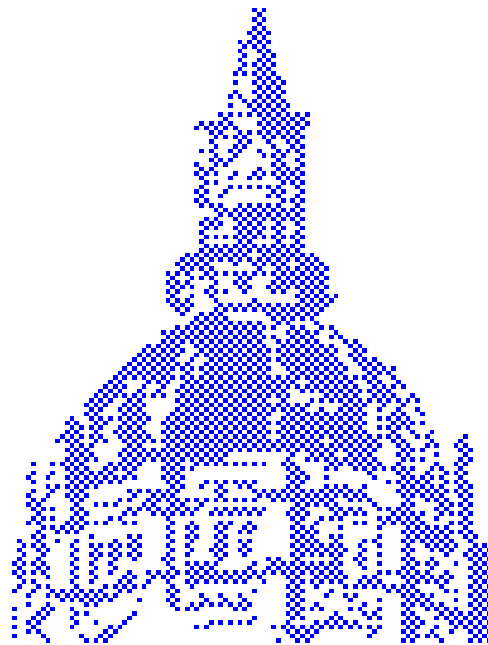


Office of Legislative Research
Connecticut General Assembly



TAXES



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NOTICE TO READERS

This report provides highlights of new laws affecting taxes enacted during the 2012 regular and special legislative sessions. It does not include vetoed acts.

Not all provisions of the acts are included here. Complete summaries of all 2012 public acts passed will be available when OLR's Public Act Summary book is published; some are already available on OLR's webpage: <http://www.cga.ct.gov/olr/OLRPASums.asp>

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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STATE TAXES

Petroleum Products Gross Earnings Tax Cap

The legislature enacted a law that caps at \$3 per gallon the amount of gross earnings from gasoline and gasohol subject to the petroleum products gross earnings tax.

The new law also bars petroleum products distributors from including in any billing for the first sale of any petroleum products in the state any amount representing the gross earnings tax that exceeds their gross earnings tax liability. It (1) gives the Department of Consumer Protection the discretion to investigate complaints to enforce this provision and (2) makes a violation of this provision an unfair or deceptive trade practice.

([PA 12-4](#), effective upon passage)

Sales and Use Tax Exemptions for Vessel Storage and Maintenance

A new law extends the (1) sales tax exemption for winter storage of noncommercial vessels by two months and (2) use tax exemption for winter storage, maintenance, and repair of vessels brought into the state exclusively for those purposes by one month. Under prior law, the sales tax exemption applied from

November 1 to April 30, and the use tax exemption from October 1 to April 30. The new law makes both exemptions apply from October 1 to May 31.

([PA 12-175](#), effective upon passage)

Unemployment Taxes

By law, the rate at which private sector employers pay unemployment taxes has two components: (1) the employer's experience rate, which is based on the amount of benefits paid to an employer's former employees, and (2) the unemployment compensation trust fund balance rate, which varies from zero to 1.4% depending on the trust fund's status in relation to its funding goal.

A new law increases the trust fund's funding goal by changing the method used to calculate the fund's ideal amount of money. It maintains the existing tax rate paid by employers.

([PA 12-46](#), effective October 1, 2012)

Zappers

A new law makes it a crime to willfully and knowingly sell, purchase, install, transfer, or possess an automated sales suppression device (i.e., "zapper") or "phantom-ware." A "zapper" is a software program that falsifies electronic cash register and other point-of-sale system electronic

records. It can be carried on a memory stick or removable compact disc and accessed through an internet link or other means. “Phantom-ware” is a hidden programming option embedded in or hardwired into an electronic cash register which may be used to create a virtual second till or eliminate or manipulate sales records.

The new law subjects violators to a fine of up to \$100,000, one to five years in prison, or both. Violators also (1) are liable for all taxes, penalties, and interest due as result of the crime and (2) forfeit all profits associated with the sale or use of the zapper or phantom-ware.

([PA 12-135](#), effective July 1, 2012)

Roll-Your-Own Cigarettes

New legislation makes anyone who has or allows someone to use a “cigarette rolling machine,” also known as a “roll-your-own” machine, to make cigarettes at his or her retail or commercial premises a tobacco product manufacturer, subject to existing laws and restrictions governing such manufacturers who sell cigarettes in Connecticut.

It (1) requires the owner of such a business to get and maintain a cigarette manufacturer's license; (2) requires those who intend to distribute the cigarettes they make in Connecticut to also have a cigarette distributor's license; and (3) allows the Department of

Revenue Services, after a hearing, to suspend or revoke a cigarette dealer or cigarette or tobacco product distributor license and sales tax seller's permit held by the owner if he or she fails to get and maintain a manufacturer's license.

([PA 12-1, JSS](#) § 123, effective October 1, 2012)

Sales Tax Exemption for Aircraft Industry Joint Ventures

By law, specified business services rendered between participants in certain kinds of joint ventures under a joint venture agreement are exempt from the sales tax. An act expands eligibility for the exemption for certain kinds of joint ventures in the aircraft industry and extends, from 30 to 40 years, the time period during which they can claim it.

([PA 12-1, JSS](#) § 124, effective July 1, 2012, and applicable to sales occurring on or after that date)

Manufacturing Reinvestment Accounts

A new law specifies the rules eligible manufacturers must use to determine the taxes they owe on money withdrawn from tax-deferred savings accounts, which they may establish to purchase machinery and equipment, expand facilities, or incur other eligible expenses.

([PA 12-1, JSS](#) §§ 192-196, effective upon passage)

PROPERTY TAX

Partially Completed Structures

A new law explicitly allows towns to levy property taxes on partially completed buildings and structures.

Under prior law, it was unclear whether a town's assessor could include the value of such partially completed structures and improvements in a property's assessment. While tax assessors have commonly assessed buildings that are under construction, a recent Superior Court decision, currently under appeal, raised questions about whether state law authorized them to do so.

([PA 12-157](#), effective October 1, 2012 and applicable to assessment years starting on or after that date)

Jeopardy Tax Collection

An act changes the process by which local tax collectors take action to collect taxes that are assessed but not yet due (jeopardy tax collection). Prior law required tax collectors to take immediate action to collect a tax that was assessed but not yet due when they believed that payment might be jeopardized by delay. The act instead requires that they take such action only if they determine, after exercising

due diligence, the payment will be delayed.

The act also requires local tax collectors to notify the (1) taxpayer and (2) municipality's chief elected official or chief executive officer when beginning a jeopardy tax collection proceeding.

([PA 12-26](#), effective October 1, 2012 and applicable to assessment years starting on or after that date)

Personal Property Tax Audit Penalty

By law, a local tax assessor can compel a taxpayer to testify or produce certain books and records as part of a personal property tax audit. Under prior law, taxpayers who failed to appear at the audit, refused to answer any pertinent question, or failed to produce the records were subject to a fine of up to \$100, up to 30 days in prison, or both. A new law classifies this crime as a class D misdemeanor, which increases the maximum fine from \$100 to \$250 and maintains the maximum prison term of up to 30 days.

([PA 12-80](#), effective October 1, 2012)

Filing Deadline Waivers

A new law allows certain taxpayers to receive property tax exemptions even though they missed the statutory filing deadlines for them. The exemptions are for

manufacturing machinery and equipment, commercial trucks, and nonprofit organization property.

It also allows a taxpayer to receive a refund of the penalty assessed for failing to file a personal property declaration even though the taxpayer missed the deadline for filing the declaration.

([PA 12-2, JSS](#) §§ 3-12, effective upon passage)

Revaluation Phase-In for Decreases in Property Values

New legislation allows municipalities to phase in post-revaluation decreases in property values using methods that are comparable to those the law allows for phasing in increases in property values.

([PA 12-2, JSS](#) §§ 168-170, effective July 1, 2012 and applicable to assessment years starting October 1, 2012)

TAX CREDITS AND INCENTIVES

Bioscience Enterprise Corridor Zone

New legislation reconfigures Bristol's portion of the multi-town Bioscience Enterprise Corridor Zone, which consists of statutorily designated census tracts, blocks, and groups in Hartford, Farmington, New Britain, Bristol, and Plainville. It does so by removing two residential tracts and instead

designating two commercial and industrial ones. Consequently, bioscience businesses in these commercial and industrial tracts now qualify for the zone's incentives—property tax exemptions and corporation business tax credits for improving property and creating jobs.

([PA 12-65](#), effective upon passage)

Expanded Job Creation Tax Credit

Under a new law, businesses hiring people receiving services from the Department of Mental Health and Addiction Services or participating in Department Social Services employment opportunities and day services now qualify for the \$900 per month per employee job creation tax credit.

([PA 12-1, JSS](#) § 198, effective July 1, 2012 and applicable to income or tax years commencing on or after January 1, 2012)

First Five Plus Jobs Relocation Preference

Businesses relocating overseas jobs to Connecticut now get a preference for loans, tax credits, and other economic development assistance under the First Five Plus Program.

([PA 12-1, JSS](#) § 209), effective upon passage)

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