



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 May 1, 2019 Agenda (**REVISED**)

BILLS FOR JF CONSIDERATION

1. **[S.B. No. 877](#) AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET. (FIN) JFS**

SUMMARY OF SUBSTITUTE BILL:

STEM Graduate Tax Credit

- Repeals the refundable personal income tax credit for college graduates in science, technology, engineering, or math (STEM) fields

Income Tax Exemption for Teacher Pensions

- Delays, by two years, the scheduled increase in the teacher pension income tax exemption by maintaining the exemption at 25% for 2019 and 2020 and increasing it to 50% beginning in 2021

Payroll Tax

- Requires DRS to analyze the taxpayer impact of implementing the payroll tax and reducing state income tax rates on wage income by five percentage points, except for wage income for individuals in the top three income tax brackets, which must be reduced by four percentage points; the analysis must determine the (1) net federal and state income tax liability for wages for each tax bracket for all taxpayers and (2) necessary refundable income tax credits for taxpayers in certain income tax brackets to ensure no tax bracket realizes an overall increase in tax liability

Angel Investor Tax Credit Program

- Extends the angel investor tax credit program by five years, from July 1, 2019, to July 1, 2024
- Increases (1) from \$3 million to \$5 million, the aggregate amount of angel investor credits Connecticut Innovations (CI) may reserve each fiscal year and (2) from \$250,000 to \$500,000, the total amount of tax credits allowed to any angel investor

Capital Gains Surcharge

- Beginning with the 2020 tax year, imposes a 2% surcharge on net gain from the sale or exchange

of capital assets (i.e., capital gains) for taxpayers with incomes over (1) \$500,000 for single filers and married individuals filing separately, (2) \$800,000 for heads of households, and (3) \$1,000,000 for married joint filers and surviving spouses

Sales Tax Extended to New Services

- Extends the sales and use tax to (1) interior design services, except when purchased by a business for use by such business; (2) specified parking services; (3) transportation network company (TNC) services; (4) safety apparel; and (5) dry cleaning and laundry services, excluding coin-operated services

Digital Downloads

- Increases, from 1% to 6.35%, the sales and use tax rate on digital goods (i.e., electronically accessed or transferred audio, visual, or audio-visual works; reading materials; or ring tones)

Meals Tax

- Increases, from 6.35% to 7.35%, the sales and use tax rate on sales of (1) meals sold by eating establishments, caterers, or grocery stores, and (2) liquors, soft drinks, sodas, and beverages sold in connection with meals

Automated Sales Tax Collection and Remittance

- Requires certain sales taxpayers to enter into agreements with electronic payment processing companies for automated sales tax collection and remittance

Diversion of Motor Vehicle Sales and Use Tax Revenue to the Special Transportation Fund (STF)

- Modifies the motor vehicles sales and use tax diversion as follows

FY	% of Revenue Diverted to STF	
	Current Law	Bill
20	33%	15%
21	56	18
22	75	18
23 and thereafter	100	18

Phase Out Capital Base Tax

- Phases out the capital base tax, reducing the rate from 0.31% to (1) 0.26% in 2020, (2) 0.21% in 2021, (3) 0.11% in 2022, and (4) 0.0% in 2023



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Cap on R&D and Urban Reinvestment Act (URA) Credits

- Reduces, from 70% to 50.01%, the amount by which a company may reduce its tax liability using R&D and Urban Reinvestment Act (URA) credits

Cap on Utility Companies Tax Credits

- Caps at 50.01% the amount by which a utility company may reduce its utility companies tax liability using tax credit

Repeal 7/7 program

- Eliminates the 7/7 program, which provides a package of state and local tax incentives for remediating, redeveloping, and using formerly contaminated, abandoned, or underutilized properties

Business Entity Tax Repeal

- Repeals the \$250 biennial business entity tax

Cap on Combined Group's Tax Liability on a Unitary Basis

- Limits to manufacturing businesses the application of the \$2.5 million cap on a combined group's corporation income tax liability on a unitary basis

Corporate Surcharge Extension

- Extends the 10% corporate surcharge to the 2019 and 2020 income years

Utility Companies Tax Exemption Repeal

- Eliminates a utility companies tax exemption for sales of natural gas to an existing combined cycle facility comprised of three gas turbines that provide electric generation services with a total capacity of 775 megawatts

Public, Educational, and Governmental Programming and Education Technology Investment Account (PEGPETIA)

- Eliminates the requirement that \$3.5 million be transferred to the General Fund each year from the PEGPETIA

Gift Tax Repeal

- Repeals the gift tax, but establishes a three-year lookback period for the estate tax for gifts in contemplation of death

Cigarette Markup

- Increases the minimum mark-up percentage for a cigarette dealer from 8% to 18%

E-Cigarette Excise Tax

- Imposes an excise tax on e-cigarette products sold in the state equal to 50% of their wholesale sales price

Real Estate Conveyance Tax Exemption

- Exempts from the real estate conveyance tax any sale or transfer of real property that is the grantor's primary dwelling if the property is affected by a crumbling foundation

Alcoholic Beverages Tax

- Increases the excise tax on alcoholic beverages by 10%; requires sellers to pay an additional tax on alcoholic beverages (e. g., beer, wine, liquor) in their inventories as of the opening of business or July 1, 2019, whichever is earlier
- Reduces, by 50%, the excise tax on beer for off-premises consumption that is sold on the premises covered by a manufacturer's permit

Admissions Tax Changes

- Increases the admissions tax rate on movie tickets from 6% to 6.35%
- Reduces the admissions tax rate on certain venues in two steps: from 10% to 7.5% for sales occurring on or after July 1, 2019, and from 7.5% to 5% for sales occurring on or after July 1, 2020; lower rate applies to (1) the XL Center in Hartford; (2) Dunkin' Donuts Park in Hartford; (3) athletic events presented by a member team of the Atlantic League of Professional Baseball at the New Britain Stadium; (4) Webster Bank Arena in Bridgeport; (5) Oakdale Theatre in Wallingford; and (6) events, other than interscholastic athletic events, at Rentschler field

Health Provider Tax Changes

- Eliminates a scheduled reduction in the hospital tax rates on inpatient and outpatient services by maintaining the tax rates at FY 19 levels, but requires the base year for calculating the tax to be adjusted each biennium
- Adds provisions (1) concerning hospital tax liability for hospitals that merge, consolidate, or reorganize and (2) requiring the total hospital tax liability specified for any given year to be reduced in the event a hospital ceases to operate for any reason other than a merger, consolidation, or reorganization
- Requires the DSS commissioner to issue refunds if he determines for any fiscal year that the effective hospital tax rate exceeds the rate permitted under federal law

- Increases, from \$27.26 to \$27.76, the user fee on ICF-IDs

Surcharge on Plastic and Paper Bags

- Establishes a 10-cent fee on single-use plastic or paper checkout bags provided at the point of sale, with certain exclusions

Property Tax Credit Against the Personal Income Tax

- Extends, to the 2019 and 2020 tax years, provisions limiting the property tax credit against the personal income tax to seniors and taxpayers with dependents

Transportation Network Company (TNC) Fee Repeal

- Eliminates the 25-cent fee on TNCs for each prearranged ride that originates in the state

Annual Filing Fees for Certain Pass-Through Entities

- Increases, from \$20 to \$80, the annual filing fee for limited partnerships, limited liability companies, and limited liability partnerships

Off-Track Betting

- Specifically prohibits and criminalizes any unauthorized person or business from conducting OTB or accepting OTB wagers or advance deposit wagers in Connecticut

GAAP Deficit Amortization

- Delays, by two years, the required payment for the GAAP deficits from FYs 13 and 14

Transfer of FY 19 General Fund Surplus to FYs 20 and 21

- Credits \$100 million of FY 19 General Fund surplus to FY 20 and FY 21 (\$50 million each year)

FY 20 General Fund Revenue

- Allows up to \$20 million of FY 20 revenue to be designated as FY 21 revenue

FISCAL IMPACT:

The bill increases General Fund revenues by \$1,015.1 billion in FY 20 and \$1,334.7 billion in FY 21 while decreasing Special Transportation Fund revenues by \$82.6 million in FY 20 and \$115.5 million in FY 21. See the table below for a listing of policies.

The bill also results in a significant one-time cost to the Department of Revenue Services in FY 20 for administration of the tax changes.

Policy	Fund	FY 20 \$	FY 21 \$
Repeal the new Income Tax credit for STEM graduates	General	3.9	7.9
Adjust the (Personal Income Tax) exemption cap for teachers' pensions	General	8.0	8.0
Study Payroll Tax	General	0	0
Extend/Expand the Angel Investor Tax credit program	General	(5.0)	(5.0)
Establish a surtax on Capital Gains	General	0	262.0
Expand the Sales Tax to include Interior Design Services	General	1.9	3.9
Expand the Sales Tax to include Parking	General	1.8	3.7
Impose 6.35% Sales Tax on Ridesharing Services	General	3.8	5.0
Repeal the Sales Tax Exemption for Safety Apparel	General	0.1	0.1
Expand the Sales Tax to include Dry-Cleaning and Laundry Services	General	8.1	16.8
Increase the Sales Tax on Digital Downloads from 1.0% to 6.35%	General	27.5	37.1
Reflect STF portion of Sales Tax Expansion	General	(3.4)	(5.3)
Reflect STF portion of Sales Tax Expansion	Special Transportation	3.4	5.3
Impose a 1% Prepared Foods Tax	General	32.2	65.8
Automate Daily Sales Tax Remittances	General	20.0	20.0
Adjust the diversion of the motor vehicle sales tax from the GF to the STF	General	(66.0)	(140.8)
Adjust the diversion of the motor vehicle sales tax from the GF to the STF	Special Transportation	66.0	140.8
Phase out Capital Stock Tax	General	(5.7)	(15.2)
Reduce cap on R&D and URA tax credits to 50.01%	General	34.4	21.5
Cap credits claimed against the public utilities tax at 50.01% of liability	General	2.0	2.0
Repeal 7/7 Program	General	0.0	8.0
Repeal the business entity tax of \$250	General	(11.0)	(44.0)
Adjust Mandatory Combined Reporting: limit the \$2.5m cap on additional liability to manufacturers	General	25.0	20.0
Adjust the corporate surcharge	General	60.0	37.5
Eliminate exemption for gas sold to facility with 775 MW of Capacity	General	3.6	3.6
Re-establish the PEGPETIA	General	(3.5)	(3.5)
Repeal gift tax (3-year lookback for gifts in contemplation of death)	General	(9.0)	(9.0)
Raise minimum markup for cigarettes from 8% to 18%	General	3.5	4.7
Recognize Increase in Sales Tax due to E-Cigarettes Excise Tax	General	0.4	0.6
Tax E-Cigarettes liquid at wholesale	General	4.5	6.4
Exempt properties with crumbling foundations from the Real	General	(0.1)	(0.1)

Policy	Fund	FY 20 \$	FY 21 \$
Estate Conveyance Tax			
Increase Excise Tax on Alcohol	General	6.1	6.1
Reduce alcohol beverage excise taxes at craft breweries by 50%	General	(0.1)	(0.1)
Increase the rate for movies from 6.0% to 6.35%	General	0.2	0.3
Reduce State Admissions Tax at certain venues to 5.0% by FY 21	General	(0.6)	(1.2)
Maintain Hospital User Fee at FY 2019 level of \$900 million	General	516.0	516.0
Technical fix to intermediate care facilities (ICF) user fee	General	0.1	0.1
Surcharge of 10 cents on Certain Bags	General	33.2	29.5
Maintain Eligibility Limits on Property Tax Credits	General	53.0	53.0
Repeal 25 cent fee on Ridesharing Services	General	(1.5)	(1.5)
Increase annual filing fee for LLC's and LLP's	General	12.0	12.0
Suspend Amortization of Historical GAAP Deficit	General	75.7	75.7
Use of FY 19 Surplus as a Revenue Credit to 2020-2021	General	50.0	50.0
Transfer FY 2020 revenue for use in FY 2021	Special Transportation	(20.0)	20.0
Reflect enhanced OTB enforcement	General	2.0	2.0

2. [S.B. No. 876](#) AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES. (FIN) JFS

FISCAL IMPACT: Changes bond authorizations; see associated attached materials.

3. [H.B. No. 7408](#) (RAISED) AN ACT CONCERNING MUNICIPAL REVENUE AND STORMWATER AUTHORITY, STUDIES OF THE PILOT GRANTS PROGRAM AND A PROPERTY TAX EXEMPTION FOR MACHINERY AND EQUIPMENT, AND ENTERPRISE ZONES. (FIN) JFS

SUMMARY OF SUBSTITUTE BILL:

§ 1 – *Municipal Stormwater Authority*

The bill allows any municipality to establish a municipal stormwater authority, rather than just the three municipalities (New Haven, New London, and Norwalk) that participated in the Department of Energy and Environmental Protection's (DEEP) municipal stormwater authority pilot program (authorized under PA 07-154). Under current law, stormwater authorities created under the pilot program must, among other things, recommend to the municipality's legislative body a levy on taxable real property in the stormwater district. The bill instead requires them to recommend a fee to be imposed on all real property in the district.



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Under the bill, the authority may reduce or defer the fee if stormwater retention standards under the general permit for stormwater discharge from small municipal separate storm sewer systems, promulgated by DEEP, have been satisfied. The bill also removes the requirement that authorities receive the DEEP commissioner approval before entering into contracts with any municipal or regional entity to accomplish its purposes.

EFFECTIVE DATE: July 1, 2019

§ 2 – PILOT Program Study

The bill requires the OPM secretary to conduct a study of the payment in lieu of taxes (PILOT) grants program for towns where at least 50% of their land is comprised of state forest. The study must evaluate the grant formula and whether it should be changed for such towns. By January 1, 2020, she must submit her findings and recommendations for legislative changes to the Finance, Revenue and Bonding and Planning and Development committees.

EFFECTIVE DATE: Upon passage

§ 3 – DECD Study of Property Tax Exemption for Manufacturing Machinery and Equipment (MME)

The bill requires the DECD commissioner to study the MME property tax exemption and evaluate the impact of limiting the number of years for which a taxpayer qualifies for the exemption to seven or fewer years. By January 1, 2020, the commissioner must report his findings and recommendations to the Commerce, Planning and Development, and Finance, Revenue and Bonding committees.

EFFECTIVE DATE: Upon passage

§§ 4-8 – Enterprise Zone Property Tax Exemptions

The bill gives municipalities with designated enterprise zones discretion to opt out of providing property tax exemptions for certain real and personal property located in the zones.

Under the bill, such municipalities may, by a vote of their legislative bodies (or board of selectmen if their legislative body is a town meeting), opt out of providing the following property tax exemptions in an enterprise zone:

1. a five-year, 80% exemption for qualifying facility improvements and machinery and equipment purchases;
2. a seven-year exemption (100% for the first two years, 50% for the third, and decreasing by 10% for each of the remaining four years) for real property improvements (other than for manufacturing facilities); or
3. both.

The opt-out takes effect on the date the municipality notifies the DECD commissioner of such vote, but it does not affect exemptions for (1) any business for which DECD has already approved an enterprise zone preliminary or formal application or issued an enterprise zone eligibility certificate, (2) any business receiving any of the exemptions described above at the time of the notice, or (3) any real or personal property planned to be constructed or purchased pursuant to an economic incentive agreement entered into with DECD if the agreement was executed on or before December 31, 2018.

EFFECTIVE DATE: July 1, 2019

FISCAL IMPACT:

The bill results in the following fiscal impacts:

Policy	Impact
Allow any municipality to establish a municipal stormwater authority	To the extent municipalities choose to reduce fees, fees may be reduced by municipal stormwater authorities to the extent "MS4" stormwater retention standards are met (outlined in MS4 general permit requirements).
PILOT program study	This has no fiscal impact, as it is anticipated that OPM can accomplish this with existing resources.
DECD study	This has no fiscal impact, as it is anticipated that DECD can accomplish this with existing resources.
Enterprise Zone Property Tax exemptions	Precludes a grand list reduction in distressed municipalities by allowing them to opt out of certain grand list exemptions for certain manufacturing facilities and equipment. The bill does not allow municipalities to tax facilities currently exempt under these statutes. However, the bill prevents additional facilities and property from becoming exempt in municipalities that choose to opt out. Due to the timing of the bill, the earliest any impact would occur is FY 21.

4. [H.B. No. 7413](#) (RAISED) AN ACT CONCERNING THE FAILURE TO FILE FOR CERTAIN GRAND LIST EXEMPTIONS AND THE PAYMENT OF A GRANT-IN-AID TO THE TOWN OF WALLINGFORD, AUTHORIZING THE RENEWAL OF CERTAIN TEMPORARY NOTES BY THE TOWN OF WOODBRIDGE AND CONCERNING THE EXTENSION FOR FILING A DECLARATION. (FIN) JFS

SUMMARY OF SUBSTITUTE BILL: This bill:

- allows taxpayers in New London to receive a specified property tax exemption for the 2017 grand list even though they missed the filing deadline for the exemption;
- requires the Department of Energy and Environmental Protection commissioner to pay a \$176,332 grant to Wallingford (funded by an existing DEEP bond authorization) to reimburse the town for extending municipal water services to five homes on South Broad Street;

- authorizes Woodbridge to renew temporary notes it issued to finance the acquisition of Woodbridge Country Club for up to 15 years from the original issuance date; and
- explicitly allows taxpayers to request an extension for filing an annual personal property declaration in writing or by electronic filing, if the municipality is able to and agrees to accept such filings.

EFFECTIVE DATE: July 1, 2019, except for the provisions concerning Wallingford and Woodbridge are effective upon passage.

FISCAL IMPACT:

The bill allows certain taxpayers who would have been eligible for certain property tax exemptions, if they had not missed the deadline to file a claim, to receive such exemptions. These exemptions are based on past grand lists, for which taxes have already been levied. Thus, the bill results in a cost to reimburse taxpayers for taxes that have paid. It is anticipated that such cost would only occur in FY 20.

The bill also results in a cost to the Department of Energy and Environmental Protection to provide a grant to the Town of Wallingford of \$176,332. This results in a corresponding revenue gain to the Town of Wallingford.

The bill also allows the Town of Woodbridge to issue temporary notes to finance the acquisition of Woodbridge Country Club.

5. [S.B. No. 1129](#) (RAISED) AN ACT CONCERNING VARIOUS INITIATIVES TO PROMOTE COMPUTER SCIENCE AND TECHNICAL TALENT IN EDUCATION. (FIN) JF

SUMMARY: This bill establishes initiatives and makes various statutory changes related to computer science education and workforce development. Among other things, the bill:

- adds computer science to the required course of study at the elementary, middle, and high school levels (§ 1);
- requires the Office of Higher Education to develop an alternate route to certification program for computer science teachers (§ 3);
- allows the State Board of Education (SBE) to issue “adjunct computer science instructor permits” that authorize certain individuals to hold part-time computer science teacher positions (§ 4);
- requires SBE to adopt regulations by July 1, 2020 that expand a durational shortage area permit to enable software engineers or similar professionals to begin teaching while enrolled in a teacher preparation program (§ 6);
- requires companies who receive funding from the Department of Economic and Community Development to offer internships to in-state college students or externships to public high school teachers (§ 7);

- expands the apprenticeship tax credit to companies who hire computer coding apprentices under a qualified apprenticeship training program (§ 8);
- establishes the Computer Science for Connecticut Commission and charges it with various tasks, including (a) running an annual computer science and technology summit for students and (b) making grants to public schools for computer science courses (§ 9);
- establishes the “Computer Science for Connecticut Commission account” to be used for the commission’s purposes and provides a 50% tax corporation business tax credit, capped at \$1 million annually, to businesses who donate to the account (§ 9);
- requires the Connecticut Higher Education Supplemental Loan Authority to develop legislative recommendations for technology degree loan forgiveness programs that meet the bill’s specifications (§11); and
- establishes a Chief Talent Strategy Officer within the governor’s office and requires the officer to perform specific tasks, including analyzing the state’s talent needs and coordinating with specified stakeholders to align state resources (§ 12).

EFFECTIVE DATE: Most provisions are effective July 1, 2019

FISCAL IMPACT

The bill establishes a 50% tax credit for donations to the “Computer Science for Connecticut Commission” account, which results in a General Fund revenue loss of up to \$1 million annually beginning in FY 20.

The bill also extends the apprenticeship tax credit to coding apprentices. To the extent a qualified apprenticeship training program for such apprentices is established, this results in a future revenue loss which is dependent on the number of apprentices and their hours worked.

The bill further requires computer science education to be a required course of study at the elementary, middle and high school level. This results in a state mandate and cost to local and regional school districts. The cost will vary by the size of the district and the scope of computer science currently offered within the district. Additional staff and equipment will be required in various districts to meet the requirements in the bill, for many districts these costs will exceed \$100,000.

Additionally, the bill requires the State Department of Education (SDE) to develop a state-wide digital literacy and computer coding curriculum for all public schools. This will result in curriculum development and staff costs for SDE. It is anticipated that developing a new statewide curriculum will cost \$400,000, which is a one-time cost to develop the course of study. Additionally, SDE would require one full-time staff member, with an annual salary of \$85,000 and corresponding fringe benefits of \$35,012, to assure districts properly meet the new requirement and serve as a member of the department’s academic office, which does not have the resources necessary to complete the new requirements contained within the bill.

The bill results in a cost to the Board of Regents and to the University of Connecticut (UConn), which under the bill will need to add a teacher preparation program course involving programming and coding. The cost may be offset at some universities, to the extent that the bill's course requirement results in additional revenue. The constituent unit programs do not currently include these skills in their teacher preparation programs, which collectively enroll approximately 2,300 students. The total annual cost among the state universities is anticipated to range from approximately \$259,500 to \$519,000 beginning in FY 20, depending on how the requirement is implemented (e.g., class size and whether the requirement is implemented in the junior year or the senior year in FY 20). The estimate is based on roughly 50 students per three-credit class, at an estimated cost of \$5,200 in wages per course, and a fringe benefits rate of up to 97.18 percent, except that due to Central Connecticut State University's high teacher preparation program enrollment, up to 2.5 FTE professors at a salary of approximately \$72,000 would need to be hired. The University of Connecticut's cost to offer the additional course could range from approximately \$61,500 in salary and benefits, using the same methodology, up to roughly \$200,000 if a full professor is hired.

The costs to the constituent units may be borne by the General Fund and/or revenues from students. At a few universities, the total number of credits required to graduate may increase due to the requirement, and therefore tuition paid by these students would also rise. For example, adding a three-credit course at the FY 20 state universities' per-credit rate yields \$741 per student in tuition revenue (excluding any fee revenue).

The bill results in a cost to the Office of Higher Education of \$5,000 for the operation of an alternative route to certification (ARC) program to certify students in computer science. The office would also require an additional \$900 per student plus travel for the practicum related to such certification.

6. [S.B. No. 1130](#) (RAISED) AN ACT CONCERNING VARIOUS INITIATIVES AT THE UNIVERSITY OF CONNECTICUT. (FIN) JF

SUMMARY: This bill makes various changes to UConn's statutory objectives, governance, faculty, staff, and responsibilities, principally related to entrepreneurship and economic development. Among other things, it:

- requires UConn's president and Board of Trustees (BoT), in addition to UConn's statutory objectives, to educate students in disciplines designed to meet the state's present and projected future workforce needs and promote economic development by assisting in the establishment of new businesses based on university-driven innovations (§ 1);
- requires certain Board of Trustee (BoT) appointees to have experience in entrepreneurship or venture investment and establishes a board subcommittee on entrepreneurship (§§ 2 & 3);
- establishes entrepreneurship-related positions, including a Vice President for Innovation and Entrepreneurship (§ 4);
- requires the BoT to (a) develop a plan to recruit faculty with experience in entrepreneurship or commercializing research and (b) design and implement a mentorship initiative for students and faculty who are starting or growing new business ventures (§§ 5 & 6);

- requires the BoT, jointly with the CTNext board, to hire a consultant to study UConn tech transfer and entrepreneurship and incorporate the report's recommendations into various UConn policies and initiatives (§ 8); and
- requires the BoT to modify the UConn Next Generation plan to provide for the construction or renovation of campus facilities to create a gathering place for student entrepreneurs (§ 7).

EFFECTIVE DATE: July 1, 2019

FISCAL IMPACT:

The bill, which requires the University of Connecticut (UConn) to take several actions regarding entrepreneurship and innovation, is estimated to result in: (1) a total cost of at least \$1.5 million to \$4.2 million in FY 20, and at least approximately \$856,500 in FY 21 and annually thereafter; and (2) an annual revenue loss to UConn of \$50,000. This estimate does not include the costs described in **Section 5**, which will vary (see below).

The bill also results in the redistribution of Next Gen UConn bonding funds (see below).

Section 4 results in total costs of up to \$856,500 in FY 20 and annually thereafter as it requires one new UConn vice president position to be established. It is anticipated the position will require two support staff, including one at the analyst level. The estimated costs for the three positions are: (1) \$409,000 in salary, composed of the Vice President at the average UConn vice president salary of \$274,000, an Analyst salary of \$80,000, and an Administrative Assistant salary of \$55,000; (2) up to \$397,500 in fringe benefits; and (3) \$50,000 in equipment and miscellaneous expenses. Funding may come from state General Funds and the Office of the State Comptroller, or from UConn's own funds (e.g., operating funds from tuition revenue).

Section 5 results in additional total costs annually anticipated to average \$105,500 per faculty member hired with entrepreneurship or research commercialization experience, instead of a typical eminent faculty member. For every such faculty hire, the additional cost is approximately: (1) an additional \$53,000 in salary; and (2) \$51,500 in fringe benefits. As above, funding may come from state General Funds and the Office of the State Comptroller, or from UConn's own funds. The extent of the additional costs will depend on the faculty recruitment plan and its implementation.

Section 6 results in: (1) an anticipated cost of \$300,000 in FY 20 for consultant work in developing and designing new student recruitment materials emphasizing entrepreneurship; and (2) annual revenue loss totaling approximately \$50,000 due to the provisions regarding patent release. The patent revenue loss estimate is based on the approximate annual revenue UConn realizes from patents held beyond ten years. It is anticipated the mentorship initiative required by Section 6 will be formulated by the vice president and assisting staff associated with Section 4 of the bill.

Section 7 results in redistribution of Next Gen UConn bonding funds, associated with: (1) revising Next Gen plans, and (2) constructing or renovating dedicated student entrepreneurship space, with certain requirements, at each of the four UConn regional campuses. It is anticipated that the entrepreneurship space component of the redistribution could total between \$5 million and \$15 million.

Section 8 results in a cost of between \$300,000 and \$3 million in FY 20 for the required consultant

whose report is due January 1, 2020. Consultant reports completed for and with large universities have been within this range. The consultant cost will reflect the required report's breadth and turnaround time, and be determined by the proposal or bid that is selected by UConn and CTNext.

The other provisions of the bill are not anticipated to result in a fiscal impact to UConn or the state.

7. [S.B. No. 1131](#) (RAISED) AN ACT CONCERNING THE AMBULATORY SURGICAL CENTERS TAX. (FIN) JF

SUMMARY: For calendar quarters beginning on or after July 1, 2019, this bill changes the ambulatory surgical center (ASC) tax by (1) limiting the tax base to an ASC's net revenue from ASC services, rather than its gross receipts, and (2) establishing a credit against the tax for a portion of the ASC's Medicaid payments.

Under the bill, "ASC services" are the items and services included in a facility fee payment to an ASC that are (1) associated with a surgical procedure and (2) not separately reimbursable ancillary or professional services. They exclude surgical procedures and physicians', anesthetists', radiology, diagnostic, and ambulance services that are separately reimbursed to an ASC from the facility fee payment.

The tax credit equals the greater of (1) 50% of the Medicaid payments the ASC received for providing ASC services during the quarter or (2) 50% of the difference between such payments and the payments that would have been received by a hospital if substantially similar procedures or services had been performed there. ASCs may carry forward unused credits for up to 36 calendar quarters.

The bill also requires the Department of Social Services (DSS) commissioner, before July 15, 2019, and annually thereafter, to seek approval from the Centers for Medicare and Medicaid (CMS) to exempt from the ASC tax the first \$1 million of net revenue and the Medicaid and Medicare payments an ASC receives during the fiscal year. The bill requires each ASC to provide the DSS commissioner with certain information to allow him to make the calculations necessary for the annual waiver request. Under the bill, the information the ASCs provide to DSS is considered confidential tax return information.

EFFECTIVE DATE: July 1, 2019

FISCAL IMPACT:

The bill results in a revenue loss of at least \$3.1 million due to the tax credit for Medicaid payments established under the bill.

The bill also requires DSS to submit a waiver to CMS for a \$1 million exemption for certain ASC revenue.

8. [S.B. No. 1132](#) (RAISED) AN ACT REQUIRING A STUDY OF INTRAPRENEURSHIP. (FIN) JF

SUMMARY: This bill requires the Department of Economic and Community Development to study intrapreneurship by (1) meeting with representatives of companies in the state that engage in

intrapreneurship to learn about best practices, (2) reviewing intrapreneurship practices in out-of-state companies, (3) surveying academic and industry literature on intrapreneurship, and (4) examining other state's intrapreneurship-related public policy. The commissioner must report his findings and legislative recommendations by January 17, 2020.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

No fiscal impact. The bill has no fiscal impact as the Department of Economic and Community Development has the expertise necessary to conduct the study.

9. S.B. No. 1133 (RAISED) AN ACT CONCERNING FOREIGN BRANCH CAPTIVE INSURANCE COMPANIES. (FIN) JF

SUMMARY: This bill allows a foreign captive insurer to open a branch in Connecticut, subjects such branches to licensing and other requirements, and offers a premium tax amnesty program to certain insureds that establish a branch captive in, or redomicile (i.e., transfer) a foreign or alien captive to, Connecticut by July 1, 2020.

A captive insurer is an insurance company formed to insure or reinsure the risks of its parent or affiliated company. A foreign captive is licensed in another state; an alien captive is licensed in another country. Existing law already allows several different types of captives to be licensed and operate in Connecticut, including pure captives, sponsored captives, and risk retention groups.

The bill subjects branches of foreign captives to the same requirements existing law imposes on branches of alien captives, including the same payment and reserves, annual reporting, premium tax, and incorporation requirements. It also allows foreign captives to redomicile to Connecticut following procedures in existing law for redomiciling alien captives (e.g., receive the commissioner's approval and comply with state law). As with branches of alien captives under existing law, the insurance commissioner is prohibited from licensing the Connecticut branch of a foreign captive unless the captive grants him the authority to examine its affairs in its home jurisdiction.

The bill grants tax amnesty to Connecticut insureds that (1) have not paid the 4% nonadmitted premium tax due for independently procuring insurance from a nonadmitted (i.e., unauthorized) insurer; (2) establish a branch captive in, or redomicile a foreign or alien captive to, Connecticut by July 1, 2020; and (3) pay all nonadmitted premium taxes due on and after July 1, 2019.

EFFECTIVE DATE: July 1, 2019

FISCAL IMPACT:

To the extent that new captives of this type are established in Connecticut, the bill results in potential revenue gain to the General Fund from the following fees and taxes:

1. Non-refundable application fee: \$800;
2. Fee for initial license: \$375;

3. Annual license renewal: \$375;

4. Insurance Premium Taxes, subject to minimum and maximum aggregate tax amounts (less a non-refundable \$7,500 credit for the captive's first year).

10. [S.B. No. 1134](#) (RAISED) AN ACT RESTRUCTURING THE STATE BOND COMMISSION AND ESTABLISHING A DEDICATED BONDING SECTION WITHIN THE LEGISLATIVE OFFICE OF FISCAL ANALYSIS. (FIN) JF

SUMMARY: This bill restructures the State Bond Commission by, among other things, eliminating the executive branch members and replacing them with the six legislative leaders. As under existing law, the Finance, Revenue and Bonding chairpersons and ranking members serve on the commission. Under the bill, the Senate President Pro Tempore and the House Speaker serve as the commission's co-chairpersons and must jointly prepare the agenda for each commission meeting.

Before January 1, 2020, the bill also requires (1) the Office of Policy and Management to transfer to the Office of Fiscal Analysis (OFA) all staff members in its Budget and Financial Management division who are responsible for evaluating or coordinating projects to be presented for the commission's consideration and (2) the OFA director to establish a separate bonding section within the office and assign the transferred staff to that section. The new bonding section is responsible for assisting with commission agenda preparation, including researching projects for inclusion on the agenda.

EFFECTIVE DATE: Upon passage, except that the provision changing commission membership is effective January 1, 2020.

FISCAL IMPACT:

To the extent the legislative bond commission allocates at a different rate than the existing state bond commission, there would be a commensurate change in debt service payments. This impact is somewhat mitigated by the various annual bond limits.

There would be a 1-2 staff and resource loss from OPM and gain for OLM (at least \$200,000 PS plus associated fringe benefits). There is expected to be an additional cost to OPM to hire additional staff to replace the non-bond commission-related administrative duties of the staff being transferred.

11. [S.B. No. 1140](#) (RAISED) AN ACT CONCERNING WINE IMPORTATION. (FIN) JF

SUMMARY: This bill establishes an out-of-state retailer shipper's permit for wine with an annual permit fee of \$315. Subject to the same requirements as an out-of-state winery shipper's permit, the bill allows an out-of-state retailer to sell, deliver, and ship wine sold by the retailer directly to a Connecticut retailer or consumer. The bill caps at 150 the number of such permits that may be operative at any given time.

Under the bill, an out-of-state retailer shipper's permittee, when shipping wine directly to a consumer, is considered a retailer for sales and use tax purposes and must be issued a seller's permit. Additionally, for alcoholic beverage excise tax purposes, the permittee is considered a distributor and must receive such a license.

EFFECTIVE DATE: July 1, 2019

FISCAL IMPACT:

The bill results in minimal revenue gain to the extent that additional shipper's permits are allowed and associated fees are received by the General Fund.

12. [S.B. No. 1135](#) (RAISED) AN ACT CONCERNING THE MUNICIPAL INTEREST RATE APPLICABLE TO DELINQUENT PROPERTY TAXES. (FIN) JFS

SUMMARY OF SUBSTITUTE BILL: This bill gives towns the option to reduce the interest rate they charge on delinquent property taxes. Under current law, all towns must charge a rate of 1.5% per month (18% per year).

EFFECTIVE DATE: July 1, 2019

FISCAL IMPACT:

The bill, which allows municipalities to charge interest rates lower than 18% on delinquent property tax bills, results in a potential revenue loss to municipalities. To the extent a municipality chooses to approve lower interest rates, there is a revenue loss that will vary based on the new interest rate set by the municipality.

13. [S.B. No. 1136](#) (RAISED) AN ACT ESTABLISHING A CREDIT AGAINST THE ESTATE TAX, REQUIRING RECOMMENDATIONS FOR THE ESTABLISHMENT OF A SOCIAL IMPACT BONDING PROGRAM AND CONCERNING A CAPITAL GAINS SURCHARGE AND THE USE OF THE REVENUE THEREFROM. (FIN) JFS

SUMMARY OF SUBSTITUTE BILL: This bill establishes an estate tax credit equal to 200% of the amount a decedent invested in (1) social impact bonds authorized under a Department of Economic and Community Development (DECD) -established bond program, (2) a Connecticut Innovations-established venture capital fund, or (3) both. Any amount invested in bonds or a fund must have been invested for at least five years at the time of the decedent's death.

It also requires DECD to develop legislative recommendations regarding the establishment of a social impact bonding program targeted at distressed municipalities and submit them to the Finance, Revenue and Bonding Committee by January 17, 2020.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

The bill could result in a significant, future General Fund revenue loss to the extent that tax credit-eligible investments are made by decedents. The new tax credit is applicable to the estates of decedents who die on or after January 1, 2020 and decedents must have made investments for at least 5 years to qualify for it.



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The provisions of the bill requiring the Department of Economic and Community Development to submit specified legislative recommendations does not result in any fiscal impact as the agency has the expertise to develop such recommendations.

14. **S.B. No. 1138 (RAISED) AN ACT CONCERNING COMMUNITY RESTORATION FUNDS. (FIN) JFS**

SUMMARY OF SUBSTITUTE BILL: This bill imposes an excise and local sales tax on cannabis, beginning on and after the date the Cannabis Commission (established under HB 7371 of the current session) first issues a license to a cannabis cultivation facility or cannabis retailer, respectively. The excise tax is \$35 per ounce of cannabis flowers and \$13.50 per ounce of cannabis trim and is imposed on the first sale of such products within the state by licensed cannabis cultivation facilities. The local sales tax is 3% on the sale of all cannabis and cannabis products and applies in addition to the 6.35% state sales tax on such products.

The bill directs the (1) excise and state sales tax revenue from cannabis sales to a new Community Development Corporation Trust Fund (described below) and (2) local sales tax revenue to a municipal cannabis revenue account. It requires the DRS commissioner to distribute the funds in the municipal cannabis revenue account each quarter to municipalities on a point-of-sale basis. Any funds for which the commissioner cannot determine the point of sale must be transferred to the Community Development Corporation Trust Fund.

The bill creates a framework for establishing nonprofit “community development corporations” to partner with qualifying “community development credit unions” in undertaking specified community restoration and revitalization programs and activities. It establishes a seven member legislative council (the community development corporation oversight council) to designate the corporations and credit unions and oversee the distribution of cannabis tax revenue in the Community Development Corporation Trust Fund to fund such programs and activities.

The bill also allows the state, municipalities, and nonprofit organizations to deposit funds in community development credit unions, which the credit unions must invest to further their community restoration and revitalization purposes. It requires any such credit unions to provide a rate of return on such deposits that is at least equal to the London Interbank Offered Rate (LIBOR).

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

The bill results in the following fiscal impacts:

- Results in a potential cost to the state, municipalities and nonprofit organizations to the extent they choose to deposit funds into an account for community development credit unions

- Results in a one-time cost to the Treasurer of \$75,000 to establish the fund. The bill additionally results in an annual cost of approximately \$100,000 to the Treasurer to administer the various programs established by the bill.
- Potential revenue gain to the Community Development Corporation Trust Fund
- Potential revenue gain to municipalities where legal marijuana sales occur
- Potential significant cost to the Department of Revenue Services for tax administration and enforcement

15. **S.B. No. 1139 (RAISED) AN ACT ELIMINATING PROPERTY TAX ON CERTAIN MOTOR VEHICLES AND ADJUSTING THE UNIFORM PROPERTY ASSESSMENT RATE. (FIN) JF**

SUMMARY: Beginning October 1, 2019 (for property tax bills sent out beginning July 1, 2020), this bill exempts motor vehicles from property tax but allows a municipality, by vote of their legislative bodies, to elect to continue imposing the tax on rental motor vehicles. The bill also requires municipalities to assess real and personal property at its full fair market value, instead of 70% of that value (i.e., the assessment ratio), as current law requires, and makes conforming changes.

The bill allows municipalities, by vote of their legislative bodies, to elect to reduce the tax burden shift resulting from these two changes over a five-year period. The bill allows assessors to use methods they determine to be appropriate and reasonable to reduce this tax burden shift, including implementing (1) annually decreasing surcharges on taxpayers that were previously subject to motor vehicle property tax and (2) tax credits for residential property owners.

EFFECTIVE DATE: October 1, 2019; except that the (1) property tax exemption and assessment ratio provisions are applicable to assessment years beginning on or after October 1, 2019, and (2) provisions authorizing municipalities to continue taxing rental motor vehicles (§ 3) and making a conforming change to Hartford’s property tax assessment law (§ 6) are effective upon passage

FISCAL IMPACT:

The bill eliminates the property tax for passenger motor vehicles, but allows municipalities to continue to tax vehicles owned by rental car companies. The bill also increases the ratio at which municipal assessors must assess real and personal property from 70% to 100%.

In FY 19, municipalities collected \$907.8 million in motor vehicle taxes. It is not known how much of this tax was generated from vehicles owned by rental car companies.

Increasing the assessment ratio from 70% to 100% results in a reduction in municipal mill rates, assuming a constant levy.

The bill shifts the tax burden from owners of motor vehicles to owners of real and personal property. The bill allows municipalities to mitigate the impact of this shifting tax burden by implementing a

surcharge on taxpayers that previously owned cars and a tax credit for residential property owners. The impact of this would vary based on the surcharges and credits adopted by municipalities.

Due to the timing of the bill, FY 21 is the first year any impact would occur.

16. [S.B. No. 1141](#) (RAISED) AN ACT CONCERNING PROPERTY TAX REFORM. (FIN) JFS

SUMMARY OF SUBSTITUTE BILL:

§§ 1 & 3 – *Municipal Capacity Fund*

This bill requires the state comptroller to transfer \$100 million each year in FYs 20 and 21 from the General Fund to a new Municipal Capacity Fund. The bill (1) reserves \$5 million of this amount each year for a capacity building grant program for councils of government (COGs), described below, and (2) requires the balance of the fund to be distributed annually as municipal capacity grants.

Capacity Building Grant Program. The bill requires the OPM secretary to solicit grant proposals from COGs to (1) replace a program, service, or function currently performed by individual towns or (2) establish a new program, service, or function. To qualify, the proposed program must be offered to all of a COG's member municipalities.

Municipal Capacity Grants. Under the bill, the OPM secretary must annually distribute municipal capacity grants based on a municipal fiscal capacity gap metric calculated in accordance with the New England Public Policy Center's 2015 research report (i.e. "Measuring Municipal Fiscal Disparities in Connecticut").

§ 2 – *Property Tax Breaks for Commercial or Industrial Property Investments*

The bill establishes three property tax breaks for taxpayers making investments in commercial or industrial real property that increase the property's assessed value. It allows such taxpayers to choose one of the following:

- The taxpayer may claim a credit equal to the amount of the increase in the property's assessed value that is attributed to the taxpayer's investment. The credit may be applied against the taxpayer's property tax liability for the fiscal year in which the increase occurs and unused credits may be carried forward to future fiscal years until they are fully used.
- The taxpayer may choose to have the portion of the property's increased assessment attributed to the investment taxed at the lesser of 10 mills or 25% of the current mill rate for a seven-year period.
- The taxpayer may choose to have the portion of the property's increased assessment excluded from property tax for three years and phase in the tax on over the next four years in equal increments.

EFFECTIVE DATE: July 1, 2019



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FISCAL IMPACT:

The bill establishes a Municipal Capacity Fund and transfers \$100 million in General Fund revenues to it in each year of the FY 20-FY 21 biennium. It specifies that \$5 million of these funds be distributed to regional councils of government, and that the remainder (\$95 million) be distributed to certain financially distressed municipalities.

The bill also allows commercial property owners to choose among three different property tax relief options if they make an investment resulting in an increase in their property's assessed value. Each of these options results in a revenue loss to the municipality where the property is located. Such revenue loss would vary based on the option chosen, and the change in assessed value that occurs as a result of the investment.

17. [S.B. No. 1142](#) (RAISED) AN ACT CONCERNING STRATEGIC TRANSPORTATION PLANNING AND THE FINANCING THEREOF. (FIN) JF

SUMMARY: This bill establishes a 9-member Strategic Transportation Planning Commission consisting of the transportation and economic development commissioners and seven gubernatorial appointees, who must have specified expertise. The bill charges the commission with (1) analyzing the state's transportation system; (2) developing a transportation plan to the bill's specifications; and (3) issuing a report, at least biennially, evaluating the state's progress on implementing the plan it develops.

The commission must submit a report and fully-drafted proposed legislation by January 17, 2020 to the Transportation and Finance, Revenue and Bonding committees. Under the bill, the report must contain specified assessments and plans, including:

- an assessment of the state's transportation assets, separated by asset condition, and the estimated cost-per mile to maintain the assets or return them to a state of good repair;
- a targeted list of recommended strategic expansions or other improvements, with priority given to projects that will improve the state economy;
- a comprehensive plan for sustainably funding all projects the plan recommends, considering the state's current dedicated transportation revenues, potential revenues generated by new taxes or fees, and planned debt issuances and future debt costs; and
- a detailed structure and implementation for proposed new taxes or fees, if any, including the applicable rates and 10-year projected revenue.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

The bill establishes a Strategic Transportation Planning Commission consisting of the transportation and economic development commissioners and seven gubernatorial appointees and has no associated

fiscal impact.

18. [S.B. No. 1121](#) (RAISED) AN ACT CONCERNING PRIORITIZE PROGRESS. (FIN) JF

SUMMARY: This bill requires the State Bond Commission to authorize general obligation bonds for transportation projects, up to the maximum amounts specified in table 1. The bonds are subject to the existing statutory cap on bond authorizations and allocations.

Table 1. Maximum Bonding Amounts, 2020-2029

Calendar Year	Maximum Amount (\$ millions)	Calendar Year	Maximum Amount (\$ millions)
2020	703.7	2025	623.1
2021	739.0	2026	659.1
2022	732.2	2027	699.7
2023	715.0	2028	699.6
2024	744.6	2029 to 2050	699.5

The bill also establishes the 13-member Transportation Strategy and Advisory Board, within the Office of Policy and Management (OPM) for administrative purposes only, consisting of (1) eight appointed members (seven legislative and one gubernatorial) and (2) five ex-officio members (the Department of Transportation (DOT) commissioner, OPM secretary, treasurer, and executive directors of the Connecticut Port Authority and Connecticut Airport Authority).

Under the bill, the board is charged with developing, to the bill’s specifications, (1) a fiscal report on the Special Transportation Fund’s health, which it must submit annually to the Transportation and Finance, Revenue and Bonding committees and (2) a transportation strategy, which it must submit to the legislature every four years.

Lastly, the bill requires DOT to annually submit, starting by October 1, 2020, a priority project report that identifies the 20 transportation projects that are a priority for the department and provides other information related to the status and budgets of transportation projects.

EFFECTIVE DATE: July 1, 2019

FISCAL IMPACT:

To the extent the bill requires GO bond allocation at a different rate than the state bond commission would otherwise allocate, there would be a commensurate change in debt service payments. This impact is somewhat mitigated by the various annual bond limits.



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19. **S.B. No. 1090** (RAISED) AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR TAX ADMINISTRATION. (FIN) JFS

SUMMARY: This bill requires the Finance, Revenue and Bonding Committee's chairpersons and ranking members to study certain state revenue and tax policies and report their findings to the General Assembly 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.

20. **H.B. No. 7373** (RAISED) AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR MINOR REVISIONS TO THE TAX AND RELATED STATUTES. (FIN) JFS

SUMMARY OF SUBSTITUTE BILL:

§§ 1 & 2 – Pass-Through Entity Tax (PET)

The bill (1) requires PET taxpayers to include guaranteed payments (i.e., payments made to the entity's members that are not part of their income) when calculating income subject to the tax and (2) exempts entities with less than \$1,000 in annual PET tax liability from the requirement to make quarterly estimated tax payments. It also makes technical changes.

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

§ 3 – Credit Revenue Bond Program

The bill makes a technical change to the credit revenue bond statutes.

EFFECTIVE DATE: Upon passage

§ 4 – State Tax Warrants

Existing law allows DRS and other state collection agencies to issue a tax warrant on the intangible personal property (e.g., bank accounts, receivables, and securities) of a taxpayer who fails to pay state taxes and serve the warrant on a third person (e.g., bank or payment settlement entity) who possesses the property or is obligated to it in some respect. The bill allows the warrant to be served by any electronic means, rather than just email or fax machine.

EFFECTIVE DATE: October 1, 2019

§ 5 – Sales Tax Credits for Uncollectible Amounts

Existing law allows retailers to claim a credit for sales tax they paid on accounts later deemed to be worthless; they may do so within three years of the date they remitted the tax to DRS. In the event that a retailer who claimed such a credit subsequently collects all or some portion of that account, current law requires the retailer to include the amount it collected in its next regular sales tax payment. The bill (1) provides that the retailer must only include the amount of sales tax for which it claimed the credit and (2) requires that any partial payments made on the account be applied first to the sales tax.

EFFECTIVE DATE: Upon passage, and applicable to credit claims received on or after such date.

§ 6 – Alcoholic Beverages Tax Exemption for On-Premises Consumption

The bill makes a technical change to the alcoholic beverages tax exemption for sales of malt beverages consumed on the premises of an establishment covered by a manufacturer's permit by replacing the term "malt beverages" with beer.

EFFECTIVE DATE: July 1, 2019

§ 7 – Tax Preparers and Facilitators

Current law requires those applying for a DRS-issued tax preparer or facilitator permit on or after January 1, 2020, to have completed an IRS-administered annual filing season program to qualify for a permit. The bill extends the implementation date for this requirement by two years, to January 1, 2022, and limits the requirement's application to tax preparer permit applicants.

Under current law, tax preparer or facilitator permittees granted inactive permit status from DRS can reactivate their permits by paying a renewal fee. The bill specifies that they may only do so before the permit's expiration date.

EFFECTIVE DATE: Upon passage

§ 8 – Transportation Network Company (TNC) Fee

The bill requires the DRS commissioner, when reporting TNC fee revenue, to include it with the admissions and dues tax, rather than the motor carrier road tax.

EFFECTIVE DATE: Upon passage

§ 9 – Application of Urban and Industrial Sites Reinvestment Act (URA) Tax Credits

The bill prohibits the application of URA tax credits against the (1) ambulatory surgical center gross receipts tax, (2) dry cleaning gross receipts tax, and (3) public service companies tax. As under current law, the credits continue to apply against the insurance premiums tax; corporation business tax; unrelated business income tax; air carriers tax; railroad companies tax; cable, satellite, and video companies tax; and utility companies tax.

EFFECTIVE DATE: Upon passage and applicable to income years beginning on or after such date

§ 10 – Penalty Review Committee

The bill increases, from \$1,000 to \$5,000, the threshold for penalty waivers requiring Penalty Review Committee review and approval. By law, the Penalty Review Committee must review and approve (1) tax penalty waivers granted by the DRS commissioner and (2) lottery sales agent penalty waivers granted by the consumer protection commissioner, if they exceed a minimum threshold.

The Penalty Review Committee consists of the comptroller, DRS commissioner, and Office of Policy and Management secretary or their designees. The committee (1) must meet at least monthly and make an itemized statement of all approved waivers available for public inspection and (2) may approve a waiver only by majority vote.

EFFECTIVE DATE: Upon passage

§§ 11-27 & 33 – Tax Appeals Timeframe

The bill modifies the timeframe for aggrieved taxpayers to bring tax appeals to the Superior Court in New Britain by requiring that they do so within 30 days, rather than one month, of receiving notice. It also repeals an obsolete statute concerning tax appeals.

EFFECTIVE DATE: Upon passage

§ 28 – Order of Applying Partial Payments

For periods ending on or after December 31, 2019, the bill requires the DRS commissioner to apply partial payments to penalties first, then to interest, and any remaining balance to the tax. Under current law, the commissioner must still apply the payment to the penalties first, but he must apply the remaining balance first to the tax and then to the interest.

EFFECTIVE DATE: Upon passage

§ 29 – Penalties for Payments by Electronic Funds Transfer

The bill replaces the graduated penalties that apply to late tax payments paid by electronic funds transfer with the existing penalties that apply to late payments for the respective tax. Under current law, the penalty is 2% if it is less than six days late, 5% if it is six to 15 days late, and 10% if it is more than 15 days late. For periods ending on or after December 31, 2019, the bill instead requires any late tax payments paid by electronic funds transfer to be subject to interest and penalty provisions that apply by law to the specific tax being paid.

EFFECTIVE DATE: Upon passage

§ 30 – State Tax Refunds

The bill requires businesses, as a condition of receiving a tax refund for a tax they collected from a customer, to establish to the revenue services commissioner's satisfaction that the tax amount for which they are claiming a refund has been or will be repaid to the customer.

EFFECTIVE DATE: July 1, 2019, and applicable to refund claims received on or after July 1, 2019

§ 31 – Estate Tax on Specified Business Property

The bill establishes conditions under which real and tangible personal property owned by a pass-through entity is treated as personally owned by a decedent for estate tax purposes.

Under the bill, such property must be treated as personally owned by the decedent if (1) the entity does not actively carry on a business for profit or gain, (2) the property's ownership by the entity was not for a valid business purpose, or (3) the property was acquired by other than a bona fide sale for full and adequate consideration and the decedent retained a power with respect to or interest in the property that would bring the property within the decedent's federal gross estate.

EFFECTIVE DATE: Upon passage

§ 32 – Repeal of Obsolete Statutes

The bill repeals obsolete statutory provisions concerning the generation-skipping transfer tax. Due to the repeal of the federal law on which the tax was based, the tax applied only to transfers made before January 1, 2005.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

The bill predominantly makes a number of technical and procedural changes that are anticipated to have a minimal impact. The provision of the bill that requires taxpayers to include guaranteed payments in their taxable income for Pass-Through Entity Tax purposes results in a potential revenue gain, the magnitude of which is uncertain.

21. [H.B. No. 7374](#) (RAISED) AN ACT CONCERNING THE CONNECTICUT AIRPORT AND AVIATION ACCOUNT AND REDUCING THE RATE OF SALES AND USE TAXES ON DYED DIESEL FUEL USED FOR MARINE PURPOSES. (FIN) JF

SUMMARY: This bill reduces, from 6.35% to 2.99%, the sales and use tax rate applicable to dyed diesel fuel sold by marine fuel dock owners or operators exclusively for marine purposes. (Federal law exempts diesel fuel used for certain non-highway purposes, including marine purposes, from federal fuel taxes and requires exempt diesel fuel to be dyed red so it can be identified.)

The bill also modifies the process for disbursing funds from the Connecticut Airport and Aviation Account (see BACKGROUND) to the CAA. Current law requires DOT, with Office of Policy and Management (OPM) approval, to spend the account's resources for airport and aviation-related purposes. In practice, DOT, with approval from OPM, periodically transfers the funds to the CAA.

Under the bill, money in the account must be transferred directly to a CAA-established account and used for airport and aviation-related purposes. The amount and frequency of the transfers must be mutually agreed upon by the CAA executive director and the revenue services commissioner.

EFFECTIVE DATE: July 1, 2019



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FISCAL IMPACT:

The bill results in a revenue loss of less than \$10,000 annually by reducing the sales tax rate (from 6.35% to 2.99%) that applies to dyed diesel fuel sold by a marine fuel dock exclusively for marine purposes.

22. [S.B. No. 1120](#) (RAISED) AN ACT CONCERNING THE MILL RATE FOR REAL PROPERTY AND MOTOR VEHICLES OWNED BY CERTAIN UTILITY COMPANIES AND ESTABLISHING A PROPERTY TAX EXEMPTION FOR CERTAIN ITEMS WAREHOUSED IN THE STATE BY SUCH COMPANIES. (FIN) JFS

SUMMARY OF SUBSTITUTE BILL: For assessment years beginning on or after October 1, 2019, this bill requires the property tax on an electric distribution company's wires, poles, pipes, or other fixtures that are replaced or installed on or after October 1, 2019, to be calculated using a mill rate of 15 mills, regardless of the municipality or taxing district in which the property is set. The bill applies only to companies (1) that provide electric transmission or distribution services to 15 or more towns and (2) for which the Public Utilities Regulatory Authority approves rates.

The bill also exempts from property tax any wires, poles, pipes, or other fixtures that will be installed or used by such electric distribution company to distribute electricity and that are warehoused in the state, until such items are removed from the warehouse for installation or use in the state. Any electric distribution company claiming this exemption must annually file a request with the municipal assessor on a form the assessor prescribes.

EFFECTIVE DATE: October 1, 2019

FISCAL IMPACT:

State Impact: **None**

Municipal Impact: **See Below**

The bill requires that property owned by electric distribution companies (EDCs) that is replaced beginning in FY 21 (such as poles, wires, etc.) to be taxed at 15 mills. The bill results in a potential revenue loss to municipalities, beginning in FY 21 and continuing in the out years, as such property is replaced. The revenue loss to any town will vary based on the difference between their current mill rate and 15 mills, and the rate at which equipment is replaced. For context, the average mill rate in FY 19 is 31.

The bill also exempts certain property owned by EDCs that is warehoused and is awaiting installation. The revenue loss associated with this provision is expected to be minimal.



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23. [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.

REFERRED BILLS FOR JF CONSIDERATION

1. [Substitute for H.B. No. 7294](#) (RAISED) (File No. 561) AN ACT CONCERNING BOTTLE REDEMPTION IN THE STATE. (ENV,FIN) JF

REASON FOR REFERRAL: Expands the bottle bill program

SUMMARY: This bill revamps the state’s bottle bill law by, among other things:

- expanding the list of beverages subject to the bottle bill’s requirements to include most juices, teas, and sports or energy drinks (§§ 1 & 6);
- increasing, beginning July 1, 2022, the beverage container deposit amount to at least 10 cents, rather than five cents (§ 2);
- increasing, by two or two and one-half cents depending on the type of container, the per-container handling fee distributors must pay to dealers (e.g., and hereafter, “retailers”) and redemption centers (§ 3);
- reducing, by 20%, the amount of unclaimed deposits that are paid to the revenue services commissioner for deposit into the General Fund and allowing the distributors to keep these funds (§ 4); and
- establishing a state beverage container redemption goal of 90% and allowing the Department of Energy and Environmental (DEEP) commissioner to develop a strategy to meet it (§ 5).

EFFECTIVE DATE: July 1, 2020, except the (1) deposit increase takes effect July 1, 2022, and (2) provisions establishing the 90% beverage container redemption goal and exempting certain small juice manufacturers from the bottle bill are effective October 1, 2019.

FISCAL IMPACT:

The bill, which expands the beverage container redemption law and increases the associated deposit amount, results in a net General Fund revenue loss of less than \$600,000 in FY 21 and FY 22 and less than \$50,000 in FY 23 and annually thereafter due to the bill's provision that reduces the amount of bottle escheat revenue the General Fund retains from 100% to 80%. This also results in a one-time cost of up to \$30,000 to the Department of Revenue Services (DRS) in FY 21 for revisions to the online Taxpayer Service Center through which the revenue is remitted.

2. [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) JF

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.