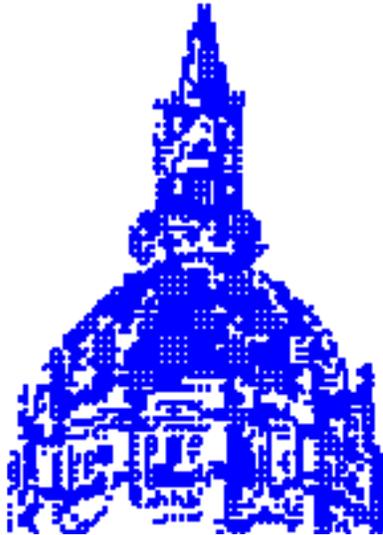


Office of Legislative Research
Connecticut General Assembly



OLR ACTS AFFECTING

BUSINESS



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TO THE READER

During the 2005 regular and special sessions, the legislature enacted many laws that affect businesses. Some have a broad effect while others affect only specific types of businesses, such as manufacturing. This report summarizes those laws in lay terms. We encourage you to read the laws that interest you. You can obtain them from the Connecticut State Library or the House Clerk's Office. A detailed OLR analysis of all the 2005 laws will be available in the early fall when OLR publishes its *Public Act Summary* book. In the meantime, you can review completed analyses by visiting our web page (www.cga.state.ct.us/olr).

Table of Contents

FINANCE, INSURANCE, AND REAL ESTATE.....	4
BUSINESS LAW AND PRACTICE.....	6
CONSUMERS.....	7
ECONOMIC DEVELOPMENT.....	9
ENERGY.....	11
HEALTH CARE.....	11
LABOR.....	12
LAND USE AND ENVIRONMENT.....	13
MOTOR VEHICLES AND TRANSPORTATION.....	15
TAXES AND FEES.....	16

FINANCE, INSURANCE, AND REAL ESTATE

Insurance Producer Compensation

A new law makes attempts to induce someone to purchase an insurance policy an unfair and deceptive insurance practice. It also restricts the extent to which an insurance producer or his affiliate can receive compensation from a customer and an insurer or other third party.

(PA 05-61, effective upon passage)

Coverage for Breast Cancer Screening

The legislature required health insurance policies to cover physician-recommended comprehensive ultrasound screening of an entire breast or breasts based on specified classification system.

(PA 05-69, effective October 1, 2005)

Appeals from Managed Care Organizations

The legislature extended (1) to health insurers the existing internal grievance requirements for managed care organizations and (2) the right to appeal an insurer's denials to the insurance commissioner. It also required insurers that uphold decisions denying claims to inform the enrollee about the reasons for the

decisions and provide other specified information.

(PA 05-94, effective July 1, 2005)

Manage Care Grievance Process

The legislature made it an unfair and deceptive insurance practice for a managed care organization to violate its grievance process. Violations are subject to fines of up to \$1,000 for each violation, to a maximum of \$10,000.

(PA 05-97, effective October 1, 2005)

Procedural or Diagnostic Coding

The legislature specified conditions under which the insurance commissioner can tell a managed care and utilization review company how to determine procedural or diagnostic coding. It allowed her to do this if she receives three or more appeals of denials or determinations by the same company about the same procedural or diagnostic coding.

(PA 05-102, effective October 1, 2005)

Extended Reporting Period Coverage Under Medical Malpractice Insurance Policies

A new law set conditions under which professional liability insurance policies cover prior acts and provide coverage for unlimited extended reporting periods without additional charge.

(PA 05-103, effective October 1, 2005)

Real Estate Brokerage Companies

A new law relieves members or officers of corporations, associations, or partnerships from obtaining a real estate broker's license when the organization holds a license and the member or employee actively participates in the brokerage business. It requires these entities to apply to the consumer protection commissioner if they want a broker's license. Lastly, the law reduces, from \$2,000 to \$1,000 the maximum fine the Real Estate Commission may impose for practicing without a license and subjects LLCs that do so to this fine.

(PA 05-115, effective October 1, 2005)

Miscellaneous Insurance Law Changes

Among other things, the legislature removed from the list of unfair and deceptive insurance

practices nonpayment of mandatory fees to the insurance commissioner.

(PA 05-140, effective October 1, 2005 for the changes described above)

Investment Advisors and Broker-Dealers

The legislature changed Connecticut Uniform Security Act requirements regarding investment advisors and broker-dealers, registration, custody of funds, and filing investment adviser literature with the banking commissioner.

(PA 05-177, effective October 1, 2005)

Medical Discount Plans

The legislature established a regulatory framework for medical discount plans and organizations that offer them.

(PA 05-237, effective January 1, 2006 for most provisions)

Groups Covered Under the State Employee Health Plan and Association Group Plans

Among other things, a new law excludes small employer groups from the small employer rating law when they purchase health insurance through the Municipal Employee Health Insurance Program and no longer requires these groups to be fully insured when they participate in the program. Lastly, the law prohibits insurers from

purchasing reinsurance coverage from the Connecticut Employer Health Reinsurance Pool for a small employer group offered pure community rates.

(**PA 05-238**, effective upon passage for the changes described above.)

Health Insurance Under Health Reinsurance Association Plans

The legislature expanded the types of insurance plans that are not considered “health insurance” for comprehensive health care plan purposes and excluded specific disease or limited benefit policies from the definition of “health insurance” for comprehensive health care plans.

(**PA 05-270**, effective July 1, 2005)

Health Insurance Coverage

A new law requires all individual and group health insurance policies delivered, issued for delivery, renewed, amended, or continued in Connecticut as of July 1, 2005 to provide benefits for isolation care and emergency services provided by the state’s critical access hospitals.

(**PA 05-280**, effective July 1, 2005)

BUSINESS LAW AND PRACTICE

Small Claims Damages

The legislature increased, from \$3,500 to \$5,000, the maximum amount of damages that may be claimed in small claims court actions.

(**PA 05-42**, effective October 1, 2005)

Prompt Payment Procedures

The interest the state must pay when it misses the deadline for paying vendors now equals the monthly effective yield for the state’s Short Term Investment Fund instead of 1% per month.

(**PA 05-95**, effective October 1, 2005)

Service of Process on the State

Under a new law, only a state marshal, constable, or other statutorily authorized officer can provide service of process on the state, its organizations, and their officers and employees. This requirement applies to civil actions, foreign attachments, and garnishments.

(**PA 05-105**, effective October 1, 2005)

Listed Transactions

A new law establishes new and enhances existing penalties the state imposes on taxpayers who avoid paying taxes through “listed transactions.” It also

gives the Revenue Services Department more time audit corporate (and personal) income tax returns and send tax deficiency assessment notices in certain situations.

(PA 05-116, effective upon passage)

Sales Representative Commissions

A new law sets deadlines by which a principal must pay all contractually required commissions due to a sales representative and allows the sales representative to sue for certain violations.

(PA 05-166, effective upon passage)

Nonresident Landlord Addresses

Towns can now require nonresident landlords or their agents to maintain their current residential address on file in the town where the property is located.

(PA 05-223, effective October 1, 2005)

Gift Certificate Fees

A new law prohibits retailers and other property holders from imposing dormancy charges or fees, abandoned property charges, unclaimed property charges, inactivity charges, or any similar charge, fee, or penalty for inactivity on gift certificates.

(PA 05-273, effective upon passage)

State Contracts and Ethics

The legislature subjected larger contractors to ethic laws and the civil or criminal penalties for violating them; tightened the restrictions on giving gifts to state employees; and made many other changes affecting government administration, procurement, and ethics.

(PA 05-287, effective upon passage for most provisions)

CONSUMERS

Residential Leases Heat and Utilities Surcharge Clauses

Under a new law, residential leases providing heat and utilities cannot commit a tenant to pay heat or utility surcharges.

(PA 05-56, effective October 1, 2005 for rental agreements or renewals signed on or after that date)

Private Occupational Student Protection Account

A new law doubles, from \$10,000 to \$20,000, the amount of irrevocable letter of credit new private occupational schools must obtain and lengthens the period during which they must maintain these letters.

(PA 05-60, effective July 1, 2005)

Refund Anticipation Loans

The legislature restricted making refund anticipation loans to place where a business primarily prepares tax returns, limited the interest charged on these loans, and imposed fines for violating these restrictions.

(PA 05-107, effective October 1, 2005)

Uniform Commercial Code Revisions

A new law changes many definitions and rules that apply throughout the UCC. It:

1. modifies the federal rule regarding electronic signature,
2. adds provisions on the use of the “course of performance” in interpreting agreements between parties,
3. allows a waiver or renunciation in an authenticated record,
4. adds a provision on subordinated obligations,
5. deletes a statute of frauds provision (but others apply to specific types of UCC transactions), and
6. makes other changes.

(PA 05-109, effective October 1, 2005)

Disclosing Investment Adviser Charges, Fees, and Penalties

A new law requires investment advisers or their agents to give

their customers or clients, upon request, their schedule for charges, fees, and penalties.

(PA 05-111, effective October 1, 2005)

Hospital Patients’ Rights

The legislature required hospitals to notify each patient (or his guardian or representative) of his rights under the hospital’s conditions of participation in Medicare. Hospitals must do this when they admit the patient.

(PA 05-128, effective October 1, 2005)

Consumer Credit Report Security Freezes

A new law allows consumers to freeze their credit reports, sets conditions for releasing a frozen report, and requires businesses to inform these consumers if their computerized personal information has been compromised. It also allows most types of businesses to deem a credit application incomplete and insurers to deny them when a credit report is frozen.

(PA 05-148, effective January 1, 2006)

Telephone and Internet Records Disclosure

The legislature changed the conditions under which telecommunications carriers and electronic communications and remote computing service

providers must disclose customers' call-identifying information or basic subscriber information, respectively, to designated law enforcement agencies. It required them to disclose this information based on court orders rather than search warrants. The legislature also set deadlines by which the carriers and providers must notify a customer when they disclose the information to law enforcement officials.

(PA 05-182, effective October 1, 2005)

Disclosing Cell Phone Customer Information

Under a new law, cell phone and related companies cannot disclose certain information about their customers unless they or the law authorizes it. The companies cannot disclose cell phone numbers, names, and addresses to another person for listing in a directory assistance database or for publication or listing in a directory.

(PA 05-241, effective upon passage)

ECONOMIC DEVELOPMENT

CDA Financing

This act extends, from July 1, 2005 to July 1, 2008, the Connecticut Development Authority's authority to use different incremental tax revenues to repay the bonds it issued to finance brownfield

remediation and information technology projects.

(PA 05-113, Effective upon passage)

New Opportunities Fund

The legislature authorized the creation of a fund to invest in newly formed Connecticut companies that cannot raise venture capital or overcome other barriers despite the potential demand for their products or services. Connecticut Innovations, Inc., must establish the fund, which can make equity or similar investments. Pension funds, foundations, and other private entities can also invest money through the fund, whose term is 10 years.

(PA 05-129, effective July 1, 2005)

Assistance for the Groton Sub Base and Defense Manufacturers

The legislature provided \$1 million to the Connecticut Center for Advanced Technology for helping small- and medium-sized manufacturers secure their contracts with larger defense manufacturers and \$10 million for infrastructure improvements at the Groton submarine base.

(PA 05-143, effective July 1, 2005)

(PA 05-198, effective July 1, 2005)

Stem Cell Research

The legislature specified conditions under which embryonic stem research can be conducted in Connecticut and appropriated \$20 million in general funds to universities and businesses conducting this research in FY 05, with additional funding in FY 08 to 15.

(PA 05-149, effective upon passage)

Innovation Network

A new law allows the state's economic development agencies and the University of Connecticut to use up to \$10 million of their existing resources to create an Innovation Network through which university scientists and business researchers can find new ways to apply research and new technologies. They must do this in a way that stimulates at least \$ 40 million in additional private investments.

(PA 05-165, effective on passage)

R&D Workforce

The Office of Workforce Competitiveness must establish new grant programs for preparing college students for R&D careers and encourage business and academia to collaborate on developing and transferring new technologies.

Economic Competitiveness

The legislature made it easier for small projects to qualify for tax credits under the Urban and Industrial Sites Reinvestment Program and authorized new programs to increase entrepreneurship in inner cities and help small and medium-sized manufacturers boost their productivity.

(PA 05-276, effective upon passage)

Brownfield Remediation

A new law lets business use Special Contaminated Property Remediation and Insurance Fund to clean up contaminated sites as well as to assess the contamination level.

(PA 05-285, effective upon passage)

Bonds for Development Programs

For the FY 06-07 biennium, the legislature authorized additional bonding for the following programs:

1. Urban Act, \$150 million;
2. Small Town Economic Assistance Program, \$40 million;
3. Farmland Preservation, \$18 million; and
4. Manufacturing Assistance Act, \$10 million.

The legislature also created a Housing Trust Fund and authorized the State Bond Commission to capitalize it by issuing up to \$100 million in bonds, with \$20 million effective each July 1, from 2005 to 2009.

(**PA 05-5, JSS**, effective July 1, 2005)

ENERGY

Electric Distribution Cost Recovery

The legislature authorized a new process for implementing federally approved rates before electric distribution companies are eligible to recover transmission costs through a new transmission rate adjustment clause. It required the rate adjustment to appear as a line item on consumers' electric bills.

(**PA 05-210**, effective upon passage)

Reducing Electric Transmission System Congestion

The legislature authorized several initiatives to reduce charges associated with congestion on the electric transmission system. These include:

1. providing incentives for customers to install distributed resources on the premises and awards to electric companies that help them do so;

2. identifying measures that would reduce congestion from 2006 to 2010;
3. requiring electric companies to implement, with state approval, mandatory rates for large commercial and industrial customers and voluntary time-of-use rates for other customers starting June 1, 2006 and mandatory seasonal rates for all customers starting June 1, 2007; and
4. entitling electric companies to recover their costs and investments pursuant to these initiatives through several mechanisms, including the existing congestion charge and placing the costs in the companies' rate bases (**PA 05-1, JSS**, effective upon passage).

HEALTH CARE

Equipment Purchases

The legislature also eliminated the \$400,000 capital expense threshold for reviewing applications involving purchases of specified imaging equipment and set conditions authorizing exemptions and waivers for specific types of equipment.

(**PA 05-93**, effective July 1, 2005)

Food Allergies

Under a new law, the state test administered to qualified food operators must examine their knowledge about food allergies.

(**PA 05-122**, effective October 1, 2005)

Health Insurance for Infertility Treatment and Procedures

A new law requires certain individual and group health insurance policies to cover the medically necessary costs of diagnosing and treating infertility, but permits individuals and religious employers to exclude infertility coverage if it is contrary to their religious tenants. The law repeals the requirement that insurers and HMOs offer only infertility coverage to group plan sponsors, who can reject or accept it.

(**PA 05-196**, effective October 1, 2005)

LABOR

Minimum Wage Increase

A new law increases the state's minimum hourly wage from \$7.10 to \$7.40 on January 1, 2006 and to \$7.65 on January 1, 2007.

(**PA 05-32**, effective October 1, 2005)

Unemployment Compensation Alternative Base Period

The legislature extended the sunset date, from December 31, 2005 to December 31, 2007, for calculating unemployment compensation benefits on an alternative base period. It also repealed the requirement that the Labor Department adopt regulations to implement the base period and the alternative base period policies.

(**PA 05-34**, effective October 1, 2005)

Prevailing Wage Law

A new law explicitly applies the state prevailing wage law to people doing the work of mechanics, laborers, or workers on prevailing wage projects.

(**PA 05-50**, effective October 1, 2005)

Unemployment Compensation Tax Experience Rating

The legislature prohibited specified practices through which one employer can use another employer's lower unemployment tax rating.

(**PA 05-85**, effective October 1, 2005)

Health Care Institution Strike Contingency Plans

A new law allows the public health commissioner to issue a summary order to any nursing home that fails to file the required strike contingency plan after its employees notified it about their intention to strike.

(PA 05-172, effective October 1, 2005)

Second Injury Fund

Among other things, the legislature changed the method for assessing employers for fund liabilities and authorized penalties of 15% for insurers and employers who fail to pay their fund assessment or surcharge and 6% annual interest on unpaid assessments and surcharges.

(PA 05-199, effective July 1, 2006)

LAND USE AND ENVIRONMENT

Third-Party Liability for Contaminated Property

A new law sets conditions under which a property owner is relieved of liability to private parties for costs or damages resulting from pollution that occurred or existed before he acquired the property.

(PA 05-90, effective October 1, 2005)

Enforcement of Conservation and Preservation Restrictions

Conservation easements are legal tools that help preserve property. A new law requires anyone who needs state or local permission in order to develop the property to notify the parties holding the easement at least 60 days before seeking that permission.

(PA 05-124, effective October 1, 2005)

Dry Cleaning Remediation Grants

A new law makes any who owns property on which there is a dry cleaning business eligible for grants to clean up hazardous chemical spills from that business. It also increases annual grant amounts and permits businesses to use them to assess sites.

(PA 05-176, effective upon passage)

Clean Air Strategies

A new law ends the requirement for the environmental protection commissioner to set emission standards for carbon monoxide and mercury for power plants serving the state regardless of their location. It also changes the circumstances under which she can implement these standards for other pollutants.

(PA 05-227, October 1, 2005)

Plans Of Conservation And Development

Among other things, the legislature required the State Plan of Conservation and Development (Plan of C&D) to designate areas where the state must target funds for economic and other types of physical development. It also establishes a process under which anyone may request changes to local plans of conservation and development.

(PA 05-205, effective July 1, 2005)

Preserving Farms

The legislature created new programs to help farms improve their operations and provided more funds to encourage farmers to keep farming. It also allowed towns to extend the current property tax exemption for agricultural property to facilities housing seasonal agricultural workers.

(PA 05-228, effective July 1, 2005, (but PA 05-3 JSS makes the act effective October 1, 2005), except for the tax exemption, which is effective upon passage and applicable to assessment years beginning on or after October 1, 2005)

Developments Near Large Lakes

The legislature repealed, as of October 1, 2006, a law that bars certain developments within

2,000 feet of a lake that is larger than 500 acres. Under prior law, zoning commissions could not allow developers to construct structures, accessory structures, or improvements having a total area of 12,000 square feet in such areas. The act significantly restricts the law's scope until its repeal date.

(PA 05-263, effective upon passage except for the repealer, which is effective October 1, 2006)

Commercial Underground Storage Tanks

The changes the legislature made to the Underground Storage Tank (UST) Clean-up Program include:

1. authorizing a commercial UST inspection program and allowing private licensed environmental professionals to evaluate USTs for compliance with laws and regulations;
2. authorizing the Environmental Protection Department to stop deliveries to, and operation of, non-compliant commercial USTs;
3. expanding the categories of people eligible for reimbursement from the UST account; and

4. authorizing the attorney general to recover damages from owners of property on which there is a leaking UST if certain conditions are met, and changing some of the conditions under which he may sue.

(PA 05-3, JSS, effective upon passage)

MOTOR VEHICLES AND TRANSPORTATION

Outdoor Advertising Permit Holders and Overwidth Vehicle Permits

Among other things, a new law sets a deadline by which Department of Transportation (DOT) outdoor advertising permit holders lose their permits if they do not finish constructing structures or displays and begin using them. It also modifies a requirement for vehicles traveling under DOT overwidth vehicle permits on undivided highways.

(PA 05-210, effective upon passage for the advertising permit deadline and October 1, 2005 for the overwidth permit modification)

Motor Vehicle Law Changes

The legislature:

1. exempted utility trailer manufacturers from the motor vehicle manufacturer's license requirements;

2. delayed, from January 1, 2005 to September 1, 2005, a requirement regarding providing copies of the driving records from other states of commercial driver license applicants;
3. authorized motor dealer or repairer license suspension or revocation and civil penalties for failing to secure, account for, or surrender registration plates;
4. required safety inspections for service buses at specified dates;
5. increased the maximum gross vehicle weight-rating limit for vehicles to qualify for a combination registration from 10,000 to 12,500 pounds; and
6. required trucks equipped with an engine compression break device to be equipped with a muffler for the device that is in good condition.

Transportation Bond Authorizations

The legislature authorized:

1. the acquisition of new self-propelled rail cars for the New Haven Rail Line and related maintenance facilities, operational improvements on I-95, the acquisition of 25 transit buses, and plans for

- transportation improvements in places other than I-95 (effective July 1, 2005);
2. \$485.65 million in bonding for rail-related improvements and \$344.5 million for other required transportation improvements (effective July 1, 2006); and
 3. \$136.9 million in bonding for general transportation purposes in FY 06, \$144.6 million for them in FY 07, and \$49 million for capital resurfacing and related construction projects in FY 07 (effective May 1, 2006). **(PA 05-4, JSS).**

TAXES AND FEES

Daily Rental Machinery Tax

A new law imposes a 1.5% surcharge on the total cost of renting for up to 30 days heavy construction, mining, and forestry equipment without an operator.

(PA 05-163, effective upon passage)

Wetland Buffers and 490 Land

A new law requires towns to assess land a wetlands agency requires as a buffer as though it were wetlands. It also makes many changes to the “490” program under which farms (as well as forests and open spaces) are assessed based only on their current use. The changes affect

situations where a property is subject to the conveyance tax after changing hands.

(PA 05-190, effective upon passage)

Document Recording Fee

The legislature instituted a new \$30 fee for recording documents in local land records and dedicated the revenue for new and existing farmland preservation, affordable housing, historic preservation, and open space acquisition preservation programs.

(PA 05-228, effective July 1, 2005, but PA 05-3, JSS makes the act effective October 1, 2005)

HMO Premium Tax Exemption

The legislature exempted from the 1.75% HMO premium tax any new or renewal contract or policy obtained through the Municipal Employee Health Insurance Program and entered into after June 30, 2005 that covers (1) a community action agency’s employees and their dependents and (2) retired members and their dependents.

(PA 05-238, effective July 1, 2005 and applicable to income years beginning on or after January 1, 2005)

Corporate Tax Surcharge

A new law imposes corporation tax surcharges of 20% for the 2006, and 15% for the 2007, income year. The

surcharges apply to all companies that pay the tax, if they owe more than the \$250 minimum tax. The surcharges do not apply to the minimum tax.

Under that law, a corporation must calculate its surcharge based on its tax liability before any tax credits. The surcharge is due, payable, and collectible as part of the company's total tax for the year.

(PA 05-251, effective upon passage and applicable to income years starting on or after January 1, 2006).

Business Tax Credit and Tax Policy Review Committee

The legislative revamped the Corporation Business Tax Credit Review Committee, which must evaluate corporation business tax credits and changes in the corporation tax and consider other policy changes on business taxation. To help the committee complete this task, the legislature required the revenue services commissioner to provide the committee, at its request, information about how tax credits and exemptions are being used.

(PA 05-251, effective July 1, 2005 for the provisions governing the committee and upon passage and applicable to income years starting January 1, 2005 for tax credit information.

Real Estate Conveyance Tax Extension

A new law extends the .25% local real estate conveyance tax rate for two years, until July 1, 2007. The rate was scheduled to drop to 0.11% on July 1, 2005. The law also allows the 18 state designated economically distressed towns (i.e., distressed municipalities) to impose an additional tax at a rate of up to .25%. Prior law allowed them to impose only a flat .25% tax rate.

(PA 05-268, effective upon passage)

Transportation-Related Fees and Taxes

A new law increases the petroleum products gross earning tax rate from 5% to 5.8% in FY 06, 6.3% in FY 07, 7% in FY 08, 7.5% in FY 09 through FY 13, and 8.1% there after (effective July 1, 2005).

(PA 05-4, JSS)

JR:ts