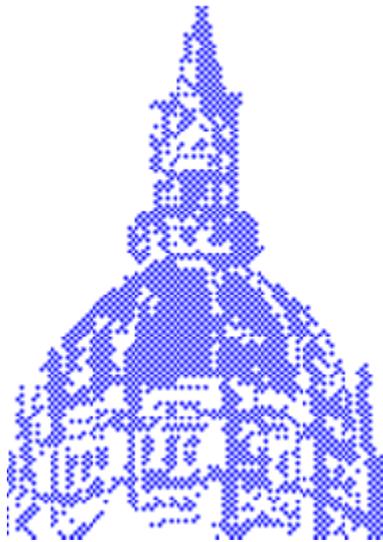


Office of Legislative Research
Connecticut General Assembly



OLR ACTS AFFECTING

TAXES



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NOTICE TO READERS

This report provides highlights of new laws (public acts) affecting taxes enacted during the 2008 regular and special legislative sessions. In each summary we indicate the public act (PA) number. The report does not cover vetoed acts or special acts.

Not all provisions of the acts are included here. Complete summaries of all 2008 public acts passed are available in the fall when OLR's *Public Act Summary* book is published and online at OLR's webpage: <http://www.cga.ct.gov/olr>.

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, the House Clerk's Office, or the General Assembly's website: <http://www.cga.ct.gov>.

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PROPERTY AND CONVEYANCE TAXES

Adjusting Property Values between Property Tax Revaluations

This act allows municipalities to adjust real property values in the assessment years between revaluations based on the average annual sales for specific types of property. (Normally, municipalities base a property assessment on recent sales of comparable property.) Municipalities may adopt this method if their legislative bodies approve. Those that do must adjust the values in this manner must continue doing so until the next revaluation.

Municipalities that choose to adjust the values must:

1. divide property into categories OPM created to comply with the law's grand list reporting requirement and
2. adjust the values in each category to reflect the "average annual adjustment in value" for each category. (The act does not specify the data municipalities must use to calculate the average.)

They may further adjust the values by geographic areas, i.e., a municipality may designate zones and adjust the values for each category in that zone.

The adjustment must be based on the average percent of change in the values, up to 5%. It must be based on a compilation of all fair market sales within their respective jurisdictions during the year before the October 1 assessment date. If there were not enough sales during that period to accurately adjust the values, assessors may use sales data from a prior period or base the adjustment on other types of data they use to determine property values.

(PA 08-185, effective October 1, 2008)

Property Tax Exemption on Open Space

The act exempts land from local property taxes if it is held by a nonprofit corporation and preserved as open space.

(PA 08-174, effective upon passage, with the exemption for open space land applying to assessment years starting on or after October 1, 2007)

Property Acquired by Nonprofit Organizations

In general, the property tax exemption for any property acquired by a tax-exempt organization after the first day of October may not take effect until the following October 1. But the law allows a municipality to establish, by ordinance, that a property tax exemption for

certain types of tax-exempt organizations becomes effective on the date the organization acquires the property. This act extends this municipal authority to cover property acquired by, or held in trust for: (1) a bona fide war veterans' organization, (2) a Connecticut Grand Army post, and (3) the American National Red Cross.

(PA 08-185, effective October 1, 2008)

Telecommunications Companies

By law, telecommunications companies subject to the statewide personal property tax must annually file a list of their taxable personal property with the Department of Revenue Services (DRS) and the Office of Policy and Management (OPM). This act requires them to (1) list the property on a town-by-town basis and (2) submit to each relevant municipality a list of their personal property located in or allocated to the municipality.

By law, DRS and OPM can audit the companies' submissions. The act allows any municipality to examine these audits.

By law, telecommunications companies and other businesses must file annual personal property declarations. By law, the failure to file a declaration by November 1 (or the deadline set by the assessor if an extension is granted) is subject to a penalty of 25% of the assessment of the

property on the list. The act specifies that a declaration postmarked by the filing deadline is not delinquent and thus not subject to the penalty.

(PA 08-130, effective upon passage and applicable to declarations due on or after November 1, 2008 for the penalty provision; July 1, 2008 for the telecommunications companies provisions.)

Antique Vehicles

This act eliminates the requirement that an antique, rare, or special interest motor vehicle be registered in order for it its assessment to be capped at \$500 for property tax purposes. By law, an antique, rare or special-interest motor vehicle is defined as any motor vehicle that is 20 years old or older which has been preserved because of historic interest and which is not altered or modified from the original manufacturer's specifications.

(PA 08-150, this provision effective October 1, 2008)

Vehicles Owned by Service Members

This act allows more U.S. Armed Forces members to qualify for an existing motor vehicle local property tax exemption. Under prior law, the exemption applied to one motor vehicle owned or leased by, or held in trust for, a member and garaged out-of-state. The act extends the

exemption to vehicles garaged in-state as well. By law, a member must apply for the exemption in writing by December 31 following the due date of the property tax.

(PA 08-121, this provision effective July 1, 2008)

Conveyance Tax

This act extends the expiration date of the basic 0.25% municipal real estate conveyance tax rate for two years, until July 1, 2010. This extension also maintains the maximum 0.5% municipal option rate allowable in 18 eligible towns for the same period.

(PA 08-1, June 11, 2008 Special Session, effective upon passage)

STATE TAXES

Petroleum Products Tax

This act eliminates a scheduled July 1, 2008 increase in the petroleum products gross earnings tax rate from 7% to 7.5%, thus maintaining the 7% rate until the next scheduled increase to 8.1% on July 1, 2013.

By law, part of the growth in revenues from the tax above 2006 levels goes into a special account to be used to fund fuel oil conservation programs. The act modifies when funds are transferred into this account for FY 08 and makes minor changes to the board that administers it.

(PA 08-2, June 11, 2008 Special Session, effective upon passage)

Film Tax Credits on Business Taxes

A new law applies the film tax credits to 2006 insurance premium taxpayers. Under prior law, the credit applied against the corporation tax for income years starting on or after January 1, 2006 and against the insurance premium tax for income years starting on or after January 1, 2007. The credits equal 30% of the expenses incurred in Connecticut exceeding \$50,000.

(PA 08-142, effective upon passage)

Income Tax

This act exempts dividends and capital gains earned on contributions to an account in the Homecare Option Program for the Elderly (HOPE) from the designated account beneficiary's state income tax. Interest earned on such contributions was already exempt.

(PA 08-140, effective July 1, 2008, with the tax exemption applying to tax years starting on or after January 1, 2008)

Life Settlements

This act revises prior insurance laws regarding viatical settlements to incorporate requirements for life settlements

that are based on the National Conference of Insurance Legislators Life Settlements Model Act. The act addresses an emerging type of life settlement activity, stranger-originated life insurance, which it defines and prohibits. Among other things, the act subjects settlement proceeds to state tax by eliminating an exemption.

(PA 08-175, effective October 1, 2008)

Miscellaneous Provisions

This act requires employers with 250 or more employees that pay unemployment compensation taxes or make payments in lieu of such taxes to pay electronically starting with the first calendar quarter of 2009. Employers this size have been required to make quarterly wage reports electronically since 1991.

The act's requirement also applies to any agent making such payments on behalf of one or more employers for a total of 250 or more employees.

(PA 08-60, effective October 1, 2008)

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