



# CONNECTICUT GENERAL ASSEMBLY

Office of Fiscal Analysis

Office of Legislative Research

TO: Members of the Finance, Revenue and Bonding Committee

FROM: OFA & OLR Staff

RE: Items for April 30, 2019 Agenda

## BILLS FOR JF CONSIDERATION

1. [S.B. No. 124](#) (COMM) AN ACT ESTABLISHING A CITIZENS IN NEED ACCOUNT AND A TAX DEDUCTION FOR CONTRIBUTIONS TO SAID ACCOUNT. (FIN) JF

**SUMMARY:** This bill establishes a personal income tax deduction for charitable contributions to assist Connecticut residents whose social service benefits have been reduced because of budget constraints. Under the bill, taxpayers who make voluntary contributions to a separate nonlapsing General Fund account the bill establishes (i.e., the “citizens in need account”) are eligible for a deduction equal to 200% of their contribution.

EFFECTIVE DATE: July 1, 2019, and applicable to tax years beginning on or after January 1, 2019.

**FISCAL IMPACT:** The bill is estimated to result in: 1) a \$300,000 annual revenue gain to the “citizens in need account” within the General Fund beginning in FY 20, 2) a \$31,500 annual General Fund revenue loss beginning in FY 20, 3) an annual cost to the Office of the State Comptroller (OSC) of approximately \$78,000 beginning in FY 20, and 4) a one-time cost to the Department of Revenue Services (DRS) in FY 20 only.

2. [S.B. No. 1122](#) (RAISED) AN ACT CONCERNING A STUDY OF STATE REVENUE POLICIES. (FIN) JF

**SUMMARY:** This bill requires the Office of Policy and Management (OPM) secretary to study the state’s revenue policies to identify legislative changes that can be made to improve the state’s business competitiveness with surrounding states. She must report her findings and recommendations to the Finance, Revenue and Bonding Committee by January 1, 2020.

EFFECTIVE DATE: Upon passage

**FISCAL IMPACT:** No fiscal impact. The bill has no fiscal impact as the Office of Policy and Management has the expertise necessary to conduct the study.

3. [H.B. No. 5192](#) (COMM) AN ACT ESTABLISHING A TASK FORCE TO STUDY THE ROLE OF HOSPITALS IN THE TREATMENT OF OPIOID ADDICTION. (FIN) JF

**SUMMARY:** This bill establishes a 15-member task force to study the role of hospitals in treating individuals suffering from opioid addiction and requires the task force, by January 1, 2020, to report its findings and

recommendations to the Public Health Committee.

EFFECTIVE DATE: Upon passage

**FISCAL IMPACT:** No fiscal impact. The bill has no fiscal impact as PA 17-236 prohibits transportation allowances for task force members.

4. [H.B. No. 5600](#) (COMM) AN ACT CONCERNING A STUDY OF THE TAX IMPLICATIONS OF ALLOWING BENEFIT LIMITED LIABILITY COMPANIES UNDER STATE LAW. (FIN) JF

**SUMMARY:** This bill requires the Department of Revenue Services (DRS) commissioner to study the potential tax implications of allowing businesses to organize as benefit limited liability companies under state law. He must report his findings and recommendations by February 1, 2020, to the Finance, Revenue and Bonding Committee.

EFFECTIVE DATE: Upon passage

**FISCAL IMPACT:** No fiscal impact. The bill has no fiscal impact as the Department of Revenue Services has the expertise necessary to conduct the study.

5. [H.B. No. 6655](#) (COMM) AN ACT CONCERNING THE TAX TREATMENT OF TOBACCO PRODUCTS THAT ARE EXPORTED FROM THE STATE. (FIN) JF

**SUMMARY:** Current law exempts from the tobacco products tax cigars that are exported from Connecticut, owned by a distributor, and located on the premises of a company performing “fulfillment services” for the distributor. This bill expands this exemption to apply to (1) all tobacco products and (2) tobacco products located on the premises of a warehouse the distributor owns or leases.

EFFECTIVE DATE: July 1, 2019

**FISCAL IMPACT:** A one-time state General Fund revenue loss of up to \$1 million in FY 20, only. The bill would shift the timing of tax payments from when tobacco is received to when it leaves distributors’ inventories. It is anticipated that this change would shift payments by up to one month, which would reduce the number of tax payments in the fiscal year in which the policy is implemented.

6. [H.B. No. 7375](#) (RAISED) AN ACT CONCERNING THE LEGISLATIVE COMMISSIONERS’ RECOMMENDATIONS FOR TECHNICAL AND CONFORMING CHANGES TO THE TAX AND RELATED STATUTES. (FIN) JF

**SUMMARY:** This bill makes various technical changes and corrections to the tax statutes. Among its changes, it reestablishes a definition of “federal basic exclusion amount” for purposes of the estate and gift tax laws and corrects a reference to the taxable threshold for filing estate tax returns with the DRS commissioner.

EFFECTIVE DATE: October 1, 2019, but upon passage for technical changes to provisions concerning the recording of corporation business and pass-through entity tax revenue received at the end of the year (§ 16)

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and the repeal of obsolete tax amnesty program statutes (§ 19).

**FISCAL IMPACT:** No fiscal impact. The bill's various technical changes that have no fiscal impact.

7. [H.B. No. 7376](#) (RAISED) AN ACT CONCERNING NEXUS PROVISIONS FOR CERTAIN DISASTER-RELATED OR EMERGENCY-RELATED WORK PERFORMED IN THE STATE. (FIN) JFS

**SUMMARY:** This bill establishes nexus rules for out-of-state businesses or employees who come to Connecticut to perform disaster- or emergency-related repairs to critical infrastructure (e.g., utility and telecommunications company lines, poles, structures, and equipment). Under the bill, such businesses and employees who have no connection to the state except performing disaster- or emergency-related work during a disaster response period have not established sufficient presence in the state to require the business or employee to:

- register with the state or any of its political subdivisions;
- pay property or state taxes, other than transaction taxes and fees (e.g., sales tax and motor fuel tax);
- submit any tax filing to the state; or
- be licensed by the state, as long as the business or employee is properly licensed under the laws of another state.

Any such out-of-state business must provide, upon request by the secretary of the state, a written statement that the business is in the state for the purpose of responding to the state disaster or emergency during the disaster period. Out-of-state businesses and employees who remain in the state after the disaster response period are subject to all laws that provide standards to establish presence in the state and must comply with any law that becomes applicable to them.

EFFECTIVE DATE: Upon passage

**FISCAL IMPACT:** The bill precludes a revenue gain to the state to the extent that any disaster- or emergency-related work covered under the bill occurs in the future.

8. [H.B. No. 7377](#) (RAISED) AN ACT EXTENDING THE MANUFACTURING APPRENTICESHIP TAX CREDIT TO AFFECTED BUSINESS ENTITIES. (FIN) JF

**SUMMARY:** This bill extends the manufacturing apprenticeship tax credit to the personal income tax and pass-through entity tax, thus allowing owners and partners of pass-through entities to claim it against those taxes. Although current law allows pass-through entities to earn the credit, they can only sell, assign, or transfer it to a corporation, utility company, or petroleum products distribution company for application against their respective taxes. The bill eliminates this authorization for income years beginning on or after January 1, 2019.

By law, the manufacturing apprenticeship credit is available for each apprentice and equals the lesser of \$6

per hour the apprentice works, \$7,500, or 50% of the actual apprenticeship wages. Taxpayers may claim it in the first year of a two-year program or the first three years of a four-year program.

EFFECTIVE DATE: July 1, 2019, and applicable to income and tax years beginning on or after January 1, 2019.

**FISCAL IMPACT:** Estimated annual state General Fund revenue loss of \$1.2 million. The bill allows affected business entities to claim the manufacturing apprenticeship tax credit against the personal income tax or the pass-through entity tax.

9. [H.B. No. 7412](#) (RAISED) AN ACT CONCERNING A STUDY OF CERTAIN TAXES. (FIN) JF

**SUMMARY:** This bill requires the DRS commissioner to study the sales and use, income, corporation business, and pass-through entity tax laws and recommend legislative changes to improve their collection efficiency and administration. He must report his findings and recommendations to the Finance, Revenue and Bonding Committee by January 1, 2020.

EFFECTIVE DATE: Upon passage

**FISCAL IMPACT:** No fiscal impact. The bill has no fiscal impact as the Department of Revenue Services has the expertise necessary to conduct the study.

10. [H.B. No. 7414](#) (RAISED) AN ACT ESTABLISHING THE STATE CAPITOL COMPLEX FUND FOR CAPITAL EXPENDITURE PROGRAMS AT THE STATE CAPITOL AND THE OLD STATE HOUSE AND A TAX CREDIT FOR DONATIONS TO SAID FUND. (FIN) JF

**SUMMARY:** This bill establishes a business tax credit for companies that donate money to a new State Capitol Complex Fund for capital improvements and historic preservation projects at the State Capitol and Old State House.

Under the bill, any company may make a voluntary, unrestricted, and irrevocable cash donation or donations to the fund established under the bill. The comptroller must issue the company a receipt or voucher, as prescribed by the DRS commissioner, that entitles the company to a tax credit. The bill caps at \$5 million the total amount of credits that may be issued in any fiscal year.

The credits may be applied against the insurance premiums; corporation business; air carriers; railroad companies; cable, satellite, and video companies; and utility companies taxes. Taxpayers may carry forward unused credits for five years and may transfer credits, in whole or part, to other taxpayers, up to three times.

The bill also eliminates provisions transferring responsibility for the Old State House from the Office of Legislative Management (OLM) to the Department of Energy and Environmental Protection (DEEP). These provisions (1) require the Legislative Management Committee lease or sublease the Old State House to DEEP for \$1 and (2) required OLM, on June 30, 2016, to transfer the funds in its Old State House (Private Funds) account in the General Fund to DEEP.

EFFECTIVE DATE: July 1, 2019

**FISCAL IMPACT:** The bill establishes a separate fund to hold donated moneys for use by the Joint Committee on Legislative Management for capital expenditure programs and historic preservation and restoration projects at the State Capitol and Old State House. This results in a potential revenue gain to the “State Capitol Complex Fund.”

The bill establishes a tax credit program for companies that make such donations. The bill caps annual tax credits issued under the program at \$5 million; thus the total General Fund revenue loss is limited to no more than \$5 million annually.

The bill also repeals the transfer of the lease agreement of the Old State House from OLM to the Department of Energy and Environmental Protection. This provision has no fiscal impact as the responsibilities for the property will continue to reside with OLM.

**11. [H.B. No. 7415](#) (RAISED) AN ACT CONCERNING A SURCHARGE ON CAPITAL GAINS. (FIN) JFS**

**SUMMARY:** This bill requires the Finance, Revenue and Bonding Committee’s chairpersons and ranking members to study possible new revenue streams, including a surcharge on capital gains, and report their findings to the committee by January 1, 2020.

EFFECTIVE DATE: Upon passage

**FISCAL IMPACT:** No fiscal impact. The bill has no fiscal impact as the committee has the expertise necessary to conduct the study.

**12. [H.B. No. 7416](#) (RAISED) AN ACT CONCERNING A STUDY OF WAYS TO ENCOURAGE RENOVATION AND EXPANSION OF THE CONNECTICUT REGIONAL MARKET IN HARTFORD. (FIN) JF**

**SUMMARY:** This bill requires the agriculture commissioner and Capital Region Development Authority executive director to study ways to encourage the renovation and expansion of the Connecticut Regional Market in Hartford. By February 1, 2020, they must report their findings and proposed legislative changes to the Environment, Commerce, Planning and Development, and Finance, Revenue and Bonding committees.

EFFECTIVE DATE: Upon passage

**FISCAL IMPACT:** No fiscal impact. The bill has no fiscal impact as the Capital Region Development Authority and commissioner of the Department of Agriculture have the expertise necessary to conduct the study.

## REFERRED BILLS FOR JF CONSIDERATION

1. [Substitute for S.B. No. 140](#) (COMM) (File No. 587) AN ACT EXPANDING ELIGIBILITY FOR TAX RELIEF FOR CERTAIN ELDERLY HOMEOWNERS. (PD,PD,FIN) JF

**REASON FOR REFERRAL:** Municipal grand list reduction

**SUMMARY:** By law, certain elderly and disabled real property owners are entitled to property tax relief under the state's Circuit Breaker Program (i.e., the Elderly and Disabled Homeowners' Tax Relief Program). This program entitles older adults and individuals with a permanent and total disability to a property tax reduction, which varies based on the individual's income.

This bill specifies that tax relief under this program also extends to owners of real property that is held in trust for the owner. Under the bill, to qualify for tax relief on a home that is held in trust, the owner or the owner and his or her spouse must be both the grantor and beneficiary of the trust. (A grantor transfers property to a trust that is managed by a trustee for the trust beneficiaries.)

**EFFECTIVE DATE:** October 1, 2019 and applicable to assessment years beginning on or after that date.

**FISCAL IMPACT:** The bill expands the Elderly Circuit Breaker program, which provides property tax relief to eligible property owners based on age, disability and income levels.

Expansion of property tax relief reduces municipal grand lists. A grand list reduction results in a revenue loss, given a constant mill rate. In FY 19, the average benefit for eligible homeowners was about \$580. There is a corresponding increase in the state cost to fully fund the Elderly Circuit Breaker grant program to reimburse municipalities for the tax loss resulting from the tax relief program. The FY 19 full funding amount was about \$20.0 million. However, no funding was appropriated in FY 19 for these grants.

2. [Substitute for H.B. No. 5886](#) (COMM) (File No. 278) AN ACT CONCERNING THE USE OF LOCAL CAPITAL IMPROVEMENT FUND GRANTS FOR THE REMOVAL OF CERTAIN TREES. (PD,PD,FIN) JF

**REASON FOR REFERRAL:** Bond-funded program

**SUMMARY:** This bill expands the types of municipal projects that may be paid for with Local Capital Improvement Program (LoCIP) grants to include removing hazardous trees or trimming "non-utility" related hazardous branches, limbs, and trees on municipal property or within the municipal right-of-way.

**EFFECTIVE DATE:** July 1, 2019

**FISCAL IMPACT:** No fiscal impact. The bill expands potential uses of the state-funded Local Capital Improvement Program (LoCIP). The bill does not increase the amount of funding available to towns. It is expected that a town would have otherwise used funding available for other eligible projects.

3. [Substitute for H.B. No. 7200](#) (RAISED) (File No. 579) AN ACT PROHIBITING THE SALE OF CIGARETTES, TOBACCO PRODUCTS, ELECTRONIC NICOTINE DELIVERY SYSTEMS AND VAPOR PRODUCTS TO PERSONS UNDER AGE TWENTY-ONE. (PH,FIN)

**REASON FOR REFERRAL:** Revenue impact; fee and penalty increases

**SUMMARY:** This bill raises, from 18 to 21, the legal age to purchase cigarettes, other tobacco products, and e-cigarettes (i.e., electronic nicotine delivery systems and vapor products). Among other things, the bill also:

- increases, from \$50 to \$250, the annual license fee for cigarette dealers and requires \$160 of the fee to be deposited into a “Tobacco Control Enforcement Account” the bill establishes (§§ 3 & 5);
- increases, from \$400 to \$1,000, the annual registration fee for ecigarette dealers and requires \$480 of the fee to be deposited into an “Electronic Nicotine Delivery System and Vapor Product Enforcement Account” the bill establishes (§§ 9 & 11);
- generally increases certain penalties for cigarette, tobacco product, and e-cigarette sales and purchases involving individuals under the legal age (§§ 7, 13 & 15-17); and
- requires the consumer protection (DCP) and revenue services (DRS) commissioners to annually conduct unannounced compliance checks on e-cigarette dealers and cigarette dealers and distributors, respectively, and post a list of non-compliant dealers and distributors on their department websites (§§ 7 & 13).

EFFECTIVE DATE: October 1, 2019

**FISCAL IMPACT:** The bill results in estimated state revenue losses of \$4.9 million in FY 20 (partial year) and \$6.3 million in FY 21 due to anticipated smoking cessation of individuals aged 18 to 20. The bill raises fees and fines, which are anticipated to increase state revenues by \$1.2 million that offsets additional regulatory costs incurred by the state departments of Revenue Services and Consumer Protection under the bill.