



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 5, 2010 Agenda

FINANCE COMMITTEE BILLS FOR JF CONSIDERATION

1. S.B. No. 25 (RAISED) AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES - (JFS)

Fiscal Impact:

sSB 25 authorizes \$58.6 million in new General Obligation (GO) bonds in FY 11 and cancels approximately \$471.3 million in prior GO bond authorizations. The total General Fund debt service cost for principal and interest payments to issue this amount over 20 years assuming a 5.0% interest rate is \$89.4 million. The first year that the state will experience costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the funds are expended.

The bill also authorizes \$40 million in Clean Water Fund revenue bonds in FY 11. The General Fund interest cost for principal and interest payments to issue this amount over a 20 year term assuming a 5% interest rate is \$106.8 million. The debt service cost for these bonds is paid primarily with revenue from: (1) investment earnings on the reserves and assets held in the reserve fund required by statute, and (2) loan payments from towns who receive Clean Water Fund low-interest loans. This reduces the debt service cost for the General Fund to a minimal amount. The first year that the state will experience costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the funds are expended.

Summary:

See separate schedule for detailed listing of the items.

2. S.B. No. 27 (RAISED) AN ACT LIMITING STATE BOND AUTHORIZATIONS. (JFS) (New Title and Content)

Fiscal Impact:

The bill authorizes \$4.825 in Special Tax Obligation (STO) bonds in FY 11. The total Special Transportation Fund debt service cost for principal and interest payments to issue this amount over 20 years assuming a 5.1% interest rate is \$8.1 million. The first year that the state will experience costs associated with the bonds depends on when they are allocated through the State Bond Commission and when the funds are expended.

Summary:

See separate schedule for detailed listing of the items.

3. S.B. No. 432 (RAISED) AN ACT CONCERNING A REVIEW OF TAX CREDITS. (JFS)

Fiscal Impact:

The bill, which requires the Department of Economic and Community Development to prepare a report on certain tax credit and abatement programs, results in no fiscal impact.

Summary:

The substitute bill requires the Economic and Community Development (DECD) commissioner, in consultation with the revenue services (DRS) commissioner, to report every three years, starting by January 1, 2011 on the state's tax credit and abatement programs used to recruit and retain businesses. The commissioner must submit the report to the governor, the Office of Policy and Management secretary, and the Appropriations, Commerce, and Finance, Revenue and Bonding committees.

The bill requires DECD to include the following information for each program it administers:

1. a baseline assessment of each tax credit or abatement program, including the aggregate number of jobs associated with eligible industries, the aggregate annual state revenue associated with the industries and their employees, and the industries' contribution to the state economy;
2. a listing, by program, of the tax credits or abatements approved during the preceding calendar year; and

3. a summary and evaluation of all tax credits or abatements the state administers.

The summary and evaluation must include, for each program:

1. the number of taxpayers granted credits in the previous 12 months, the amount of credits by program and by North American Industrial Classification System (NAICS) code;
2. the amount of credits claimed, carried forward, and assigned, by credit and NAICS code;
3. an assessment and five-year projection of the effect of the carry forwards on the state's revenue;
4. the credit's "effective purpose," which is either to encourage behavior that would not otherwise have occurred or to reduce the recipient's effective tax rate, and its statutory and programmatic goals, along with analysis of whether they goals are being met;
5. an analysis of the credit's economic impact;
6. an cost-benefit analysis of the revenue foregone compared to the economic activity the credits create;
7. as assessment of the fairness, performance, burden, economic impact and incidence of the corporation business and insurance company taxes;
8. the cost to the state and to businesses of administering and complying with the corporation and insurance premium taxes and their credits;
9. the methodology and assumptions used in the report; and
10. a recommendation whether each tax credit program should be continued, modified, or repealed.

EFFECTIVE DATE: July 1, 2010

4. S.B. No. 435 (RAISED) AN ACT CONCERNING MUNICIPAL FEE INCREASES

Fiscal Impact:

The bill is anticipated to result in a municipal revenue gain of approximately \$1 million per year beginning in FY 11. The amount of gain to municipality will be

dependent on the population of the town and the amount of revenue from the current fees.

Summary:

All sections of this bill take effect July 1, 2010.

§ 1 - Notary Fees

The bill doubles the maximum fee for an action by a notary public from \$5 to \$10. It also increases the mileage allowance for notaries from 35 cents per mile to the standard IRS mileage rate. For 2010, the standard IRS mileage rate for business travel is 50 cents per mile. The IRS adjusts the rate annually.

§ 2 - Various Town Clerk Fees

The bill increases town clerks' fees from:

1. \$5 to \$10 for filing a document,
2. \$10 to \$20 for recording a notary public's commission and oath, and
3. \$2 to \$5 for certifying a notary's official character under seal.

It also combines and increases the separate fees for town clerks to file and index maps and surveys. Currently, there are separate \$5 fees for filing and indexing a survey or map as well as a \$15 fee for indexing a subdivision map or survey. The bill eliminates the separate fees and establishes a \$20 fee for filing and indexing any kind of map or survey.

By law, document filing fees are subject to the following surcharges:

1. \$3 per document, of which the town clerk retains \$1 and sends \$2 to the State Library for the preservation of historic documents;
2. until July 1, 2011, \$40 per document, \$1 for the town clerk, \$3 for the municipality's general revenue, \$26 to the state for land protection, affordable housing, and historic preservation, and \$10 for aid to dairy farmers; and
3. on and after July 1, 2011, \$30 per document allocated as described above without the \$10 allocation for dairy farmers.

§§ 3 & 5 - Marriage Licenses and Burial and Cremation Permits

The bill doubles the fee for a marriage license from \$10 to \$20. The marriage license fee is subject to a \$20 state surcharge to fund household abuse shelters and rape crisis services.

The bill increases fees for (1) burial permits and removal, transit, and burial permits from \$2 to \$5; (2) cremation permits from \$3 to \$5; and (3) the required written notice of cremation to the town where the death occurred from \$1 to \$2. It also imposes a \$5 fee for a disinterment permit.

These fees go to the registrars of vital statistics, who are the town clerks.

§ 4 - Election Conference Reimbursements

The bill increases required municipal expense reimbursements for town clerks and registrars of voters to attend election law conferences called by the secretary of the state from \$35 dollars per day plus a minimum of 20 cents per mile to the cost of the conference registration plus mileage at the standard IRS rate (50 cents per mile for 2010).

By law, a town must compensate its town clerk, or in the clerk's absence an assistant town clerk, and each of its registrars of voters, or in the registrar's absence his or her deputy, for attending two such conferences per year.

§§ 6-10 - Dog and Kennel License Fee Increases

The bill increases the penalty for failing to get or renew a dog license on time from \$1 to \$2 per month and the late fee for failing to get or renew a kennel license on time from \$1 to \$2 per dog. It also increases fees for replacement dog tags (1) from 50 cents to \$5 for lost tags, (2) from \$1 to \$5 for new owner tags, and (3) from 50 cents to \$5 for a dog owner who moves to another town.

The bill reduces the share of revenue from late fees that towns must send to the agriculture commissioner from 100% to 50%, thus allowing towns to retain all the revenue from the increased late fees. It also requires town clerks to retain all revenue from issuing replacement tags. Under current law, a town clerk keeps 50 cents of each replacement tag fee and must send the rest to the town dog fund. By law, towns must use money in their dog funds for local animal control activities and must send 40% or 50% (depending on the circumstances) of the dog licensing revenue to the agriculture commissioner.

§ 11 - Liquor Permit Recording Fee

The bill increases the fee for filing a duplicate liquor permit with the town clerk in the town where permitted business is located from \$2 to \$15.

5. S.B. No. 484 (RAISED) - AN ACT CONCERNING THE GOVERNOR'S REVENUE PLAN. (JFS) (New Title and Content)

Fiscal Impact:

Summary:

6. H.B. No. 5482 (RAISED) AN ACT EXTENDING THE DEADLINE FOR CERTAIN TAX CREDITS AND EXEMPTIONS (JFS)

Fiscal Impact:

The bill is anticipated to result in a one-time General Fund revenue loss to the Corporation Business Tax of \$325,000 in FY 11 as a result of increasing the organization contribution cap for the 2009 income year.

Summary:

All sections of this bill are effective on passage.

§ 1 - Exemption for Certain Property Located in a Distressed Municipality, Targeted Investment Community, or Enterprise Zone

The bill allows a Bridgeport taxpayer to receive the following property tax exemptions for the 2007 and 2008 grand list years even though they missed the filing deadlines for the exemptions:

1. manufacturing and service facilities located in distressed municipalities, targeted investment communities, or enterprise zones (CGS § 12-81 (59)), and
2. machinery and equipment in manufacturing or service facilities located in distressed municipalities, targeted investment communities, or enterprise zones (CGS § 12-81 (60)).

By law, property owners must apply to local assessors for these exemptions by November 1 annually. The bill waives the deadline for the Bridgeport property owners if they apply within 30 days of the bill's passage and pay the statutory late fee.

The bill requires the Bridgeport assessor to (1) verify eligibility for, and approve the exemption; (2) refund any excess taxes paid on the property; and (3) submit the request for a tax loss reimbursement to the Office of Policy and Management secretary. Subject to the secretary's review and approval, the bill requires the state to include the required 50% tax loss reimbursement for the property in its next annual grant payment to Bridgeport for property tax losses on such property.

§ 2 - Exemption for Property Leased to a Charitable, Religious or Nonprofit Organization

A municipality may, by ordinance, exempt real or personal property from property tax when it is leased to a charitable, religious, or nonprofit organization. To be exempt, the property must be used exclusively for the organization's purposes.

The bill allows a Middletown taxpayer who failed to file the required application for the exemption in time but who was otherwise eligible for it for the 2008 and 2009 grand list years, to apply for the exemption for those years within 30 days after the bill's effective date. The Middletown assessor must verify the taxpayer's eligibility for, and approve, the exemption, and Middletown must refund any excess taxes paid on the property.

§ 3 - Neighborhood Assistance Act Credit

The Neighborhood Assistance Act provides business tax credits to companies that donate to municipal and nonprofit organization programs approved by municipalities. The law limits the total contributions an eligible program may receive from companies claiming the credits to \$150,000 per year. The bill overrides this limit and requires the revenue services commissioner to approve funding in excess of \$150,000 for the 2009 income year for an organization conducting programs approved by the city of Hartford and the Department of Economic and Community Development.

Additional Sections in Substitute Bill

Exemption for Manufacturing Machinery and Equipment

The bill allows a New Britain taxpayer to receive a property tax exemption for manufacturing machinery and equipment (§ 12-81 (72) the 2008 grand list year even though they missed the filing deadlines for the exemption.

By law, property owners must apply to local assessors for this exemption by November 1 annually. The bill waives the deadline for the New Britain property owners if it applies within 30 days of the bill's passage and pays the statutory late fee.

The bill requires the New Britain assessor to (1) verify eligibility for, and approve the exemption; (2) refund any excess taxes paid on the property; and (3) submit the request for a tax loss reimbursement to the Office of Policy and Management secretary. Subject to the secretary's review and approval, the bill requires the state to include the required 50% tax loss reimbursement for the property in its next annual grant payment to New Britain for property tax losses on such property.

Neighborhood Assistance Act Credits

The bill allows two taxpayers to claim Neighborhood Assistance Act credits for the 2009 tax year for certain qualifying donations if: (1) they applied to DRS for approval of their qualifying donations before 2009, (2) DRS did not approve or send confirmation of approval until 2010, and (3) the taxpayers establish that they made the donations by June 30, 2010.

7. H.B. No. 5534 (RAISED) - AN ACT CONCERNING A REVENUE ACCOUNTABILITY COMMISSION.

Fiscal Impact:

There may be minimal costs to the Office of Legislative Management for mileage reimbursement in both FY 11 and FY 12 to the extent that legislators serve on the Commission.

Summary:

§ 1 - Revenue Accountability Commission

The bill establishes a 17-member Revenue Accountability Commission to review the adequacy, equity, balance, simplicity, economic competitiveness, effectiveness, and efficiency of the state's revenue structure and recommend improvements. The commission must report to the Finance, Revenue and Bonding Committee by December 1, 2010 and January 1, 2012.

The 2010 report must include options for tax, exemption, rate, and tax base changes that the commission recommends as necessary to raise revenue to balance the state budget. The 2012 report must contain the commission's findings and recommendations, including recommendations for more a

permanent and sustainable source for ongoing reviews of the state’s revenue structure. The commission terminates after submitting its final report or on January 1, 2012, whichever is later.

EFFECTIVE DATE: Upon passage

§ 2 - DRS Disclosure Authority

The bill allows the DRS commissioner to disclose tax returns or return information to the commission for the purposes of its review.

By law, “return information” is (1) a taxpayer's identity; (2) the nature, source, or amount of his income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax collected or withheld, under- or over-reporting, or tax payments; (3) whether his return is, was, or will be examined or investigated; or (4) any other data received, recorded, prepared, or collected by or furnished to the DRS commissioner regarding a return or regarding any determination of liability for a tax, penalty, interest, fine, forfeiture, or other imposition or an offense.

EFFECTIVE DATE: October 1, 2010

REVENUE ACCOUNTABILITY COMMISSION

Members, Appointing Authorities, First Meeting

The commission has 17 members: the economic and community development and revenue services commissioners or their designees, the Finance, Revenue, and Bonding committee chairs and ranking members or their designees, and 11 additional members as shown below.

<i>Number</i>	<i>Appointed By</i>	<i>Criteria</i>
2	House speaker	Background as state or local revenue policy managers
2	Senate president pro tempore	Background in labor issues
1	House majority leader	Representing a policy-focused nonprofit entity
1	Senate majority leader	Representing large businesses
1	House minority leader	Representing a policy-focused nonprofit entity
1	Senate minority leader	Representing small businesses
3	Commission members, jointly	To ensure the commission includes members with adequate knowledge and background and represents diverse views

Appointments must be made within 30 days after the bill is effective. Vacancies are filled by appointing authorities. The commission must hold its first meeting by September 1, 2010. It must select its two chairpersons from among its members. The chairpersons must schedule subsequent meetings. The commission must meet at least four times per year.

Responsibilities

The bill requires the commission to:

1. gather, analyze, and evaluate all state and local revenue data using proven performance measures;
2. assess the revenue policy environment implications by considering the revenue environments of U.S. cities and states and of foreign cities, provinces, and countries;
3. compare and contrast Connecticut's tax structure with those of neighboring and competing states;
4. consider the short- and long-term consequences of Connecticut's current structure compared to those of others studied;
5. use appropriate economic forecasting to judge the viability of the state's revenue streams;
6. identify revenue successes and failures; and
7. review and assess the incidence of sales, income, and business taxes at various income levels and map and model the projected revenue from various rate and base changes.

Information Disclosure and Reporting

The bill requires the commission to make every effort to ensure that its process data gathering, assessment, and reporting is open, transparent, and available for future use. It must do so by (1) appointing and soliciting information and advice from expert advisory panels on specific issues; (2) holding necessary and appropriate public hearings; (3) publishing, through any available media and on an Internet website, all meeting minutes, information gathered, and reports; and (4) as allowed by statutory limits on disclosing individual tax information, report aggregated and assimilated tax data as widely as possible.

In addition to the two required reports to the Finance, Revenue and Bonding Committee, the bill allows the commission to publish, at any time, information developed during its work. It must submit a copy of any such published information to the Finance, Revenue and Bonding Committee.

8. S.B. No. 477 (RAISED) AN ACT CONCERNING A TAX CREDIT FOR MAKING JOBS ACCESSIBLE TO EMPLOYEES WITH AUTISM SPECTRUM DISORDERS (JFS)

Fiscal Impact:

There will be a revenue loss to the General Fund of up to \$500,000 per year to the degree that companies hire job coaches to assist employees with autism spectrum disorders.

Summary:

The substitute bill establishes a transferable corporation and insurance premium tax credit for (1) hiring a person diagnosed with autism spectrum disorders and (2) providing a job coach for an employee with autism spectrum disorders. The credit, which is available for income years starting on or after January 1, 2011, is \$200 per month for each full month a qualifying employee works at the company and \$200 for each full month the employer provides a job coach for the employee. The bill limits aggregate credits to all companies at \$500,000 annually.

To be eligible for a credit, the business must employ the qualifying employee for at least 20 hours per week, counting any hours the employee participates in a job training program approved by the labor commissioner. The job coach can be a company employee, employed by another entity, or self-employed.

Before hiring the employee or job coach, the bill requires a company to apply to the labor commissioner, between July and December 31 annually for a credit allocation. The labor commissioner must approve applications within 60 days, in the order they are received. Companies that receive an allocation must, within 30 days after the end of their income years, report the number of full months they employed qualifying employees.

Under the bill, companies may claim the credits during the income year in which the qualifying employees were employed. Companies may carry forward unused credits for up to five years. They may also transfer the credits, but no credit may be transferred more than three times.

EFFECTIVE DATE: July 1, 2010 and applicable to income years starting on or after January 1, 2011.

9. H.B. No. 5483 (RAISED) AN ACT ESTABLISHING A REGIONAL HOTEL TAX (JFS)

Fiscal Impact:

The bill is anticipated to result in a revenue gain to municipalities and regional council of governments of approximately \$18.8 million per year beginning in FY 11.

Summary:

The substitute bill increases the hotel and lodging house tax from 12% to 15%. It requires the DRS commissioner to deposit 20% of the revenue from the tax in a separate account. The funds in the account must be distributed annually on a pro rata basis according to population as follows: (1) one-third to the municipalities where hotels and lodging houses are located and (2) two-thirds to regional councils of governments (COGs).

EFFECTIVE DATE: July 1, 2010

BACKGROUND

Regional Councils of Governments

A regional council of governments is made up of the chief elected officials of its member municipalities. A COG can be established in any OPM-designated planning region, if the legislative bodies of at least 60% of the towns in the region adopt, by ordinance, the state statutory requirements for such a body (§§ 4-124i-4-124n). COGs carry out the planning duties and responsibilities for the region, including preparing the required plan of development and reviewing certain zoning and subdivision matters. There state currently has eight COGs as shown in the table below.

<i>Capitol Planning</i>		<i>Central Naugatuck Valley</i>	<i>Northeastern Connecticut</i>	<i>Northwestern Connecticut</i>	<i>South Central</i>	<i>Southeastern Connecticut</i>	<i>Windham</i>	<i>Valley</i>
Andover	Manchester	Beacon Falls	Brooklyn	Canaan	Bethany	Bozrah	Ashford	Ansonia
Avon	Marlborough	Bethlehem	Canterbury	Cornwall	Branford	Colchester	Chaplin	Derby
Bloomfield	Newington	Cheshire	Eastford	Kent	East Haven	East Lyme	Columbia	Seymour
Bolton	Rocky Hill	Middlebury	Killingly	North Canaan	Guilford	Franklin	Coventry	Shelton
Canton	Simsbury	Naugatuck	Plainfield	Roxbury	Hamden	Griswold	Hampton	
East Granby	Somers	Oxford	Pomfret	Salisbury	Madison	Groton	Lebanon	
East Hartford	South Windsor	Prospect	Putnam	Sharon	Meriden	Ledyard	Mansfield	
East Windsor	Suffield	Southbury	Sterling	Warren	Milford	Lisbon	Scotland	
Ellington	Tolland	Thomaston	Thompson	Washington	New Haven	Montville	Willington	

<i>Capitol Planning</i>		<i>Central Naugatuck Valley</i>	<i>Northeastern Connecticut</i>	<i>Northwestern Connecticut</i>	<i>South Central</i>	<i>Southeastern Connecticut</i>	<i>Windham</i>	<i>Valley</i>
Enfield	Vernon	Waterbury	Union		N. Branford	New London	Windham	
Farmington	West Hartford	Watertown	Woodstock		North Haven	N. Stonington		
Glastonbury	Wethersfield	Wolcott			Orange	Norwich		
Granby	Windsor	Woodbury			Wallingford	Preston		
Hartford	Windsor Locks				West Haven	Salem		
Hebron					Woodbridge	Sprague		
						Stonington		
Source: Secretary of the State						Voluntown		

10. S.B. No. 478 (RAISED) AN ACT CONCERNING INTRA-CORPORATION PAYMENTS TO RELATED ENTITIES (JFS) (New Title and Content)

Fiscal Impact:

The bill is anticipated to result in a net General Fund revenue gain of: (1) \$8.6 million in FY 10, (2) \$184.6 million in FY 11, and (3) \$167.9 million in FY 12. These figures are a combination of the following provisions in the bill:

1. A General Fund revenue gain of approximately \$5.9 million in FY 10, \$70.3 million in FY 12, and \$64.4 million in FY 13 resulting from the modifications to the Gift and Estate Tax;
2. A General Fund revenue gain of approximately \$207 million beginning in FY 11 from implementing a hospital gross earnings tax of 5.5%, effective July 1, 2010;
3. A General Fund revenue gain of approximately \$103.5 million resulting from an increase in federal matching funds due to appropriating the proceeds from the Hospital Tax to hospitals for disproportionate share payments;
4. A general Fund gain of approximately \$2.7 million in FY 10 and \$10.8 million in FY 11 as result of from achieving a higher federal stimulus match rate for certain hospital payments.

Summary:

Estate and Gift Tax

The substitute bill increases estate and gift tax rates for deaths occurring and gifts made on or after January 1, 2010 and before January 1, 2012.

Under current law, the following changes in the estate and gift taxes took effect starting with deaths occurring and gifts made on or after January 1, 2010: (1) an

increase, from \$2 million to \$3.5 million, in the threshold value of an estate or gift subject to the estate and gift tax; (2) elimination of the so-called tax “cliff” (see explanation below); and (3) a 25% reduction in tax rates.

The bill retains the higher tax threshold and eliminates the cliff but, to compensate for the resulting revenue loss, it increases the marginal tax rates on estates and gifts over \$3.5 million from between 7.2% and 12% to between 14.8% and 20% for two years. These higher rates affect estates of those who die, and gifts made on or after January 1, 2010 and before January 1, 2012. The bill restores the current rates starting with deaths occurring and gifts made on or after January 1, 2012 as shown in the table below.

VALUE OF TAXABLE ESTATE OR GIFT		CURRENT LAW		THE BILL			
		On or After January 1, 2010 (Add cols. C & D)		On or After January 1, 2010 and Before January 1, 2012 (Add cols. E & F)		On or After January 1, 2012 (Same as Current Law) (Add cols. G & H)	
Col. A: Over	Col. B: But not over	Col. C: Tax on Col. A	Col. D: Tax rate on excess over Col. A	Col. E: Tax on Col. A	Col. F: Tax rate on excess over Col. A	Col. G: Tax on Col. A	Col. H: Tax rate on excess over Col. A
0	3,500,000	NO TAX		NO TAX		NO TAX	
3,500,000	3,600,000	0	7.2%	0	14.8%	0	7.2%
3,600,000	4,100,000	\$7,200	7.8%	\$14,800	15.6%	\$7,200	7.8%
4,100,000	5,100,000	46,200	8.4%	92,800	16.4%	46,200	8.4%
5,100,000	6,100,000	130,200	9.0%	256,800	17.2%	130,200	9.0%
6,100,000	7,100,000	220,200	9.6%	428,800	18.0%	220,200	9.6%
7,100,000	8,100,000	316,200	10.2%	608,800	18.8%	316,200	10.2%
8,100,000	9,100,000	418,200	10.8%	796,800	19.2%	418,200	10.8%
9,100,000	10,100,000	526,200	11.4%	998,880	19.6%	526,200	11.4%
Over \$10,100,000		640,200	12.0%	1,184,800	20.0%	640,200	12.0%

The “Cliff” Explained

Under prior law, in effect from January 1, 2005 to January 1, 2010, the estate and gift tax contained a so-called “cliff.” The cliff was produced because, under the pre-January 1, 2010 tax, an estate or gift valued at \$2 million or less was not taxed at all, while the full value of an estate or gift of more than \$2 million was taxed. Thus, a \$1 increase in value from \$2,000,000 to \$2,000,001 increased the tax liability for a gift or estate over \$2 million by \$101,700 (the “cliff”). The current law and the bill eliminate the cliff by applying the tax only to the portion of the estate or gift that exceeds the tax threshold. This change also took effect with deaths occurring and gifts made on or after January 1, 2010.

EFFECTIVE DATE: Upon passage and applicable to estates of those who die, and gifts made on or after January 1, 2010.

Hospital Gross Earnings Tax

The substitute bill imposes a 5.5% tax on hospital gross earnings. The tax applies to short-term, acute care hospitals licensed by the DPH. Hospitals licensed as children's general hospitals and those operated exclusively by the state are exempt, unless the state is operating the hospital as a receiver.

For tax purposes, a hospital's "gross earnings" are its net revenue minus the amount of federal payments it is projected to receive for Medicare patients and the amount it expects to receive from the DSS. In each case, the projections must be based on its budget authorization.

The tax is payable quarterly on the last day of January, April, July, and October, starting with calendar quarters beginning on and after July 1, 2010.

EFFECTIVE DATE: July 1, 2010

Disproportionate Share (DSH) Payments

Beginning in FY 10 and for each subsequent fiscal year, the substitute bill requires that funds appropriated to hospitals in the DSH-Medical Emergency Assistance, DSH-Urban Hospitals in Distressed Municipalities, and the Connecticut Children's Medical Center (state match for drawing down federal DSH money) accounts be transferred to the Medicaid Rates-Hospitals account. (All of these are line items in DSS' budget.)

The purpose of the transfer is for the state to obtain federal matching funds (an enhanced federal match (61.9% versus 50%) is available until December 30, 2010, under the American Recovery and Reinvestment Act). State DSH payments are eligible for only a 50% federal match. By moving these funds to the Medicaid Rate line item, the state qualifies for the enhanced match. The bill requires that the transferred funds be used to increase each hospital's Medicaid (presumably fee-for-service) rate by an amount that fully offsets the loss of DSH payments resulting from the transfer.

The bill also requires the DSS commissioner to require each managed care organizations (MCO) participating in HUSKY to pay hospitals with which they contract at least the rate established by the DSS commissioner for hospitals participating in the Medicaid fee-for-service program. Currently, the MCOs use the FFS rates as a base rate.

EFFECTIVE DATE: July 1, 2010

Attorney Occupational Tax

The substitute bill eliminates an exemption from the \$565 annual attorney occupational tax for attorneys who practice law as state employees.

EFFECTIVE DATE: July 1, 2010

11. H.B. No. 5087 (COMM) AN ACT CONCERNING FISCAL NOTES (FIN)

Fiscal Impact:

Summary:

§ 1 - Fiscal Note Contents

The bill expands the required information in fiscal notes to include, where applicable, the number of public sector jobs a bill creates in the current and the five following fiscal years. Current law requires fiscal notes to identify a bill's state and municipal cost and revenue impacts for the current and the five following fiscal years.

§§ 1 & 2 - Fiscal Notes Required Before Final Committee Action

The bill requires the Office of Fiscal Analysis (OFA) to provide a fiscal note at least 24 hours before a legislative committee takes final action on any bill that may require state or municipal spending or affect state or municipal revenue in the current fiscal year or any of the following five fiscal years. The fiscal note must be available to the committee's members.

The fiscal note requirement does not apply to bills with proposed substitute language or when a committee votes, by a majority of the members present at the meeting, to proceed without a fiscal note. The requirement applies only to bills being considered by joint standing committees and does not apply to select committee bills.

Current law requires OFA to prepare fiscal notes on all favorably reported bills requiring state or municipal spending or affecting state or municipal revenue. The General Assembly's joint rules also require a fiscal note on all floor amendments that meet these criteria. The fiscal note must be available when the amendment is offered (JR 15 (c)).

EFFECTIVE DATE: October 1, 2010

12. S.B. No. 485 (RAISED) AN ACT CONCERNING TAX FAIRNESS

Fiscal Impact:

The bill could result in a General fund revenue gain of between \$15 and \$35 million. However, measuring the fiscal impact of the change in combined reporting requirements on the overall Connecticut Corporation Businesses Tax base is difficult because specific data on combined groups is not available.

The estimate is based on recent fiscal estimates of other states that have considered requiring corporations to file combined returns. Their estimates are generally that the change will increase the existing collections base between 3% and 7%. It should be noted that the impact in Connecticut will be influenced by: (1) recent measures to prevent the shifting of expenses from Delaware Holding Companies (interest add back, trademark/royalty expensing) to companies that have nexus for Connecticut Corporate Tax purposes, and (2) allowing taxpayers to elect to file a combined return.

Summary:

This bill requires any company that is (1) a member of corporate group of related companies meeting certain criteria and (2) subject to the Connecticut corporation tax (a "taxable member"), to determine its Connecticut corporation tax liability based on the net income and capital based of the entire group. Under the bill, a company must use this method of computing tax liability if it is part of a corporate group engaged in a "unitary business," as defined in the bill. The bill thereby eliminates deductions and other adjustments for intercompany transactions between the group's members.

Under current law, a company doing business in Connecticut that is part of a larger group determines its Connecticut net income separately. A corporate group doing business in Connecticut and that files consolidated federal corporate tax return has the option of filing a combined Connecticut return, but first has to separately apportion each member's net income or capital base separately among the states where the member operates. The separately apportioned Connecticut shares of income and losses of group members doing business here are then combined to determine their corporation tax liability. The DRS commissioner can also require groups that do not file consolidated federal returns to file combined Connecticut reports under certain circumstances. The bill eliminates these optional combined returns for income years starting on or after January 1, 2010 (§ 19).

The bill establishes (1) the corporate groups that must file unitary returns; (2) how unitary groups must apportion net income, net operating losses, and capital base for Connecticut corporation tax purposes; (3) apportionment methods for groups whose members are subject to different apportionment formulas; (4) treatment of certain tax credits, credit limits, tax surcharges, and minimum taxes in a unitary filing; and (4) filing and estimated tax payment requirements for groups filing unitary returns.

The bill also establishes special estimated tax filing deadlines and safe harbor provisions for taxpayers required to file unitary returns in 2010 and makes conforming changes.

EFFECTIVE DATE: Upon passage and applicable to income years starting on or after January 1, 2010.

§ 3 - Unitary Business and Combined Group

The bill defines a “unitary business” as a single economic enterprise that is interdependent, integrated, or interrelated enough through its activities to provide mutual benefit and produce significant sharing or exchanges of value among its entities or a significant flow of value among its separate parts. A unitary business can be either separate parts of a single entity or a group of separate entities under common ownership. Businesses conducted or connected through partnerships or S corporations (“pass-through entities”) may be considered unitary if they meet certain conditions.

Under the bill, businesses are considered to be under common ownership if the same entity or entities directly or indirectly own more than 50% of voting control of each of them. The owners do not themselves have to be members of the combined group. Indirect control must be determined according to the federal tax code.

A “combined group” is all the companies that (1) have common ownership and (2) are engaged in a unitary business.

§ 2 - Boundaries of a Unitary Business’ Net Income, Capital Base, and Apportionment Factors

For purposes of a unitary tax filing, the bill requires a combined group to determine its net income, capital base, and apportionment factors on a “water’s-edge basis.” Under the bill, this means that a group must include the net income, capital base, and apportionment factors of only those nontaxable members that:

1. are incorporated in, or formed under the laws of, the United States, any state, the District of Columbia, or a U. S. territory or possession; or
2. directly or indirectly earn more than 20% of their income from intangible property or service-related activities whose costs are generally deductible from federal taxes against the income of other group members, either currently or over a period of time. These nontaxable members must be included only to the extent of this income and its related apportionment factors.

The bill gives a combined group the option of determining all its members' net income, capital base, and apportionment factors on a world-wide basis. The election of a world-wide basis for a unitary filing must be made on an original tax return filed on-time by the group's designated taxable member (see below) for an income year. A world-wide election is binding for the income year in which it is made and the following 10 years.

§ 1 - Net Income and Capital Base

Net Income or Loss. When determining the total income or loss subject to apportionment for Connecticut corporation tax purposes, the bill requires the combined group to include the following.

1. For each group member incorporated in the United States, (a) if included in a consolidated federal corporate return, its gross income minus Connecticut corporation tax deductions as if it were not consolidated for federal tax purposes or (b) if not included in a consolidated federal return but required to file its own return, its gross income minus Connecticut corporation tax deductions.
2. For each member incorporated outside the United States, not included in a federal consolidated return and not required to file its own return, the income determined from regularly maintained profit and loss statements for each foreign office or branch (a) adjusted to conform to U.S. accounting standards and to take account of "book-tax" differences required by federal or Connecticut law and (b) converted on any consistent and reasonable basis from or into the currency in which the parent company maintains its books and records. Income must be expressed in U.S. dollars. Reasonable alternate procedures may be applied if the DRS commissioner determines that the reported income reasonably approximates the income determined under the Connecticut corporation tax law.

3. If the unitary business has income from a pass-through entity, the members direct and indirect share of that entity's unitary business income.

The bill establishes specific rules for treating the following income:

1. dividends paid by one group member to another, which must be eliminated;
2. business income from an intercompany transaction with another group member, which must be deferred under federal tax rules unless the object of the transaction is sold or otherwise removed from of the unitary business;
3. charitable expenses incurred by a group member, which may be deducted from the combined group's net income subject to federal income limits applicable to the entire group's business income;
4. (4) capital gains and losses, which must be combined for all members without netting among classes of gains and losses, apportioned to Connecticut, and applied to the income or loss of the Connecticut taxable members; and
5. expenses directly or indirectly attributable to tax-exempt income, which must be disallowed in determining the combined group's net income.

Income Apportionment Percentages. In determining the share of its income subject to Connecticut corporation tax, the bill requires each taxable member of a combined group to use the otherwise applicable Connecticut statutory apportionment percentage. It specifies how taxable members of the combined group must incorporate the property, payroll, and receipts of nontaxable group members into the apportionment factors they use to apportion the group's income for purposes of the taxable members' Connecticut corporation tax liability.

The bill requires transactions between or among group members to be eliminated in determining the apportionment factors.

Net Operating Loss Carryover. The bill allows each taxable group member to deduct its share of the group's net operating loss (NOL) from its income apportioned to Connecticut and allows the following carryovers:

1. For income years starting on or after January 1, 2010, if the combined group's net income computation results in a net operating loss, the taxable members can carry forward the share apportioned to Connecticut consistent with existing NOL carryover limits (i.e., for up to 20 years). If the taxable member has more than one NOL carryover, it must apply them in the order they were incurred, deducting the older one first. The bill allows a taxable member who has an NOL carryover derived from the combined group in an income year beginning on or after January 1, 2010, to share it with other taxable group members if they were part of the group when the loss was incurred. Any such sharing reduces the taxable member's original NOL carryover.
2. A taxable member can deduct an NOL carryover derived from either pre-January 1, 2010 losses or losses incurred before the taxable member joined the combined group, but it cannot share it with other group members.

Capital Base Apportionment. The bill requires combined groups to determine their alternative capital bases by combining their separate bases, including those of the nontaxable members, but excluding inter-corporate or private stockholdings in the combined group. Group members that are financial services companies must calculate the value of their annual capital base as required by existing law.

A taxable member must apportion the combined group's capital base according to the ratio of the taxable member's individual capital base to that of the combined capital bases of all the other taxable members of the group.

Minimum Tax. Under the bill, as under existing law, taxable members must pay a minimum tax of \$250 regardless of tax credits. In addition, no taxable member may use tax credits to reduce its tax liability by more than 70% of the amount it would owe without credits.

§ 18 - Designated Taxable Member

The bill requires a combined group to designate one of its Connecticut taxable members to file the unitary return and pay the tax on behalf of all its taxable members. To this end, the designated member may, on the taxable and nontaxable members' behalf, (1) sign a unitary return, (2) apply for filing extensions, (3) agree to an examination or assessment of the return, (4) make offers of compromise and closing agreements regarding tax liability, and (5) receive tax refunds.

A combined group member whose income year is different from that of the rest of the group must report amounts from its return for its income year that ends during the group income year. No such reporting is required until the beginning of the member's first income year starting on or after January 1, 2010.

The bill allows the designated taxable member to recover the payments from the other taxable members and prohibits those members from holding the designated taxable member liable for the payments. However, each taxable member of the combined group is jointly and severally liable for the taxes plus any interest, penalties, or additions due from any other taxable member.

A combined group required to name a designated member must give the DRS commissioner written notice of the selection by the date the tax is due. The commissioner must approve any change in the designated member.

The bill gives the commissioner the sole discretion to (1) send notices, make deficiency assessments, and provide tax refunds and credits to the designated member or any other group member and (2) require a unitary return to be filed electronically and any tax payment to be made by electronic funds transfer.

§ 24 - Estimated Tax and Safe Harbor

The bill applies estimated tax requirements to taxable members of combined groups required to file unitary returns. It makes the designated taxable member responsible for paying the estimated tax installments.

By law, corporations must pay the following percentage of their annual taxes by the following dates: 30% by March 15, 40% by June 15, 10% by October 15, and 20% by December 15. The bill extends the due dates for the first estimated tax payment for combined groups whose 2010 income years start in January, February, or March 2010 to June 15, 2010; July 15, 2010; and August 15, 2010, respectively. Such groups must pay 70% the required annual payment on those dates.

The bill exempts taxable members of combined groups required to file unitary returns from interest and penalties for underpaying estimated tax if they meet any of the following conditions:

1. for the income year starting in 2009, they paid taxes equal to at least 90% of that shown on their unitary tax filing for the 2010 income year;
2. if the 2009 income year was a 12-month year, the taxable members of the combined group paid 100% of the tax liability, before credits, shown on

either their individual separate returns or their optional combined return, as applicable.

§§ 6-17; 20-23 & 25 - Conforming Sections

The bill makes additional statutory changes to conform to the unitary filing requirements described above.

CHANGE OF REFERENCE BILLS FOR JF CONSIDERATION

13. S.B. No. 110 (RAISED) AN ACT ELIMINATING THE SUNSET FOR CERTAIN TAX INCREMENTAL FINANCING PROGRAMS. (CE)

Fiscal Impact:

The bill eliminates the sunset date for the municipal tax incremental financing (TIF) program. To the extent that this enhances the ability of information technology and industrial site development projects to be financed, there is a potential for grand list expansion in those municipalities. This could result in an increase in state revenue collections if it produces economic development that leads to an increase in the state's tax base.

The bill also eliminates the sunset date for the state tax incremental financing (TIF) program. This may result in an increase in state revenue from a variety of state taxes to the degree that projects using the TIF financing mechanism generate more revenue than the amount required to pay the cost of the bonds issued to finance the project.

Eliminating the sunset date for the TIF program may result in costs to the Connecticut Development Authority (CDA) if towns submit applications for TIF projects that do not subsequently receive funding. Under the program, towns are required to reimburse the agency for expenses associated with the statutory evaluation process, including a financial assessment, a revenue impact assessment and legal fees. However if for any reason the project does not receive TIF funding, the agency's costs are not reimbursed.

Summary:

This bill makes two Connecticut Development Authority (CDA) programs permanent by eliminating their sunset dates. Both programs provide bond financing for large-scale development projects and use the tax revenues the projects generate to repay the bonds (i.e., tax increment financing). Current law terminates the programs on July 1, 2010.

The programs use different tax revenue to fund different types of projects. One uses incremental property tax revenue to repay the bonds issued for projects that clean up and redevelop contaminated property or involve the use of information technology. The other uses incremental hotel, sales, dues, cabaret, and admission tax revenue to repay bonds issued for projects that create jobs or stimulate significant business activity.

EFFECTIVE DATE: October 1, 2010

14. Substitute for S.B. No. 127 (RAISED) AN ACT CONCERNING COMPOSTING FACILITIES FOR COMMERCIAL FOOD RESIDUALS AND THE ACCOUNTING SYSTEM FOR REDEEMED BEVERAGE CONTAINERS. (ENV)

Fiscal Impact:

The cost to the Department of Revenue Services to administer this program is approximately \$75,000. This cost will be offset under an agreement with the Department of Environment Protection (DEP) to transfer resources that are currently being used by DEP to perform these duties.

Summary:

15. S.B. No. 147 (RAISED) AN ACT PERMITTING "FIFTY-FIFTY" COUPON GAMES AT CERTAIN ORGANIZATION FUNCTIONS AND ATHLETIC EVENTS. (PS)

Fiscal Impact:

The bill will result in a revenue gain of less than \$3,000 per year to the General Fund and municipalities as a result of establishing a new "fifty-fifty" permit fee of \$50.

Summary:

This bill establishes a \$50 annual Division of Special Revenue permit under which organizations qualified to operate bazaars may conduct "fifty-fifty" coupon games at organization functions and athletic events. The state keeps \$25 and the town gets \$25 of this fee.

Under existing law, unchanged by this bill, the organizations may conduct "fifty-fifty" coupon games under a bazaar permit. But the bazaar permit is valid for only 10 days and an organization can get only two per year. The permit costs \$20

for each day of the bazaar, \$10 of which is retained by the state and \$10 remitted to the municipality.

Organizations conducting “fifty-fifty” games may award cash prizes of 50% of game sales.

EFFECTIVE DATE: October 1, 2010

16. S.B. No. 196 (RAISED) AN ACT CONCERNING THE COLLECTION OF DELINQUENT TAXES AND LOTTERY WINNINGS. (PS)

Fiscal Impact:

The state will experience a revenue gain to the degree the bill results in an increase in delinquent tax payments. The bill is also expected to result in some minimal costs to DRS to establish an off-set program with the Connecticut Lottery Corporation.

Summary:

This bill requires the Connecticut Lottery Corporation (CLC) to deduct and withhold delinquent taxes from any lottery claim of \$5,000 or more a delinquent taxpayer submits at CLC’s central office on or after January 1, 2011.

The bill requires the Division of Revenue Services (DRS) commissioner to submit a list of delinquent taxpayers to CLC. It allows the commissioner to disclose to CLC (1) the name and any information necessary to identify a delinquent taxpayer and (2) the amount of taxes, penalty, and interest owed. Before paying any prize claim of \$5,000 or more, CLC must check the list. If the claimant is delinquent, CLC must withhold from the winnings and promptly notify and forward to the commissioner the amount of taxes owed, plus penalties and interest, after deducting and withholding any amount owed for child support.

The bill applies to taxes, including penalties and interest, more than 30 days overdue that are not the subject of a timely filed (1) administrative appeal to the commissioner or (2) appeal pending before a court.

EFFECTIVE DATE: July 1, 2010

17. Substitute for S.B. No. 212 (RAISED) AN ACT CLARIFYING THAT THE MOTOR VEHICLE TAX EXEMPTION FOR MEMBERS OF THE ARMED FORCES APPLIES TO VEHICLES JOINTLY OWNED WITH A SPOUSE. (VA)

Fiscal Impact:

The bill is anticipated to result in a minimal grand list loss to municipalities that currently do not extend the property tax exemptions to vehicles that are jointly owned by a service member and their spouse.

Summary:

This bill specifies that the existing motor vehicle property tax exemption for service members applies whether the vehicle is solely owned by the service member or jointly with his or her spouse.

EFFECTIVE DATE: Upon passage and applicable to assessment years commencing on or after October 1, 2009.

18. Substitute for S.B. No. 231 (RAISED) AN ACT CREATING AN AMNESTY PROGRAM FOR DELINQUENT LOTTERY SALES AGENTS. (PS)

Fiscal Impact:

There will be a General Fund revenue gain to the extent that the Division of Special Revenue negotiates settlements with delinquent lottery agents.

Summary:

This bill allows the Division of Special Revenue (DSR) to negotiate settlements with delinquent lottery sales agents to collect all or a portion of any delinquent assessment DSR has levied on them, if they have been delinquent for more than five years. DSR levies the assessment, under a formula in law, on agents who fail to remit proceeds of lottery ticket sales to the Connecticut Lottery Corporation.

EFFECTIVE DATE: October 1, 2010

19. S.B. No. 313 (RAISED) AN ACT CONCERNING THE ACCEPTABILITY OF CERTAIN CLAIMS FOR THE VETERANS' PROPERTY TAX EXEMPTION. (VA)

Fiscal Impact:

The bill has no fiscal impact because it makes only minor changes to the application process for receiving property tax benefits under the veteran's exemption.

Summary:

This bill allows a veteran age 70 or older to establish a veterans' property tax exemption claim by appearing before the tax assessor and providing an affidavit,

under oath, that he or she was honorably discharged from service and the discharge document or copy was destroyed by fire or other natural disaster.

By law, a veteran normally must establish a claim by providing the original or a certified copy of his or her discharge papers. A veteran who cannot provide the documentation must appear annually before the assessors and present two affidavits of “disinterested people” attesting to the veteran’s military service and honorable discharge.

EFFECTIVE DATE: October 1, 2010

20. S.B. No. 376 (RAISED) AN ACT CONCERNING AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND CONCERNING CHANGES TO THE STATUTES CONCERNING SCHOOL BUILDING PROJECTS. (ED)

Fiscal Impact:

Section 1 of the bill approves state grant commitments for school construction projects on the education commissioner's project priority list. This section authorizes \$416.7 million in state grant commitments for 29 new school construction projects of various types. It also reauthorizes a total of 4 previously authorized projects. These projects have changed substantially (more than 10%) in cost or scope. The reauthorizations increase state grant commitments by a net \$8.09 million from the amounts previously authorized for these projects. The total cost of the list is anticipated to be approximately \$647.8 million; this includes \$424.79 million in principal payments, and \$223.0 million in interest payments.

Summary:

The bill authorizes \$416.7 million in state grant commitments for 29 new local school construction and interdistrict magnet school projects.

It also reauthorizes and increases grant commitments for four previously authorized projects with significant changes in cost and scope. The total increase in grant commitments for the reauthorizations is \$8.09 million.

EFFECTIVE DATE: Upon passage

21. Substitute for S.B. No. 379 (RAISED) AN ACT CONCERNING VOCATIONAL-TECHNICAL SCHOOLS. (ED)

Fiscal Impact:

The bill makes various changes concerning vocational-technical (V-T) schools.

Section 1 requires the State Board of Education to hold a public hearing if they have intentions of suspending operations of a V-T school for more than six months. This will result in a minimal cost associated with holding a public hearing, or public meeting.

Section 2 has no fiscal impact.

Section 3 **waiting to hear from Chris Wetzel**

Section 4 requires that, when there is an aggregate balance of bonds authorized but unallocated for general maintenance and capital and trade equipment for any V-T school, the State Bond Commission vote at its August and February meetings annually on whether to allocate at least \$2 million from those authorizations. This section could result in additional bond allocations of at least \$2 million, plus the cost of debt service.

Section 5 requires school buses for the V-T system to be inspected prior to July 15 of each school year. This section is not anticipated to result in a fiscal impact, as the buses already have to be inspected.

Section 6 requires V-T school buses to be replaced if they are twelve years or older, or if they have been on an out-of-service order for two or more consecutive years. This could result in an additional cost to the V-T system; an average school bus costs approximately \$75,000-\$100,000.

Sections 7 and 8 have no fiscal impact.

Summary:

The substitute bill makes several changes in the laws concerning vocational-technical (V-T) schools.

Section 4 requires that, when there is enough of an aggregate balance of bonds authorized but unallocated for general maintenance and capital and trade equipment for any V-T school, the State Bond Commission vote at its August and February meetings annually on whether to allocate at least \$2 million from those authorizations. If there is no meeting held in those months, the commission must vote at its next regularly scheduled meetings.

If, at the time of the commission's August and February meetings, the total unallocated bond authorizations for these purposes exceeds \$2 million and pending general maintenance and trade and capital equipment transactions also

exceed \$2 million, the bill allows the V-T system superintendent to ask for, and requires the bond commission to vote on whether to allocate, more than \$2 million. If the unallocated balance is less than \$2 million, the commission must vote on whether to allocate the remaining unallocated balance.

EFFECTIVE DATE: July 1, 2010

22. H.B. No. 5026 (RAISED) AN ACT CONCERNING A REALLOCATION OF FUNDS WITHIN THE CSUS 2020 INFRASTRUCTURE IMPROVEMENT PROGRAM. (HED)

Fiscal Impact:

The bill has no fiscal impact because it does not change the total amount of General Obligation (GO) bond authorized for the CSUS infrastructure improvement program.

Summary:

This bill shifts \$5 million in general obligation bond authorizations between two projects enumerated in Phase I of the Connecticut State University System (CSUS) 2020 plan, a system-wide capital improvement program. It does so by increasing the authorization for telecommunications infrastructure upgrades by \$5 million and reducing the authorization for land and property acquisition by the same amount.

By law, the General Assembly must enact legislation to (1) add a project to or delete a project from the CSUS 2020 plan or (2) make a revision that increases or decreases the original project cost by an amount equal to (a) 10% or more for projects estimated to cost less than \$1 million or (b) 5% or more for projects estimated to cost more than \$1 million, as long as the change in cost is not due to a change in the cost of material (CGS § 10a-91d(c)).

EFFECTIVE DATE: Upon passage

23. Substitute for H.B. No. 5467 (RAISED) AN ACT CONCERNING CUSTOMER REBATES FOR ELECTRICITY RATEPAYERS. (ET)

Fiscal Impact:

There will be a General Fund revenue gain beginning in FY 11 to the extent that electric generators earn windfall profits that qualify for this tax. The fiscal impact cannot be quantified at this time because the data needed for an estimate is not currently available.

Summary:

This bill subjects electric generators in the state to a 50% quarterly tax on their “windfall profits.” The bill defines these profits as a company’s earnings from selling electricity and rights to electricity from its plants in the state that exceed 20% on the generator’s equity. The bill requires the use of the Federal Energy Regulatory Commission’s uniform system of account to determine these earnings. In calculating its earnings, the bill requires the company to deduct its reasonable expenses in operating its plants in the state. The bill establishes filing requirements for the requirements.

The bill requires that the tax revenues go to a nonlapsing General Fund account. It requires the Department of Public Utility Control to conduct a contested case proceeding to disburse the money in the account to directly reduce ratepayers’ electric bills.

EFFECTIVE DATE: Upon passage, with the tax applying to profits generated on or after January 1, 2010

24. H.B. No. 5050 (RAISED) AN ACT ESTABLISHING A REVOLVING LOAN FUND FOR NONPROFIT ECONOMIC AND COMMUNITY DEVELOPMENT ORGANIZATIONS AND CERTAIN LENDERS. (BA)

Fiscal Impact:

Summary:

This bill requires the Department of Economic and Community Development (DECD) to establish a revolving loan fund to provide funds to nonprofit economic and community development organizations and certain lenders, with the funds being used to provide loans to small businesses and other enterprises. The bill requires the Banking Commissioner to remit 2% of all fines collected by the Banking Department to DECD for the revolving loan fund.

EFFECTIVE DATE: October 1, 2010