxes	Health Provider	Update the Hospital Net Revenue Tax	7/1/2015	160.5	160.5	160.5	160.5	-	-	
GF	Taxes	Health Provider	Reduce the Use of Credits against Certain Taxes	1/1/2015	5.0	3.8	4.0	2.8	(1.0)	(1.0)	Lower to 50.01%
GF	Taxes	Health Provider	Set Aside Revenue to Reduce Impact on Hospitals	7/1/2016	-	-	-	(56.0)	-	(56.0)	
GF	Taxes	Miscellaneous	Increase and Expand Assessment for Solid Waste Processing	7/1/2015	5.3	5.3	-	-	(5.3)	(5.3)	
GF	Taxes	Earned Income Credit	Delay Increase in the Earned Income Tax Credit	1/1/2015	11.0	11.0	11.0	11.0	-	-	
GF	Other Revenue	Transfers - Special Revenue	Authorize Keno Gaming	7/1/2015	-	-	13.6	30.0	13.6	30.0	
GF	Other Revenue	License, Permits & Fees	Increase Filing Fees for Pass-Through Entities	10/1/2015	10.0	12.8	10.0	12.8	-	-	
GF	Other Revenue	License, Permits & Fees	Transfer Palliative Use of Marijuana to General Fund	7/1/2015	0.6	0.6	0.6	0.6	-	-	
GF	Other Revenue	License, Permits & Fees	Establish registration fees re: E-Cigarettes	1/1/2016	-	-	2.0	1.6	2.0	1.6	Use language from HB 7059
GF	Other Revenue	Miscellaneous	Adjust Reimbursement Rate for Resident State Policemen	7/1/2015	4.6	4.6	-	-	(4.6)	(4.6)	
GF	Other Sources	Federal Grants	Revenue loss resulting from expenditure changes	7/1/2015	(25.7)	(30.6)	(5.0)	(18.7)	20.7	11.9	
GF	Other Sources	Transfer from Tob. Settlement	Divert Tobacco Settlement Funds from the THTF	7/1/2015	12.0	12.0	12.0	12.0	-	-	
GF	Other Sources	Transfer from Tob. Settlement	Eliminate Biomedical Trust Fund Transfer	7/1/2015	4.0	4.0	-	-	(4.0)	(4.0)	
GF	Other Sources	Transfer from Tob. Settlement	Divert Tobacco Settlement Funds from Preschool Expansion	7/1/2015	5.0	-	5.0	-	-	-	
GF	Other Sources	Transfers From / (To) Other Funds	Transfer to the STF - Let's Go CT	7/1/2015	-	-	-	-	-	-	No Action Taken
GF	Other Sources	Transfers From / (To) Other Funds	Amortize the Accumulative GAAP Deficit	7/1/2015	(47.6)	(47.6)	(47.6)	(47.6)	-	-	
GF	Other Sources	Transfers From / (To) Other Funds	Divert Revenue from the Community Investment Act Account	1/1/2016	13.5	27.0	6.75	13.50	(6.8)	(13.5)	
GF	Other Sources	Transfers From / (To) Other Funds	Transfer Funds from CHEFA	7/1/2015	3.5	3.5	-	-	(3.5)	(3.5)	
GF	Other Sources	Transfers From / (To) Other Funds	Transfer from Private Occupational Student Protection Acct.	7/1/2015	2.5	-	2.5	-	-	-	

**Revenue Adjustments 4-29-15 Plan (\$ - millions)**

Fund	Rev Category	Rev Stream	Policy	Date	GOV		COMM		DIF		Notes
					2016	2017	2016	2017	2016	2017	
GF	Other Sources	Transfers From / (To) Other Funds	Divert Revenue from the PEGPETIA Surtax	7/1/2015	4.2	4.3	-	-	(4.2)	(4.3)	
GF	Other Sources	Transfers From / (To) Other Funds	Adjust Revenue Diversion to Muni. Video Competition Acct.	7/1/2015	3.0	3.0	3.0	3.0	-	-	
GF	Other Sources	Transfers From / (To) Other Funds	Reduce Scheduled Transfer from GF to STF	7/1/2016	-	-	-	25.0	-	25.0	
STF	Other Sources	Transfers From / (To) Other Funds	Transfer from the GF - Let's Go CT	7/1/2015	-	-	-	-	-	-	No Action Taken
STF	Other Sources	Transfers From / (To) Other Funds	Reduce Scheduled Transfer from GF to STF	7/1/2016	-	-	-	(25.0)	-	(25.0)	

GF = General Fund  
STF = Special Transportation Fund

General Fund Budget (\$ - millions)							
	GOV		COMM		DIF		
	2016	2017	2016	2017	2016	2017	
Jan 15 Consensus Estimates	17,447.4	18,199.4	17,447.4	18,199.4	-	-	
Taxes	568.0	368.3	1,131.5	683.6	563.5	315.3	
Other Revenues	15.2	18.0	26.2	45.0	11.0	27.0	
Fed Funds	(25.7)	(30.6)	(5.0)	(18.7)	20.7	11.9	
Other Transfers	47.7	53.8	29.3	53.5	(18.5)	(0.3)	
Transfers Out for GAAP	<u>(47.6)</u>	<u>(47.6)</u>	<u>(47.6)</u>	<u>(47.6)</u>	<u>-</u>	<u>-</u>	
Policies Subtotal	<u>557.6</u>	<u>361.9</u>	<u>1,134.4</u>	<u>715.8</u>	<u>576.8</u>	<u>353.9</u>	
TOTAL Est. Revenue	18,005.0	18,561.3	18,581.8	18,915.2	576.8	353.9	
Appropriations	<u>17,997.1</u>	<u>18,546.5</u>	<u>18,286.2</u>	<u>18,873.1</u>	<u>289.1</u>	<u>326.6</u>	
Surplus/(Deficit)	7.9	14.8	295.6	42.1	287.7	27.3	

Effective Sales Tax Rates under the Plan *				
	Current	7/1/2015 - 9/30/2015	10/1/15- 6/30/16	7/1/16 thereafter
State Sales Tax Rate	6.35%	6.35%	5.85%	5.35%
SB 1 Surtax for Munis	<u>0.00%</u>	<u>0.00%</u>	<u>0.50%</u>	<u>0.50%</u>
Effective Rate	<u>6.35%</u>	<u>6.35%</u>	<u>6.35%</u>	<u>5.85%</u>

\* Governor's proposal reduces the rate from 6.35% to 6.20% effective 11/1/15, and 5.95% effective 4/1/17

## Services to be Subject to Sales and Use Tax - 4-29-15 Plan (\$ - millions)

Services	2012 NAICS Code	Estimates	
		FY 16	FY 17
Offices of Certified Public Accountants	541211	44.1	56.0
Other Accounting Services	541219	10.5	13.4
Architectural Services	541310	16.0	20.4
Engineering Services	541330	121.2	154.1
Drafting Services	541340	0.5	0.6
Building Inspection Services	541350	1.3	1.6
Geophysical Surveying and Mapping Services	541360	1.8	2.3
Surveying and Mapping (except Geophysical) Services	541370	3.3	4.3
Interior Design Services	541410	4.5	5.7
Industrial Design Services	541420	1.0	1.3
Other Specialized Design Services	541490	0.8	1.0
Administrative Management and General Management Consulting Services	541611	30.4	38.6
Human Resources Consulting Services	541612	4.6	5.9
Marketing Consulting Services	541613	9.1	11.6
Process, Physical Distribution, and Logistics Consulting Services	541614	4.3	5.4
Other Management Consulting Services	541618	1.0	1.3
Other Scientific and Technical Consulting Services	541690	6.3	8.0
Direct Mail Advertising	541860	6.6	8.4
Advertising Material Distribution Services	541870	2.2	2.8
Marketing Research and Public Opinion Polling	541910	9.5	12.0
Translation and Interpretation Services	541930	2.2	2.8
Veterinary Services	541940	17.1	21.8
All Other Professional, Scientific, and Technical Services	541990	3.0	3.9
Other Gambling Industries	713290	5.1	6.5
Golf Courses and Country Clubs	713910	11.9	15.1
Drycleaning and Laundry Services (except Coin-Operated)	812320	4.4	5.5
<b>TOTAL</b>		<b>322.7</b>	<b>410.3</b>