TO: Members of the Finance, Revenue, and Bonding Committee

FROM: OFA & OLR Staff

RE: Items for April 7, 2016 Agenda Updated 4/11 (Minor correction to 4/7 document)

BILLS FOR JF CONSIDERATION

1. H.B. No. 5046 AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR’S BUDGET. (FIN) JFS to Floor

SUMMARY:

Fee for Grievances Filed with State Board of Mediation and Arbitration

The bill increases, from $25 to $200, the fee an employer and its employee must each pay when submitting a grievance or dispute to the State Board of Mediation and Arbitration.

EFFECTIVE DATE: July 1, 2016

Film and Digital Media Production Tax Credit

This bill lifts the moratorium on film and digital media production tax credits for motion pictures that (1) produce at least 50% of their entertainment content in Connecticut, (2) have personnel comprised of at least 50% Connecticut residents, and (3) have a total production cost of less than $2 million.

EFFECTIVE DATE: Upon passage

Municipal Filing Fees

This bill increases the fees municipalities must charge for various permits and filings, as shown in Table 1.
<table>
<thead>
<tr>
<th>Fee Description</th>
<th>Current Law</th>
<th>Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquor permit filing fee</td>
<td>$2</td>
<td>$20</td>
</tr>
<tr>
<td>Filing any document</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Survey or map filing and indexing</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Subdivision survey or map indexing</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Notary public: commission and oath filing</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>Notary public: character certification</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Marriage license</td>
<td>30</td>
<td>50</td>
</tr>
<tr>
<td>Burial or removal, transit, and burial permit</td>
<td>3</td>
<td>5</td>
</tr>
<tr>
<td>Cremation permit</td>
<td>3</td>
<td>5</td>
</tr>
</tbody>
</table>

**EFFECTIVE DATE:** July 1, 2016

**Probate Fees**

The bill caps at $40,000 the probate fees for settling estates valued at $8.877 million and greater, as shown in Table 2. The fee changes apply to estate proceedings for people who die on or after July 1, 2016.

**Table 2: Probate Fees for Settling Estates (Ranges Changed by the Bill)**

<table>
<thead>
<tr>
<th>Current Law</th>
<th>Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Estate Value</strong></td>
<td><strong>Fee</strong></td>
</tr>
<tr>
<td>At least $2 million</td>
<td>$5,615, plus 0.5% of the excess over $2 mil.</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**EFFECTIVE DATE:** Upon passage

**Admissions Tax**

The bill eliminates the 10% admissions tax on admission charges for events at any venue that primarily hosts concerts or athletic events. It authorizes municipalities to impose, by ordinance, a local admissions tax of up to 10% on such charges. The bill exempts from the local tax admission charges to events from which all proceeds go exclusively to a nonprofit organization, provided that organization actively engages in and assumes the financial risk of presenting the event.

Under the bill, the local tax applies to amounts paid for tickets; licenses; skybox, luxury suite, or club seat rentals or purchases; and any other admission charges,
including any charges for the right to buy seats.

EFFECTIVE DATE: January 1, 2017

Sales and Use Tax Rates and Exemptions

The bill:

- reduces, over five years, the sales and use tax on boats, from 6.35% to 3%;
- reduces, over four years, the sales and use tax on luxury goods from 7.75% to 6.35%;
- exempts from the sales and use tax sales of (1) feminine hygiene products, (2) disposable or reusable diapers, and (3) coin-operated car wash services.

EFFECTIVE DATE: July 1, 2017, and applicable to sales occurring on or after that date, except for the coin-operated car wash exemption which is effective July 1, 2016 and applicable to sales occurring on or after that date.

Income Tax Reductions for Single Filers

Personal Exemptions. The law grants a personal income tax exemption for all filers and gradually phases it out at higher income levels until the exemption is eliminated. The current maximum personal income tax exemption for single filers is $15,000, and the income threshold at which it begins to phase out is $30,000.

The bill increases the personal exemption for single filers over 10 years in $500 increments, from $15,500 in 2017 to $20,000 in 2026. And it correspondingly increases the income threshold at which the exemption begins to phase out from $31,000 in 2017 to $40,000 in 2026. As with other filers, the exemption is reduced by $1,000 for each $1,000 of adjusted gross income (AGI) above the specified threshold.

Personal Credit. The law grants a personal income tax credit for all filers that ranges from 1% to 75% of the tax liability, depending on their AGI. The credit for single filers currently ranges from 1% for those with AGIs between $64,000 and $64,500 to 75% for those with AGIs between $15,000 and $18,800.

The bill increases the income ranges in which taxpayers qualify for a credit over 10 years, from 2017 to 2026.

EFFECTIVE DATE: January 1, 2017 and applicable to taxable years beginning on or
after that date

**Regional Greenhouse Gas Initiative (RGGI) Fund Sweeps**

The bill diverts $20 million from RGGI auction proceeds and deposits it in the amount in the General Fund in FY 17. It also transfers $2 million from the fund’s current balance to the General Fund.

EFFECTIVE DATE: Upon passage

**Municipal Revenue Sharing Account (MRSA) Grant Programs**

The bill makes several changes to the municipal grant programs funded through MRSA.

**Motor Vehicle Property Tax Grants.** Beginning in FY 17, the law requires OPM to distribute motor vehicle property tax grants to municipalities to mitigate the revenue loss attributed to the motor vehicle mill rate cap. Current law ties the grant amounts to the property taxes municipalities and taxing districts levied on motor vehicles in FY 15, based on the 2013 grand list. The bill establishes new grant formulas for municipalities that implemented a property tax revaluation for the 2014 or 2015 assessment years. For municipalities that implemented a revaluation in 2014, the bill ties the grant amounts to their FY 16 mill rates and 2013 grand lists. For municipalities that implemented a revaluation in 2015, the bill ties the grant amounts to their FY 17 mill rates and 2015 grand lists. The bill also makes minor and conforming changes.

**Municipal Revenue Sharing Grants.** The bill expands the types of expenditures excluded from the municipal spending cap that is tied to municipal revenue sharing (i.e., sales tax) grants. It excludes from the cap expenditures for (1) budgeting for an audited deficit, (2) nonrecurring grants, (3) capital expenditures, and (4) payments on unfunded pension liabilities. It also exempts from the spending cap municipalities whose spending exceeds the cap by an amount proportionate to their population increase over the previous fiscal year.

**PILOT.** The bill delays, from FY 18 to FY 20, the implementation of a mechanism for prorating PILOT grants to municipalities based on their mill rates and percentage of tax-exempt property. In doing so, it extends to FYs 18 and 19 the same requirements for prorating PILOT grants that apply for FY 17. Under those requirements, (1) municipalities and districts must receive PILOTs that equal or exceed the reimbursement rates they received in FY 15 and (2) specified municipalities and
districts receive a supplemental PILOT grant.

EFFECTIVE DATE: Upon passage

**New Monthly Reporting Requirement for “Payment Settlement Entities”**

The bill requires “payment settlement entities” (i.e., banks or third-party settlement organizations, such as MasterCard, Visa, Paypal, and Square) to submit monthly informational reports to DRS detailing the credit and debit card payments they made to Connecticut retailers in the prior month. The reports must list, by retailer, the (1) date and time of each payment made, (2) account number in which it was deposited, and (3) financial institution in which the account is maintained. Entities that fail to file the reports are subject to a penalty of $1,000 per report.

The bill also allows the DRS commissioner to enter into agreements with these entities to facilitate the issuance of tax warrants for payments the entities make to Connecticut retailers.

EFFECTIVE DATE: January 1, 2017

**Ambulatory Surgical Center Tax**

The bill decreases the ambulatory surgical center tax rate over two years, from 6% to 5.5% beginning July 1, 2016 and from 5.5% to 5.25% beginning July 1, 2017. It also increases, from $1 million to $1.1 million, the amount of each center’s gross receipts excluded from the tax.

EFFECTIVE DATE: July 1, 2016

**Statewide Marketing and Promotion Account**

The bill creates a statewide marketing and promotion account as a separate, non-lapsing General Fund account and requires the DRS commissioner to deposit 9% of room occupancy tax revenue in the account.

EFFECTIVE DATE: January 1, 2017

**Daily Fantasy Sports**

This bill requires the Department of Consumer Protection (DCP) commissioner to adopt regulations to protect daily fantasy sports contest players from unfair or deceptive acts or practices. The regulations must include, among other things, (1) a
prohibition on operators allowing participants under age 18, (2) protections of the participants’ funds on deposit, (3) procedures to ensure the integrity of the games, and (4) a registration requirement and fee for operators. The fee must be $50,000 for initial registrations and $10,000 for renewals, but it may not exceed 10% of the entry fees an operator collects, net of cash payouts. A violation of the regulations is deemed an unfair or deceptive trade practice.

The bill establishes an 8.75% surcharge on the total entry fees operators collect, net of cash payouts. It requires operators to segregate the surcharge amounts they collect in a separate bank account.

The bill also specifically exempts daily fantasy sports from the definition of “gambling.”

EFFECTIVE DATE: Upon passage

**R&D Tax Credits**

The bill accelerates the schedule for raising the cap on R&D tax credits back to 70% of a business’s corporation income tax. PA 15-244 reduced the cap from 70% to 50.01% for these and other tax credits the law authorizes. PA 15-1, December Special Session, raises the cap back to 70% for incremental and non-incremental R&D expenditures (and urban and industrial sites reinvestment projects) over four years, by 5% per year starting in 2016, when the cap rose to 55% of tax liability.

The bill raises the cap to 70% over three years. It keeps the cap at 55% in 2016 and raises it from (1) 60% to 65% in 2017 and (2) 65% to 70% in 2018.

EFFECTIVE DATE: January 1, 2017 and applicable to income years beginning on or after that date.

**Hospital Tax**

The bill exempts from the hospital tax hospitals that:

- are not part of a hospital system,
- have no more than 160 beds,
- are located in municipalities that are not contiguous to other municipalities with a hospital, and
had no more than $35 million in annual net inpatient revenue in the base year for assessing the tax as determined by the social services commissioner.

EFFECTIVE DATE: July 1, 2016 and applicable to calendar quarters on or after that date.

**Amortized Generally Accepted Accounting Principles (GAAP) Deficit**

Current law requires the state to pay off the General Fund's unreserved negative unassigned balance for FY 14, identified based on GAAP, and to do so over 12 years in equal increments, starting in FY 17 and ending in FY 28. The bill delays the start of these payments by one year and requires the payments to be amortized over 11 years in equal increments, from FY 18 to FY 28.

EFFECTIVE DATE: Upon passage

**Income Tax Exemption for Teacher Pensions**

The bill delays, from the 2017 to 2018 tax year, the scheduled increase in the teacher pension income tax exemption. Under current law, the exemption is scheduled to increase from 25% to 50% for 2017 and subsequent tax years. The bill instead maintains it at 25% for 2017 and increases it to 50% beginning in 2018.

EFFECTIVE DATE: Upon passage and applicable to tax years beginning on or after January 1, 2017.

**Sales Tax Permits**

The bill requires all retailers to renew their sales tax permits by January 1, 2017 and imposes a renewal fee for the permits that is based on the frequency with which the retailer must remit sales taxes to DRS. Under the bill, the renewal fee is (1) $350 for monthly remitters (retailers with an annual sales tax liability of at least $4,000), (2) $100 for quarterly remitters (retailers with an annual sales tax liability of between $1,000 and $4,000), and (3) $50 for annual remitters (retailers with an annual sales tax liability of less than $1,000).

It also requires retailers to renew the permits every two years, rather than every five as current law requires.

EFFECTIVE DATE: Upon passage

**Apprenticeship Tax Credits**
The bill allows the owners of pass-through entities to apply apprenticeship tax credits against their personal income taxes.

EFFECTIVE DATE: July 1, 2017 and applicable to income or tax years beginning on or after January 1, 2017

**FISCAL IMPACT: See Below**

The General Fund FY 17 net revenue impact of committee actions to date\(^1\) is an increase of $10 million, which is $8.2 million higher than the budget the Governor submitted to the General Assembly on February 3\(^{rd}\). Using January Consensus Revenue Estimates as the basis, the committees’ revenue plan for FY 17 is $18.8 million greater than FY 17 net appropriations to the General Fund, as favorably reported by the Appropriations Committee on April 6\(^{th}\). However, it should be noted that the Office of Fiscal Analysis has reduced its estimate for FY 17 by $338 million since the January Consensus Revenue Estimate. Using this updated revenue estimate by OFA as the basis for the revenue plan, appropriations exceed revenues by $319 million.\(^2\)

<table>
<thead>
<tr>
<th>General Fund Update</th>
<th>FY 17 ($ - millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4/6/2016</td>
</tr>
<tr>
<td></td>
<td>4/7/2016</td>
</tr>
<tr>
<td>Deficit (Governor's Budget) *</td>
<td>(560.0)</td>
</tr>
<tr>
<td>OFA's Update of February 25th</td>
<td>(350.0)</td>
</tr>
<tr>
<td>Impact of FY 16 Deficit Mitigation Actions</td>
<td>(25.0)</td>
</tr>
<tr>
<td>Impact of Property Tax Credit Form Discrepancy</td>
<td>12.0</td>
</tr>
<tr>
<td>Revenue Plan</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>(923.0)</td>
</tr>
<tr>
<td></td>
<td>(888.0)</td>
</tr>
<tr>
<td>Reductions to Appropriations</td>
<td>569.5</td>
</tr>
<tr>
<td>New</td>
<td>(353.5)</td>
</tr>
<tr>
<td></td>
<td>(318.5)</td>
</tr>
</tbody>
</table>

\(^*\)Submitted on February 3rd, based on January Consensus Revenue Estimates

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\(^1\) This reflects actions to date by the Finance, Revenue and Bonding Committee, including assumed passage of all items on the Meeting Agenda of 4/7/16. Also reflected are the revenue impacts of sHB 5044, “AA Making Adjustments to State Expenditures for the Fiscal Year ending June 30, 2017.” Lastly, this $10 million figure reflects $25 million in FY 16 deficit mitigation policies impacting FY 17 since the Governor submitted his budget.

\(^2\) Statute (CGS Sec. 2-36c) requires both the Governor and General Assembly to use the latest Consensus Revenue Estimates as the basis for their respective budgets, which would be January’s estimate in both cases. However, the statute (CGS Sec. 2-35) governing adoption of a revenue schedule by the Finance, Revenue and Bonding Committee requires the Committee to consider new information when adopting a revenue schedule in support of the budget. Agenda Item number III 2, “AAC Revenue Items to Implement the Governor's Budget,” is a bill for JF consideration and not a revenue schedule in support of a budget.
### Revenue Plan Details: FY 17 General Fund

<table>
<thead>
<tr>
<th></th>
<th>Policy Revision Impacting the General Fund</th>
<th>FY 17 ($ - millions)</th>
<th>Policy Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Increase Fees for Grievances Filed with the Department of Labor</td>
<td>0.2</td>
<td>Revenue Package, sHB 5046</td>
</tr>
<tr>
<td>2</td>
<td>Reduce Mashantucket Pequot Muni Grants to Towns, Adjust General Fund Transfer Accordingly</td>
<td>3.5</td>
<td>Spending Package, sHB 5044</td>
</tr>
<tr>
<td>3</td>
<td>Eliminate Tobacco Health Trust Fund Support of Asthma Awareness Program</td>
<td>0.3</td>
<td>Spending Package, sHB 5044</td>
</tr>
<tr>
<td>4</td>
<td>Eliminate Tobacco Health Trust Fund Support of Easy Breathing Programs</td>
<td>0.4</td>
<td>Spending Package, sHB 5044</td>
</tr>
<tr>
<td>5</td>
<td>Reflect the Impact of Expenditure Changes on Federal Fund Revenues</td>
<td>(9.4)</td>
<td>Spending Package, sHB 5044</td>
</tr>
<tr>
<td>6</td>
<td>Eliminate the FY 16 General Fund Credit to FY 17 - Deficit Mitigation</td>
<td>(18.0)</td>
<td>FY 16 Deficit Mitigation, Executive Authority granted under PA 15-1 DSS, Sec. 18</td>
</tr>
<tr>
<td>7</td>
<td>Shift Budgeted Sweep of the Citizens' Election Fund from FY 17 to FY 16 - Deficit Mitigation</td>
<td>(7.0)</td>
<td>FY 16 Deficit Mitigation, PA 16-1, Sec. 17-18</td>
</tr>
<tr>
<td>8</td>
<td>Exempt Certain Productions from the Moratorium on Film Production Tax Credits</td>
<td>(1.2)</td>
<td>Revenue Package, sHB 5046</td>
</tr>
<tr>
<td>9</td>
<td>Adjust the Basis for Determining Taxable Sales between Parent Companies and Wholly-Owned Subsidiaries</td>
<td>(1.0)</td>
<td>sHB 5494, Item #4 on 3/24/16 Agenda</td>
</tr>
<tr>
<td>10</td>
<td>Eliminate Sales Tax on Parking Fees at Certain Federal, State and Local Parking Lots</td>
<td>(0.5)</td>
<td>HB 5627, Item #9 on 3/24/16 Agenda</td>
</tr>
<tr>
<td>11</td>
<td>Eliminate Admissions Tax for Certain Venues</td>
<td>(1.1)</td>
<td>Revenue Package, sHB 5046</td>
</tr>
<tr>
<td>12</td>
<td>Implement Parity for Single Filers Under Income Tax</td>
<td>(5.0)</td>
<td>Revenue Package, sHB 5046</td>
</tr>
<tr>
<td>13</td>
<td>Transfer a Portion of DEEP's Available Balance in the Regional Greenhouse Gas Initiative (RGGI) Account</td>
<td>2.0</td>
<td>Revenue Package, sHB 5046</td>
</tr>
<tr>
<td>14</td>
<td>Divert a Portion of Proceeds from</td>
<td></td>
<td>Revenue Package, sHB 5046</td>
</tr>
<tr>
<td>Policy Revision Impacting the General Fund</td>
<td>FY 17 ($ - millions)</td>
<td>Policy Reference</td>
<td></td>
</tr>
<tr>
<td>---------------------------------------------------------------------</td>
<td>------------------------</td>
<td>--------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>RGGI Auctions to the General Fund</td>
<td>20.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Adjust Grant Payments to Towns through the Municipal Revenue Sharing Account</td>
<td>(12.0)</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>16 State Tax Policy Enhancements per DRS (Enhance Collections Process for Delinquent Taxpayers)</td>
<td>5.0</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>17 Repeal Sales Tax on Coin-Operated Machines</td>
<td>(0.5)</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>18 Adjust the Ambulatory Surgical Centers Tax</td>
<td>(1.3)</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>19 Divert a Portion of Hotel Revenues to a New Non- Appropriated Account for Statewide Marketing</td>
<td>(5.5)</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>20 Tax Fantasy Room Sports Betting</td>
<td>9.5</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>21 Accelerate Restoration of Research &amp; Development Tax Credits</td>
<td>(0.5)</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>22 Create Innovative Districts, Increase Funding for Innovation</td>
<td>(3.0)</td>
<td>sSB 1, Item #3 on 4/7/16 Agenda</td>
<td></td>
</tr>
<tr>
<td>23 Exempt Certain Hospitals from the Health Provider User Fee / Tax</td>
<td>(3.9)</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>24 Delay GAAP Amortization of FY 14 Negative Growth</td>
<td>9.0</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>25 Delay Increase in Teachers’ Pension Exemption</td>
<td>7.0</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>26 Establish Renewal Fee for Sales Tax Permitees</td>
<td>24.0</td>
<td>Revenue Package, sHB 5046</td>
<td></td>
</tr>
<tr>
<td>27 Implement the Learn Here, Live Here Program</td>
<td>(1.0)</td>
<td>sHB 5414, Item #15 on 4/7/16 Agenda</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>10.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Grievance Filing Fees**

Increase, from $25 to $200, the filing fee both parties to a grievance must pay in order to bring a case before the State Board of Mediation and Arbitration. This results in an annual revenue gain of $200,000 beginning in FY 17.
Film Tax Credits

Lift the moratorium on film production tax credits for motion pictures meeting certain job and cost criteria, which is anticipated to result in a revenue loss of $1.2 million in FY 17 only. This estimate assumes no more than two such productions would be eligible for the maximum film tax credit of 30% of qualified production costs within FY 17.

Municipal Filing Fees

The bill increases various fees collected by town clerks for the filing of various documents. These changes result in a minimal revenue gain to all municipalities, which will vary based on the number of filings.

Probate fees

The bill caps the maximum probate fee allowable for probate proceedings related to decedents' estates. Fees are capped at $40,000, effective for decedents who die on or after July 1, 2016. (The cap of $40,000 would be reached at an estate value of $8,877,000.)

The cap on the estate fee results in a revenue loss of approximately $6.5 million to the Probate Court Administration Fund. The Appropriations Committee added $7 million to the FY 17 budget to support probate court operations.

Admissions Tax

Eliminate the 10% Admissions Tax on events at concert or sport venues. This results in a revenue loss of $1.1 million in FY 17 (partial year) and $2.2 million annually thereafter. This also results in a potentially significant revenue gain to municipalities choosing to levy the Admissions Tax as a local option under the provisions of the bill.

Sales and Use Tax Rates and Exemptions

“Luxury” Sales Tax Phase Down: The bill results in a revenue loss of $3.3 million in FY 18 and $6.9 million in FY 19 by phasing down the “luxury” sales tax rate from 7.75% to 6.35% by FY 21. The annualized revenue loss once lowered to 6.35% is $14.7 million in

3 PA 15-244, as amended by PA 15-5 JSS and PA 15-1 DSS, requires a monthly transfer of a portion of the sales tax generated into the Municipal Revenue Sharing Account and the Special Transportation Fund. The general sales and use tax rate, from which the diversion occurs, remains at 6.35%. Any policy impacting the base of the Sales Tax will impact the transfers to these two funds.
FY 21 and thereafter, subject to inflation.

_Sales Tax Rate Decrease on Boat Purchases:_ The bill results in a revenue loss of $400,000 in FY 18 and $1 million in FY 19 by phasing down the sales tax on boats from 6.35% to 3.0% by FY 22. The annualized revenue loss once lowered to 3.0% is $2.6 million in FY 22 and thereafter, subject to inflation.

_Feminine Hygiene Products:_ The bill results in an annualized revenue loss of $3.6 million beginning in FY 18 by exempting feminine hygiene products from the sales tax.

_Children’s Diapers:_ The bill results in an annualized revenue loss of $4.2 million beginning in FY 18 by exempting diapers from the sales tax.

_Coin-Operated Car Wash Services:_ The bill results in an annualized revenue loss of $500,000 by exempting coin-operated car wash services from the sales tax.

**Single Filers Exemption**

Increase the exemption, from $15,000 to $20,000, for single filers under the Personal Income Tax in $500 annual increments beginning in the 2017 income year. This results in a revenue loss of $5 million in FY 17 and $14.5 million in FY 18; the cumulative revenue loss is $104.6 million over 10 years.

**Regional Greenhouse Gas Initiative**

Divert $20 million in total from the Regional Greenhouse Gas Initiative (RGGI) Fund and credit the total to the General Fund in FY 17. The revenues to be diverted represent 67% of the approximate $30 million in anticipated proceeds from the next five quarterly auctions beginning June 1, 2016, through June 30, 2017. (The average amount of proceeds per auction in FY 15 was $6.2 million.) Under the terms of a Memorandum of Agreement between Connecticut and other states participating in the RGGI program, at least 25% of proceeds must be used for energy efficiency, renewables or non-carbon emitting technologies to ensure direct benefit to consumers.

In addition, transfer $2 million from the current balance of the RGGI Fund within the Department of Energy and Environmental Protection (DEEP). The fund balance was $3.8 million at the end of FY 15 and was $5.0 million total or $4.0 less encumbrances as of April 1, 2016. The balance of this fund supports administration.
The RGGI program sets a cap on carbon emissions from power plants, which must purchase emission allowances at a quarterly auction. The proceeds from allowance sales are reinvested programmatically as follows: 1) energy efficiency (69% through Conservation & Load Management programs administered by the state’s utilities); 2) renewables (23% via the CT Green Bank formerly known as CEFIA; and 3) program dues and administration (7.5% to the DEEP). PA 13-184 diverted $6.2 million and $19.2 million in FY 14 and FY 15, respectively, from CEFIA.

**Municipal Revenue Sharing Account**

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Effect</th>
<th>FY 16</th>
<th>FY 17</th>
<th>FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Policy and Management</td>
<td>Transfer from the Resources of the General Fund</td>
<td>None</td>
<td>At least $12 million</td>
<td>See Below</td>
</tr>
<tr>
<td>Municipalities Affected</td>
<td>Effect</td>
<td>FY 16</td>
<td>FY 17</td>
<td>FY 18</td>
</tr>
<tr>
<td>Various</td>
<td>Revenue Gain</td>
<td>None</td>
<td>At least $12 million</td>
<td>See Below</td>
</tr>
</tbody>
</table>

The bill makes a variety of changes to payments from the Municipal Revenue Sharing Account (MRSA). It: 1) changes the calculation of the motor vehicle mill rate cap for towns that had revaluations in either 2014 or 2015, and 2) freezes supplemental PILOT payments at FY 17 levels for FY 18 and FY 19.

The bill results in a cost, estimated to be at least $12 million in FY 17, to the Municipal Revenue Sharing Account. This increases the General Fund transfer necessary to fully fund grants from MRSA from $600,000 to $12.6 million. The bill: 1) increases grants to towns that conducted a revaluation in 2014, based on the impact that revaluation had on their mill rates, and 2) specifies that municipalities that conducted revaluations in 2015 will receive a dollar-for-dollar reimbursement for their FY 17 revenue loss.

The bill also results in a savings to MRSA by freezing supplemental PILOT payments at $46.1 million in FY 18 and FY 19. This results in a potentially significant savings to

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4 PA 15-1, DSS, allows the Office of Policy and Management to draw from the Resources of the General Fund to make MRSA-related grant payments if there is not enough money in MRSA. Under current law, it is projected that a $600,000 transfer from the Resources of the General Fund will be necessary to fully fund MRSA.
MRSA that will vary based on changes in municipal mill rates and grand lists.

**Sales Tax Remittance and Reporting Requirements**

The bill results in an enhancement of revenue collections up to $5 million annually by requiring “payment settlement entities” to submit monthly informational reports to DRS detailing the credit and debit card payments they made to Connecticut retailers in the prior month.

**Ambulatory Surgical Center Tax Exemption and Rate Change**

The bill results in a revenue loss of up to $1.0 million in FY 17 and up to $1.8 in FY 18 by (1) lowering the tax rate from 6.0% to 5.50% in FY 17 and from 5.50% to 5.25% in FY 18 and (2) increasing the exemption on the first $1 million of an ambulatory surgical center's gross receipts in the applicable fiscal year to the first $1.1 million.

**Hotel Occupancy Tax Diversion – Statewide Marketing and Promotion Account**

The bill results in a revenue loss to the General Fund (and a corresponding revenue gain to the “state-wide marketing and promotion “ account) of $5.5 million in FY 17 and $11 million in FY 18 by transferring 9% of occupancy tax collections from the General Fund to the account.

The bill creates the account as a separate non-lapsing account in the General Fund to be administered by the Department of Economic and Community Development (DECD). As background, DECD’s General Fund appropriated budget includes a “statewide marketing” account through which statewide marketing initiatives like the “Still Revolutionary” campaign are funded. The FY 17 appropriation under sHB 5044, as reported favorably by the Appropriations Committee, provides $8 million.

**Daily Fantasy Sports**

Establish a registration fee and 8.75% surcharge on gross receipts of Daily Fantasy Sports companies. This is anticipated to result in a revenue gain of $9.5 million annually beginning in FY 17.

The Department of Consumer Protection would require a Gaming Investigator (AR-22) with a salary of $77,110 to monitor transactions for Daily Fantasy Sports. The associated fringe benefits would be $30,800. Additionally the investigator would
require a laptop and other supplies totaling $2,000. The total cost is therefore $109,910.

**R&D/R&E Credits**

Accelerate the phase-up of the tax credit cap for the Research & Development and Research & Experimental tax credits, which results in a revenue loss of $500,000 in FY 17, $2.0 million in FY 18, and $1.5 million in FY 19.

**Hospital Tax – Small Hospital Exemption**

The bill excludes hospitals that (1) have $35 million or less in net inpatient revenue and (2) are part of the small hospital pool from paying the inpatient user fee. This proposal will result in a revenue loss of $3.9 million. The bill’s provisions exempt Milford Hospital and Day Kimball Hospital.

**Generally Accepted Accounting Principles**

Delay the provision in PA 15-1 DSS (Sections 8-11) which amortizes the $108.7 million growth in the GAAP deficit between FY 13 and FY 14. This provision amortizes the $108.7 million over 12 years beginning in FY 17 by requiring the Finance Revenue and Bonding Committee to set aside $9 million in each year’s revenue schedule in addition to the revenue amounts needed to: (1) balance the budget; and (2) amortize the $618.5 million ($47.6 million per year over 13 years) GAAP deficit as of the close of FY 13, subsequent to the receipt of $598.5 million in proceeds from the issuance of GAAP Conversion Bonds. The delay by one year would amortize the $108.7 million over 11 years, instead, and increase the annual amounts needed to be set aside to $9.9 million beginning in FY 18.

**Teachers’ Pension Exemption**

Delay the scheduled increase (from 25% to 50%) in the teachers’ pension exemption under the Personal Income Tax for one year. This results in a revenue gain of $7.0 million in FY 17 and FY 18.

**Sales Tax Permit Renewal Fee**

Establish a 3-tier fee for Sales Tax permit renewals and require that all current permit holders renew by January 1, 2017. The renewal fee is $350 for permit holders who remit sales taxes monthly, $100 for quarterly remitters, and $50 for annual remitters. Also,
reduce the renewal period from five years to two years. This results in a revenue gain of $24 million in FY 17 and biennially thereafter.

**Apprenticeship Tax Credit**

Allow pass-through entities to apply manufacturing apprenticeship tax credits against their personal income tax liability. This does not result in any revenue impact as it assumed these credits would be otherwise utilized against the Corporation Business Tax, Petroleum Products Gross Earnings Tax, or Public Service Companies Tax as allowed in PA 15-1 of the December Special Session (i.e., December deficit mitigation plan). It is anticipated that this provision would result in a one-time cost of less than $100,000 in FY 17 to the DRS associated with updates to the online Taxpayer Service Center to allow pass-through entities to claim the credit on their tax forms.

2. **S.B. No. 11 AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES. (FIN) JFS to Floor**

See attached document.

3. **S.B. No. 1 (COMM) AN ACT CONCERNING INNOVATION, ENTREPRENEURSHIP AND CONNECTICUT’S ECONOMIC FUTURE. (FIN) JFS to Floor**

**SUMMARY:** Among other things, this bill:

- establishes a new entity within Connecticut Innovations (CI) called “ImpaCT” to foster startups and develop the entrepreneur community and charges ImpaCT with developing and implementing a number of new initiatives;
- creates a new Innovation District program within ImpaCT to (a) establish districts, through a competitive selection process that includes municipal involvement, in compact geographic areas with innovation and entrepreneurial potential and (b) provide grants to develop such districts;
- creates the “Startup CT” program through which CI must certify up to 6 private entities as “startup funds,” each of which are eligible for (a) a CI loan of up to $10 million if the fund raises $20 million and (b) an allotment of corporation and
insurance premium tax credits the fund can to award to its investors, which can be claimed in years three and four and are capped at $60 million in total;
• funds the bill’s programs and initiatives by carving out $157.5 million from existing bond authorizations for the Manufacturing Assistance Act, CI, and the Manufacturing Innovation Fund
• makes a number of changes to CI, including moving some of CI’s powers and duties to ImpaCT and requiring CI to (a) relocate to an innovation district, (b) undergo a private performance audit, and (c) invest with private partners
• extends the Angel Investor tax credit for three years to July 1, 2019
• creates the Accelerate CT program to provide grants to business accelerators and the businesses they assist
• creates the ImpaCT-administered “Innovation Talent Fund” to provide grants to programs intended to increases tech talent in the state, with an initial focus on software developers and capitalizes it with $2.75 million from the Manufacturing Innovation Fund and capitalizes the fund with $2.75 million from the Manufacturing Innovation Fund;
• allows the Department of Economic and Community Development Commissioner to establish “Knowledge Center” enterprise zones around colleges and universities; and
• carves out $7 million from bonds previously authorized for academic and research facilities under UConn Next Gen for the city of Waterbury to be used for the UConn Waterbury Campus

EFFECTIVE DATE: Most provisions are effective upon passage

FISCAL IMPACT:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Effect</th>
<th>FY 16 $</th>
<th>FY 17 $</th>
<th>FY 18 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Revenue Services</td>
<td>Revenue Loss</td>
<td>None</td>
<td>3.0 million</td>
<td>3.0 million</td>
</tr>
</tbody>
</table>

The bill extends the Angel Investor Tax credit program through July 1, 2019 and makes the credits transferable, which results in a $3 million revenue loss annually from
FY 17 through FY 19.

The bill also establishes a tax credit for certain investments made through the Startup CT program under the bill. This results in an aggregate revenue loss of $60 million in the out years; it is anticipated that revenue loss will occur no earlier than FY 20 and will not exceed $30 million in any given fiscal year.

The bill reallocates a total of $164.5 million in existing bond authorizations to the Department of Economic and Community Development and Connecticut Innovations for the purposes of funding the various programs under this bill.

4. S.B. No. 463 (RAISED) AN ACT CONCERNING THE PENALTY FOR VIOLATIONS OF A MUNICIPAL ORDINANCE CONCERNING THE OPERATION OF A DIRT BIKE OR ALL-TERRAIN VEHICLE. (FIN) JFS to Floor

**SUMMARY:** This bill broadens the range of penalties certain municipalities may impose for violations of specified motorized vehicle ordinances. It does so by authorizing municipalities with 30,000 or more residents that have ordinances regulating the use of dirt bikes, ATVs, or mini-motorcycles to include in their ordinances a provision allowing the seizure and forfeiture of the vehicles used in violation of the ordinances. The bill establishes an appeals process for individuals whose vehicles have been seized and requires municipalities to destroy the vehicles after the appeal period has expired, unless the owner prevails in the appeal and reclaims the vehicle. Under the bill, the forfeiture and subsequent destruction of the vehicle is subject to any bona fide lien, lease, or security interest.

By law, municipalities may set the penalty for violating dirt bike or ATV ordinances at up to (1) $1,000 for the first violation, (2) $1,500 for the second violation, and (2) $2,000 for the third or subsequent violation. The bill allows municipalities to impose these same penalties for violations of ordinances regulating the operation and use of mini-motorcycles on public property. It allows them to fine a first-time violator of such an ordinance without first providing a warning, just as they may do for dirt bike or ATV ordinance violations under existing law.

**EFFECTIVE DATE:** October 1, 2016

**FISCAL IMPACT:**

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<tr>
<th>Municipalities</th>
<th>Effect</th>
<th>FY 16</th>
<th>FY 17</th>
<th>FY 18</th>
</tr>
</thead>
</table>

Page 18 4/11/16
<table>
<thead>
<tr>
<th>Affected</th>
<th>Potential Revenue Gain</th>
<th>None</th>
<th>Potential Minimal</th>
<th>Potential Minimal</th>
</tr>
</thead>
</table>

The bill allows municipalities with 30,000 or more residents to include in their ordinances a provision allowing the forfeiture of the vehicles used in violation of the ordinances.

The bill results in a potential revenue gain to municipalities with dirt bike and ATV ordinances. Any potential revenue gain will depend on the number of dirt bikes that are seized and then sold.

5. **S.B. No. 461 (RAISED) AN ACT CONCERNING A SMALL MINORITY BUSINESS REVOLVING LOAN FUND. (FIN) JFS to Floor**

**SUMMARY:** This bill establishes up to two new loan funds within the Small Business Express (SBX) program to provide loans to eligible small minority-owned businesses in amounts ranging from $10,000 to $100,000. DECD must provide grants to up to two eligible minority business development entities that will administer the funds and review and approve loans.

The DECD commissioner must allocate $5 million a year for five years from available SBX funds to these loan funds. The development entities must administer the funds so that the funds’ annual revenue or investment income covers the administrative costs of the fund in five years.

**EFFECTIVE DATE:** Upon passage

**FISCAL IMPACT:**

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Effect</th>
<th>FY 16 $</th>
<th>FY 17 $</th>
<th>FY 18 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasurer, Debt Serv.</td>
<td>GF - Acceleration of Debt Service Costs</td>
<td>None</td>
<td>Potential</td>
<td>Potential</td>
</tr>
</tbody>
</table>

The bill expands the Small Business Express (Express) program to include up to two minority business revolving loan funds.
The bill allocates $5 million annually from Small Business Express program funds in each of FY 16 through FY 20 for the revolving loan funds established under the bill. However, this does not change General Obligation (GO) bond authorizations for the Express program.

Future General Fund debt service costs may be incurred sooner under the bill to the degree that the bill causes authorized GO bond funds to be expended more rapidly than they otherwise would have been.

The Express program is funded through GO bond funds. The program has received $310 million in bond authorizations since its inception in 2011. As of April 6th, the unallocated bond balance available to the program is $67.8 million.

6. S.B. No. 12 AN ACT ADOPTING A RECOMMENDATION OF THE TRANSPORTATION FINANCE GROUP. (FIN) JF to Floor

SUMMARY: This bill establishes an account the transportation commissioner can use, with the OPM secretary’s approval, to fund transportation projects. It calls the account, the “Transportation Excess Surplus” account and establishes it as a separate, nonlapsing account within the Special Transportation Fund.

The account must be funded with a portion of any surplus remaining in the Special Transportation Fund at the end of each fiscal year, beginning with FY 17. The comptroller must determine the fund’s year-end surplus and transfer the amount that exceeds 15% of the total expenditures for the most recently completed fiscal year.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: See Below

The bill establishes the Transportation Excess Surplus Account which is a non-lapsing account within the Special Transportation Fund (STF). To the extent there is a balance in the STF in excess of fifteen percent of the total expenditures, the Transportation Excess Surplus Account will realize an increase in funds to the account that can be used by the Commissioner of the Department of Transportation for transportation costs.

7. H.B. No. 5358 (RAISED) (File No. 72) AN ACT CONCERNING THE LEASING OF MILITARY FACILITIES. (VA,FIN) JF to Floor
SUMMARY: This bill makes a number of changes to the law on the leasing and use of the state's military facilities. It:

- expands the definition of military facility to include state-owned or -controlled parcels of land in addition to the already included military, building, structure, or training site;
- expands the insurance requirement for leasing or using a facility to anyone applying, instead of just nongovernmental entities;
- expands the adjutant general's responsibility to include the security of all military facilities in addition to his current responsibility for the use, maintenance, and leasing of such facilities;
- prohibits any lease from being sublet, rather than just prohibiting veterans' organizations from being allowed to use a military facility for the purpose of subleasing;
- allows the leasing of military facilities associated with the first and second companies of the Governor's Horse Guards in Avon and Newtown to anyone if it does not conflict with military purposes;
- allows the adjutant general to change certain fees for leasing or using military facilities;
- eliminates certain terms and conditions when a joint military and veterans group use a military facility; and
- makes minor, technical, and conforming changes.

EFFECTIVE DATE: Upon passage
FISCAL IMPACT:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Effect</th>
<th>FY 16 $</th>
<th>FY 17 $</th>
<th>FY 18 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Military Dept.</td>
<td>Enterprise Fund</td>
<td>None</td>
<td>Up to $235,000</td>
<td>Up to $235,000</td>
</tr>
<tr>
<td></td>
<td>Revenue Gain</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The bill results in a revenue gain of up to $235,000 to the Governor's Guard Horse accounts by allowing the lease of excess horse barn capacity to private organizations or individuals. There are currently 56 stalls that could be rented. Based on current rates and market conditions, a rate of $350 per month could be charged for each stall.

8. Substitute for S.B. No. 304 (RAISED) AN ACT INCREASING THE THRESHOLD FOR LEGISLATIVE APPROVAL OF FINANCIAL ASSISTANCE AWARDED BY THE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT AND CONNECTICUT INNOVATIONS, INCORPORATED. (CE,FIN) JF to Floor

SUMMARY: Current law requires DECD and CI to obtain legislative approval before they can award financial assistance to businesses during a two-year period that exceeds specified thresholds. This bill raises these thresholds from (1) $20 million to $27 million for biotechnology businesses and (2) $10 million to $16 million for other types of businesses.

Current law also requires DECD to obtain legislative approval before awarding Urban and Industrial Sites Reinvestment Act tax credits that exceed a specified threshold. The credits are available to businesses undertaking large-scale development projects. The bill raises the threshold for these credits from $20 million to $27 million.

EFFECTIVE DATE: July 1, 2016

FISCAL IMPACT: See Below

The bill increases the limits for the amount of economic development assistance that the Department of Economic and Community Development (DECD) and Connecticut Innovations, Inc. (CI) may provide without affirmative legislative approval.

Assuming that any eligible project(s) would receive legislative approval without the proposed change in the bill there is no fiscal impact.
However if DECD provides assistance to an eligible project(s) that the legislature would otherwise disapprove, there would be a cost to the Manufacturing Assistance Act (MAA) program and a revenue loss in the out years related to Urban and Industrial Site Tax Credits.\(^5\)\(^6\)

If CI provides assistance to an eligible project(s) that the legislature would otherwise disapprove, there would be a cost to CI. CI is a quasi-public state agency that is financed by loan repayments, investment returns, and fees so any costs would not be realized by the state’s funds.

9. **Substitute for S.B. No. 401 (RAISED) AN ACT CONCERNING THE CONNECTICUT BIOSCIENCE INNOVATION FUND AND INVESTMENTS BY CONNECTICUT INNOVATIONS, INCORPORATED. (CE,FIN) JF to Floor**

**SUMMARY:** This bill makes several changes to CI’s Connecticut Bioscience Innovation Fund (CBIF), which provides capital for a wide range of commercially viable bioscience projects that will create jobs while lowering health care costs and improving the delivery of health care services. The bill:

- requires CBIF’s investment returns and loan repayments to be credited to CI’s unrestricted funds,
- sets conditions under which CI and CBIF’s advisory committee can invest in private equity funds or “fund of funds” located within or outside Connecticut,
- allows investments in early stage businesses that have not achieved annual commercial revenue over $2 million, and
- allows CI to provide follow-on funding to bioscience businesses that previously received CBIF funds.

**EFFECTIVE DATE: July 1, 2016**

**FISCAL IMPACT:** See Below

The bill allows Connecticut Innovations (CI) to invest in private equity investment funds. There is no impact to the state as the bill does not authorize any additional

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\(^5\) As of April 6\(^\text{th}\), the MAA program has an unallocated bond balance of $114.3 million.

\(^6\) The Urban and Industrial Reinvestment Site tax credit cap is $950 million, of which $588 million has been granted as of October 2015.
General Obligation (GO) bond funds to CI for this purpose.\(^7\)

The bill also modifies the Connecticut Bioscience Innovation Fund (CBIF) by expanding eligible recipients for the program. This program is supported by GO bond funds which have been allocated by the State Bond Commission for FY 13 to FY 22 (See Background).

Finally, the bill allows returns on investments and repayments associated with CBIF to be unrestricted in use by CI. CI may therefore use those returned funds for projects in other CI programs (e.g. private equity investments under Section 1 of the bill) as well as other CBIF projects, at the agency’s discretion.

Under current law, any returns on investment related to CBIF could only be utilized for future CBIF projects.

**Background:** PA 13-239 provides an authorization of $200 million over ten years to CBIF, all of which was allocated by the State Bond Commission at the February 2014 meeting.

<table>
<thead>
<tr>
<th>CT Bioscience Innovation Fund Bond Payments Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal Year Ending June 30</td>
</tr>
<tr>
<td>----------------------------</td>
</tr>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2014</td>
</tr>
<tr>
<td>2015</td>
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<td>2019</td>
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<tr>
<td>2020</td>
</tr>
<tr>
<td>2021</td>
</tr>
<tr>
<td>2022</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

\(^7\) CI is a quasi-public state agency that is financed by loan repayments, investment returns, and fees, as well as General Obligation bond authorizations from time to time.
10. S.B. No. 49 (COMM) AN ACT CONCERNING AN EXEMPTION FROM THE HOSPITAL TAX FOR CERTAIN SMALL HOSPITALS. (FIN) JFS to Floor

SUMMARY: This bill exempts from the hospital tax hospitals that:

- are not part of a hospital system,
- have no more than 160 beds,
- are located in municipalities that are not contiguous to other municipalities with a hospital, and
- had no more than $35 million in annual net inpatient revenue in the base year for assessing the tax as determined by the social services commissioner.

Current law exempts from the tax children’s general hospitals and those short-term acute care hospitals the state exclusively operates, except the state operates a receiver.

The law imposes the tax on the net patient revenue of short-term general hospitals licensed by Department of Public Health. The Department of Social Services determines each hospital’s net patient revenue; the tax rate, which cannot exceed the allowed under federal law; and the base year on which the tax is assessed. Hospitals must pay the tax on a quarterly basis.

EFFECTIVE DATE: July 1, 2016 and applicable to calendar quarters on or after that date.

FISCAL IMPACT:

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Effect</th>
<th>FY 16 $</th>
<th>FY 17 $</th>
<th>FY 18 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Revenue Services</td>
<td>Revenue Loss</td>
<td>None</td>
<td>3.9 million</td>
<td>3.9 million</td>
</tr>
</tbody>
</table>

The bill excludes hospitals that (1) have $35 million or less in net inpatient revenue and (2) are part of the small hospital pool from paying the inpatient user fee. This proposal will result in a revenue loss of $3.9 million. The bill’s provisions exempt Milford Hospital and Day Kimball Hospital.

11. S.B. No. 414 (RAISED) AN ACT CONCERNING THE TAX ON COLLEGE PROPERTY. (FIN) JF to Floor

SUMMARY: Existing law exempts seven nonprofit colleges and universities from paying property taxes on any funds and real estate they own, except for real estate
generating more than $6,000 in annual income. It exempts these institutions from the tax regardless of the total value of their property or the way it generates income.

For colleges and universities whose land, buildings, and equipment is valued at over $2 billion, this bill specifies the types of income generating activities that determine whether a property is below the $6,000 threshold and is thus exempted from the tax. Those activities are:

1. rents or other payments received or due from any for-profit entity, other than individuals for personal use, to use all of part of the real estate, or any fixtures or equipment permanently installed on it;
2. admission or use fees collected for any sports or entertainment facility located on the real estate, except for fees collected from faculty, employees, enrolled students, or events in which most of the athletes or performers are faculty or students;
3. fees, charges, or royalties for any goods designed, produced, manufactured, or generated on the real estate if the goods are sold to the public and for-profit entities, and
4. fees or charges for any services performed on or from the real estate to the public or for-profit entities.

The exempted institutions are Connecticut College for Women; Hartford Seminary Foundation; Trinity College; Wesleyan University; Yale College; and Berkeley Divinity School and Sheffield Scientific School, which are part of Yale.

EFFECTIVE DATE: October 1, 2016, and applicable to assessment years beginning on or after that date.
### FISCAL IMPACT:

<table>
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<th>Agency Affected</th>
<th>Effect</th>
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<th>FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of Policy and Management</td>
<td>Savings (out years)</td>
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<td>None</td>
<td>None</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Municipalities Affected</th>
<th>Effect</th>
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<th>FY 17</th>
<th>FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various</td>
<td>Net Revenue Gain</td>
<td>None</td>
<td>None</td>
<td>Potential Significant</td>
</tr>
</tbody>
</table>

The bill requires private colleges with real estate valued at more than $2 billion to pay taxes on certain property. Yale University is the only private college in the state impacted by the bill, though it is not known how much of Yale’s property is impacted by the bill.

On the 2011 Grand List, Yale owned property in 12 municipalities valued at approximately $2.5 billion. Yale would have paid $65.2 million in taxes to these municipalities in FY 13, if it were not exempt from taxation (of this amount, $62.8 million would have been paid to New Haven). It is not known, however, how much of this payment would have been for properties that are impacted by the bill.

The revenue gain identified above is partially offset by a loss in College & Hospital PILOT funding in towns with properties that are impacted by the bill. Correspondingly, there is a savings to the Office of Policy and Management to fully fund the grant. Any impact on PILOT funds would not occur until FY 19, due to the timing of the bill.

**12. S.B. No. 448 (RAISED) AN ACT CONCERNING STATE TAX POLICY. (FIN) JFS to Floor**

**SUMMARY:** This bill makes various changes to the state’s tax laws. It:

- requires companies to use market-based sourcing instead of origination-based sourcing to determine how sales of services and intangible personal property are sourced to Connecticut for corporation and personal income tax purposes. It allows companies to petition the DRS commissioner for an
alternative methodology if they conclude that they cannot reasonably determine the assignment of their sales to Connecticut using market-based sourcing (§§ 2 and 6).

- establishes “economic nexus” as the basis for determining whether an out-of-state retailer is subject to the state’s sales tax and thus required to collect and remit the tax from its customers. Specifically, it requires out-of-state retailers to collect and remit state sales tax if they have a “substantial economic presence,” instead of a physical presence, in Connecticut (§§ 4 & 5).

- requires multistate businesses to determine the percentage of their gains and losses attributable to Connecticut for personal income tax purposes based on their Connecticut sales, rather than the average of property, payroll, and sales in the state (§§ 6 & 7).

- extends, by one month, the due date for filing state corporation income tax returns for companies that do not have to file a federal return. It extends the due date from the first day of the fourth month after the end of the company’s income year to the first day of the fifth month for the same year (§ 3).

- clarifies the definition of a captive real estate investment trust for corporation tax purposes (§ 1).

**EFFECTIVE DATE:** Upon passage and applicable to income years beginning on or after January 1, 2016, except that the economic nexus provision is effective October 1, 2016 and income tax provisions are effective January 1, 2017 and applicable to income years beginning on or after that date.

**FISCAL IMPACT:**

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Effect</th>
<th>FY 16 $</th>
<th>FY 17 $</th>
<th>FY 18 $</th>
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<tbody>
<tr>
<td>Department of Revenue Services</td>
<td>Revenue Gain</td>
<td>None</td>
<td>Less than 1.0 million</td>
<td>Less than 1.0 million</td>
</tr>
</tbody>
</table>

The bill makes a number of technical and substantive changes to tax collections policies and procedures which are anticipated to result in a revenue gain of less than $1 million annually in aggregate. In particular, establishing market-based sourcing and
single sales factor apportionment are anticipated to result in a net revenue gain to the state through an increase to the taxable base.

The bill also establishes “economic nexus” as the basis for determining whether an out-of-state retailer is subject to the state’s sales tax. This may result in a revenue gain to the extent that out-of-state retailers would be categorized as “retailers” subject to the sales and use tax. The exact number of out-of-state retailers impacted is unknown, and therefore the actual revenue gain is unknown.

13. Substitute for H.B. No. 5261 (RAISED) (File No. 42) AN ACT CONCERNING OPERATORS OF ATHLETIC ACTIVITIES, COACHES AND REFEREES AND THE EMPLOYER-EMPLOYEE RELATIONSHIP. (LAB,FIN) JF to Floor

**SUMMARY:** This bill exempts coaches and referees who work for private or public athletic programs, other than public school districts, from employer-employee rules for purposes of unemployment taxes and compensation. Under the bill, as of October 1, 2016 no employer-employee relationship is deemed to exist between certain operators of organized athletic activities and certain individuals employed as coaches or referees of those organized athletic activities, except such operators and individuals can mutually agree, in writing, to enter into an employer-employee relationship.

This means the employer will not be required to pay unemployment taxes and the employee will not be eligible for unemployment compensation from the employer in the event of the employee's loss of employment. In general, private sector employers pay unemployment taxes on the first $15,000 in annual wages paid to each of their employees.

Under current law, the employer-employee relationship is determined by a multi-step test that includes whether the employee is under the direct supervision and control of the employer.

**EFFECTIVE DATE: Upon passage**

**FISCAL IMPACT:**

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Effect</th>
<th>FY 16</th>
<th>FY 17</th>
<th>FY 18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor Dept.</td>
<td>Unemployment Compensation Fund – Net</td>
<td>None</td>
<td>Up to $2.2 million</td>
<td>Up to $2.2 million</td>
</tr>
</tbody>
</table>
The bill exempts coaches and referees who work for certain private or public athletic programs from employer-employee rules for unemployment insurance purposes. This results in a net revenue loss to the Unemployment Compensation Fund (UCF) of up to $2.2 million in FY 17 and up to $3.0 million annually thereafter, as well as a potential savings to certain municipalities.\(^8\) The net revenue loss could be less to the extent operators of covered athletic activities and their coaches and referees agree to enter into an employer-employee relationship, as is permitted in the bill.

This estimate assumes that an average of five coaches or referees are employed at each of the 2,865 active employers in sports- and recreation-related fields in the state, and that each earns at or above the $15,000 taxable wage base for the state unemployment tax. Utilizing an average state unemployment tax rate of 3.5%, this analysis yields an estimated annualized revenue loss of approximately $7.5 million to the UCF.\(^9\) This estimate also assumes an average annualized savings of $4.5 million to the UCF in the form of reduced unemployment compensation payouts based on the current state unemployment rate of 5.5% and an average weekly unemployment benefit of $327 for an average of 17.6 weeks.

**14. Substitute for H.B. No. 5424 (RAISED) AN ACT CONCERNING THE IMPLEMENTATION OF THE LEARN HERE, LIVE HERE PROGRAM. (CE,FIN) JF to Floor**

**SUMMARY:** This bill requires, rather than allows the DECD commissioner to establish the Learn Here, Live Here program and pushes back the deadlines for launching it.

As currently designed, the program helps students save toward a down payment on

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\(^8\) Private sector employers pay unemployment taxes on the first $15,000 in annual wages paid to employees, while public and non-profit employers generally reimburse the Unemployment Compensation Fund for the cost of any benefits incurred.

\(^9\) The state unemployment tax rate ranges from a low of 1.9% to a maximum of 6.8% depending on the employer's prior experience with unemployment compensation.
their first home in Connecticut by segregating a portion of their state income tax payments for up to 10 years after graduation. The law limits the amount that may be segregated for each student to $2,500 per year and the amount that may be segregated for all students to $1 million per year.

**EFFECTIVE DATE:** July 1, 2016 and applicable to income years beginning on or after January 1, 2016

**FISCAL IMPACT:**

<table>
<thead>
<tr>
<th>Agency Affected</th>
<th>Effect</th>
<th>FY 16 $</th>
<th>FY 17 $</th>
<th>FY 18 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Economic and Community Development</td>
<td>Cost</td>
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<td>101,857</td>
<td>Up to 203,714</td>
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<tr>
<td>Department of Revenue Services</td>
<td>Revenue Loss</td>
<td>None</td>
<td>Up to 1,000,000</td>
<td>Up to 1,000,000</td>
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<tr>
<td>Department of Revenue Services</td>
<td>Cost</td>
<td>None</td>
<td>100,000</td>
<td>None</td>
</tr>
</tbody>
</table>

The bill results (1) in a cost of $97,786 (and $29,071 in fringe costs) to the Department of Economic and Community Development (DECD) in FY 17 and (2) a cost of $100,000 to the Department of Revenue Services (DRS) in FY 17 only by requiring, rather than allowing, DECD to administer the Learn Here, Live Here program.

The bill also results in a revenue loss of up to $1,000,000 in FY 17 and each year thereafter with a potential for recapture in subsequent years.

**Administrative Costs**

The bill requires DECD to establish the Learn Here, Live Here program. One full-time Community Development Specialist at an annual cost of approximately $101,857 ($72,786 salary plus $29,071 fringe benefits) would be necessary to administer the program's initiation. It is anticipated that the Specialist would (1) develop a comprehensive public education program to educate students on Learn Here, Live Here, as permitted under current law, and (2) manage applications to the program. Additionally, the annual costs associated with printing and educational activities are estimated to be $25,000.

Depending upon the level of participation in the program, a second full-time DECD
Specialist at a similar cost of $101,857 ($72,786 salary plus $29,071 fringe benefits) may be necessary in the out years (1) to assist in the processing of applications for payments by participants and (2) to monitor the residency status of participants. The residency status is needed to determine the level of payment a participant may be eligible to receive.

The bill is estimated to result in a one-time set up and programming cost of $100,000 in FY 17 to DRS to administer the tax provisions of the bill.

**Revenue Impact**

The bill permits up to $1,000,000 in total to be segregated for program participants in any calendar year. The maximum revenue loss per year is therefore $1,000,000. To the extent that graduates move out of the state, a portion of that revenue may be recaptured in subsequent years.