



Acts Affecting Taxes

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Revised

Notice to Readers

This report provides summaries of new laws (Public Acts and Special Acts) affecting taxes enacted during the 2017 regular session. Each summary indicates the Public Act (PA) or Special Act (SA) number. Not all provisions of the acts are included. The report does not include vetoed acts unless the veto was overridden.

Complete summaries of Public Acts are, or will soon be, available on OLR's website:

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

Table of Contents

Property Tax	4
Blight and Tax Lien Actions	4
Exemption for Leased Municipal Property	4
Filing Deadlines for Certain Property Tax Exemptions.....	4
Increased Income Threshold for Local Option Disabled Veterans’ Exemption.....	4
New Local Option Veterans’ Exemptions	4
New Property Tax Exemptions.....	5
State Taxes	5
Bed and Breakfast Establishment (B&Bs) Occupancy Tax Rate	5
Boxing and Mixed Martial Arts Tax	5
Cigarette Tax Exemption for Sales to U.S. Veterans’ Hospitals and Armed Forces Members.....	5
Corporation Income Tax Definition of a Captive REIT.....	5
Domestic Surplus Lines Insurers.....	6
Dry Cleaning Drop Stores Exempted from Surcharge	6
Income Tax on Certain Deferred Compensation.....	6
Income Tax Refund Contributions to New Mental Health Community Investment Account.....	6
Income Tax Withholding for Pension and Annuity Payments.....	6
Ownership Requirements for the Sourcing of Income from Certain Real Property.....	7
Use Tax Revenue Diversion.....	7
Tax Administration and Enforcement	7
Change to the Order for Applying Partial Tax Payments.....	7
Cigarette Dealers and Tobacco Products Distributors are Liable for Predecessors’ Unpaid Taxes.....	7
Codifying Requirement for Annually Remitting Sales Tax	7
Continuous Order to Withhold on Certain DRS Tax Warrants	8
Data Match Program	8
Deadlines for Filing Certain Income Tax Informational Returns	8
Delinquent Taxpayer List.....	8
Extended Corporation Business Tax Filing Deadlines	8
Federal Information Returns on Credit and Debit Card Sales	9
Information Returns By Payers of Nonpayroll Amounts	9
New Regulations for Tax Preparers	9
One-year Deadline for Requesting DRS Penalty Waivers.....	9
Penalties for Failing to Pay the Gross Earning Tax that Funds PEGPETIA.....	9
Penalty for Failing to Comply with Certain Sales and Use Tax Requirements	10
Racketeering Activity	10
Required Methods for Weekly Remitting the Sales Tax	10
Security Requirement for Certain Taxes.....	11
Shorter Period for Renewing Sales Tax Permits	11
Tax Regulations.....	11
Tobacco Products Tax Record-Keeping Requirements Tightened.....	11
Tobacco Settlement Law Changes	11
Tax Credits	12
Expanded Eligibility for Angel Investor Tax Credit.....	12
Transferability of Invest CT Tax Credits	12

Property Tax

Blight and Tax Lien Actions

With respect to assignment for trial, a new law makes privileged actions to foreclose a municipal tax or blight lien that are commenced on or after January 1, 2018 ([PA 17-126](#), effective January 1, 2018).

Exemption for Leased Municipal Property

This session, the legislature expanded the property tax exemption for municipal property to include real and personal property, including taxable motor vehicles, leased to a municipality that is used for a public purpose and located in the municipality ([PA 17-199](#), effective October 1, 2017).

Filing Deadlines for Certain Property Tax Exemptions

A new law allows taxpayers in Berlin, Danbury, and New Britain to claim various property tax exemptions on specified grand lists even if they missed the mandatory filing deadlines ([PA 17-240](#), §§ 1-3, effective July 1, 2017).

Increased Income Threshold for Local Option Disabled Veterans' Exemption

By law, municipalities have the option to increase the additional property tax exemption for income-qualified, 100% disabled veterans from two times the veterans' base exemption to three times that amount. A new law increases the income eligibility thresholds for this local option from (1) \$18,000 to \$21,000 for single taxpayers and (2) \$21,000 to \$24,000 for married taxpayers ([PA 17-189](#), § 2, effective October 1, 2017, and applicable to assessment years beginning on or after that date).

New Local Option Veterans' Exemptions

Two new laws allow municipalities, with their legislative bodies' approval, to provide property tax exemptions to (1) parents or surviving spouses of service members killed in action while performing active military duty with the U.S. Armed Forces (i.e., "Gold Star" parents or spouses) and (2) income-qualified veterans who are not eligible for state-mandated exemptions for wartime, disabled, and severe service-related veterans ([PA 17-65](#) and [PA 17-189](#), §§ 3 & 4, effective October 1, 2017, and applicable to assessment years beginning on or after that date).

New Property Tax Exemptions

Under a new law, certain household electronic devices and paint coloring and mixing machinery and equipment is exempt from property tax ([PA 17-105](#), §§ 10 & 11, effective October 1, 2017, and applicable to assessment years beginning on or after that date).

State Taxes

Bed and Breakfast Establishment (B&Bs) Occupancy Tax Rate

A new law applies a uniform 11% room occupancy tax to rent received from B&Bs, including meal charges. Under prior Department of Revenue Services (DRS) practice, B&B room charges were allocated according to a schedule such that the percentage allocated to meals was taxed at the general 6.35% sales tax rate and the percentage allocated to the room was taxed at the 15% occupancy tax rate. Rent received by hotels and lodging houses continues to be subject to the current 15% room occupancy tax ([PA 17-147](#), §§ 12-14, effective October 1, 2017, and applicable to sales occurring on or after that date).

Boxing and Mixed Martial Arts Tax

A new law eliminates the 5% gross receipt tax that boxing and mixed martial arts promoters had to pay under prior law ([PA 17-116](#), effective October 1, 2017).

Cigarette Tax Exemption for Sales to U.S. Veterans' Hospitals and Armed Forces Members

To conform with federal law, a new law exempts from the cigarette tax, cigarettes sold to U.S. veterans' hospitals and members of the U.S. Armed Forces, if they are sold on a military base by an agency permitted by federal regulation to operate there ([PA 17-147](#), § 29, effective upon passage).

Corporation Income Tax Definition of a Captive REIT

By law, a "captive REIT" (real estate investment trust) is generally one that, among other things, has more than 50% of its voting power, beneficial interests, or shares directly or constructively owned or controlled by a single-entity corporation. For purposes of determining whether a REIT is a "captive REIT," and thus not entitled to a corporate income tax deduction for dividends paid, a new law excludes any voting power, beneficial interests, or shares in a REIT held by a life insurance company in a segregated asset account ([PA 17-147](#), § 23, effective upon passage).

Domestic Surplus Lines Insurers

A new law allows the insurance commissioner to designate a domestic insurance company as a “domestic surplus lines insurer” subject to certain conditions, thus allowing the insurer to market surplus lines insurance in Connecticut. Under that law, surplus lines insurance policies written by a domestic surplus lines insurer are subject to a 4% gross premium tax, but are exempt from the 1.75% premium tax that domestic insurers pay ([PA 17-125](#), effective July 1, 2017).

Dry Cleaning Drop Stores Exempted from Surcharge

Under a new law, businesses that accept clothing or other fabrics to be dry cleaned by another establishment (i.e., “drop stores”) are exempted from the 1% dry cleaning surcharge ([PA 17-147](#), § 26, October 1, 2017, and applicable to calendar quarters beginning on or after that date).

Income Tax on Certain Deferred Compensation

A new law subjects certain deferred compensation attributed to services performed in Connecticut to income tax. It applies to compensation that is deferred under an arrangement between an employer and an employee or service provider to pay compensation in the future, thus deferring the tax liability on the compensation (i.e., nonqualified deferred compensation plan). A nonqualified entity is generally a foreign corporation ([PA 17-147](#), § 2, effective July 1, 2017, and applicable to tax years commencing on or after January 1, 2017).

Income Tax Refund Contributions to New Mental Health Community Investment Account

A new law allows taxpayers to contribute a portion of their income tax refunds to support programs and services for people diagnosed with mental health conditions. The contributions go to a special nonlapsing General Fund account established exclusively to fund mental health programs, as determined by the Mental Health and Addiction Services commissioner in consultation with nonprofit mental health organizations ([PA 17-147](#), §§ 42 & 43, effective July 1, 2017).

Income Tax Withholding for Pension and Annuity Payments

Beginning January 1, 2018, Connecticut residents receiving certain pensions or annuities will be required to have income tax withheld from those payments, rather than having the option to request that income tax be withheld ([PA 17-147](#), §§ 6 & 8, effective January 1, 2018).

Ownership Requirements for the Sourcing of Income from Certain Real Property

By law, nonresidents must pay Connecticut income tax on gains or losses from the sale or disposition of an interest in an entity (i.e., partnership, limited liability company, or S corporation) that owns certain real property in Connecticut. A new law specifies that the entity may own this property directly or indirectly ([PA 17-147](#), § 36, upon passage).

Use Tax Revenue Diversion

A new law extends, to the 6.35% use tax, the requirement that the DRS commissioner direct a portion of the tax revenue to the Municipal Revenue Sharing Account (MRSA) and Special Transportation Fund (STF), according to the same amounts and schedules specified under existing law for the sales tax. It also extends to the use tax the requirement that the DRS commissioner, for FY 17, cease directing portions of the tax to the Regional Planning Incentive Account (RPIA), thus redirecting these amounts to the General Fund. The RPIA revenue diversion is scheduled to resume in FY 18 ([PA 17-147](#), §§ 33 & 34, upon passage).

Tax Administration and Enforcement

Change to the Order for Applying Partial Tax Payments

Under a new law, the revenue services commissioner must still apply partial tax payments first to penalties, but he must apply any remaining balance first to the tax and then the interest, instead of the other way around ([PA 17-147](#), § 1, effective July 1, 2018).

Cigarette Dealers and Tobacco Products Distributors are Liable for Predecessors' Unpaid Taxes

Under a new law, anyone who buys the business or product stock of a cigarette dealer, tobacco products distributor, or tobacco products importer is liable for their predecessors' unpaid taxes ([PA 17-147](#), §§ 28 & 30, effective July 1, 2017).

Codifying Requirement for Annually Remitting Sales Tax

A new law codifies DRS's requirements for annually remitting the sales tax (i.e., less than \$1,000 in sales taxes for the 12-month period beginning July 1 and ending June 30) ([PA 17-147](#), § 4, effective January 1, 2018).

Continuous Order to Withhold on Certain DRS Tax Warrants

By law, DRS may issue a tax warrant on the intangible personal property (e.g., bank accounts, receivables, and securities) of a taxpayer who fails to pay state taxes and serve the warrant on a third person (e.g., bank or payment settlement entity) who possesses the property or is obligated to it in some respect. A new law allows such warrants to include an order to the third person to continually deliver the intangible property that is due and becomes due to the taxpayer during the 180 days immediately following the warrant's issuance date or until the tax is fully paid, whichever is earlier ([PA 17-147](#), § 10, July 1, 2017).

Data Match Program

A new law makes administrative and policy changes to the DRS program for exchanging information with financial institutions about delinquent taxpayers (i.e., data match program), including new disclosure provisions ([PA 17-147](#), § 21, effective upon passage).

Deadlines for Filing Certain Income Tax Informational Returns

A new law sets an earlier date of January 31, instead of the last day of February, by which certain employers and payers must file informational returns with DRS for personal income tax purposes, thus aligning this deadline to the deadline for employers to file income tax withholding data (i.e., federal W-2 forms) with DRS ([PA 17-147](#), § 38, effective upon passage, and applicable to tax years beginning on or after January 1, 2017).

Delinquent Taxpayer List

Under a new law, the DRS commissioner must submit the delinquent taxpayers list to the Office of Policy and Management secretary only if the secretary requests the list, and the commissioner may decide whether to include the taxpayers' identification numbers in the list ([PA 17-147](#), § 19, effective upon passage).

Extended Corporation Business Tax Filing Deadlines

A new law extends the deadline for filing corporation business tax returns, which varies depending on whether a corporation must file a corresponding federal return ([PA 17-147](#), §§ 24 & 25, effective upon passage and applicable to income years beginning on or after January 1, 2017).

Federal Information Returns on Credit and Debit Card Sales

Under a new law, entities that process credit and debit card payments for Connecticut retailers must file copies with DRS of the federal information returns that report the payment transactions they processed (i.e., federal Form 1099-K). They must file the returns within 30 days after filing them with the IRS, in the manner and form prescribed by the DRS commissioner. Those failing to do so are subject to a civil penalty of (1) \$50 for each failure if the return is submitted within one month after it was due and (2) an additional \$50 for each month or part of a month that the failure continues, up to \$250,000 per year per reporting entity ([PA 17-147](#), § 9, effective July 1, 2017, and applicable to information returns due for calendar years beginning on or after January 1, 2017).

Information Returns By Payers of Nonpayroll Amounts

A new law advances the date by which payers of nonpayroll amounts (e.g., miscellaneous income reported on federal Form 1099-MISC) must file copies of these forms with DRS. Beginning January 1, 2018, payers will be required to file the forms by January 31, instead of by March 31 ([PA 17-147](#), § 7, effective January 1, 2018).

New Regulations for Tax Preparers

This session, the legislature established a regulatory structure for most tax preparers and facilitators who are not otherwise regulated, specifying qualifications for them and requiring them to obtain a permit from the Department of Revenue Services (DRS), among other things. The new law also prohibits various negligent, predatory, and fraudulent actions by anyone who provides tax preparation services, including those who are otherwise regulated ([PA 17-147](#), §§ 15-18, most provisions are effective October 1, 2018).

One-year Deadline for Requesting DRS Penalty Waivers

Under a new law, taxpayers have only one year to ask the revenue services commissioner to waive a penalty and the commissioner cannot waive a penalty when he receives a waiver request more than one year after (1) he notified the taxpayer about the penalty or (2) the filing date of a tax return that reports the penalty ([PA 17-147](#), § 39, effective July 1, 2017 and applicable to requests received on or after that date).

Penalties for Failing to Pay the Gross Earning Tax that Funds PEGPETIA

Under a new law, cable-TV, satellite-TV, and certified video service providers face penalties for failing to pay the 0.25% gross earnings tax that funds the “public, educational, and governmental programming and education technology investment account” (PEGPETIA). They face a maximum

\$1,000 fine, maximum one year imprisonment, or both, in addition to the law's other penalties for willfully failing to (1) pay the tax, (2) file returns, (3) keep records, or (4) provide the revenue services commissioner with required information. They also face a maximum \$5,000 fine, maximum five years imprisonment, or both (i.e., class D felony) for willfully delivering or disclosing to the commissioner or his authorized agent any knowingly fraudulent or false list, return, account, statement, or other document ([PA 17-147](#), § 40, effective upon passage).

Penalty for Failing to Comply with Certain Sales and Use Tax Requirements

By law, DRS may (1) examine the books and records of any person selling services or tangible personal property and any person liable for use tax, (2) investigate businesses to verify or determine how much sales and use tax they owe, and (3) require the filing of information reports on taxable goods and services relating to use tax liability. Under a new law, if the DRS commissioner provides written notice to a person specifying a deadline for complying with any of these requirements and the person fails to meet the deadline for doing so, the commissioner may impose a civil penalty of \$500 per violation ([PA 17-147](#), § 46, July 1, 2017).

Racketeering Activity

A new law extends the definition of "racketeering activity" under the Corrupt Organization Racketeering Act (CORA) to include violations of certain tobacco-products related crimes (e.g., transporting for sale, selling, or offering for sale untaxed tobacco products that should be taxed at \$2,500 or more). In doing so, it subjects a person or entity that engages in a pattern of these violations to prosecution under CORA ([PA 17-147](#), § 41, effective July 1, 2017).

Required Methods for Weekly Remitting the Sales Tax

Taxpayers who fail to remit the sales tax on time may be required by DRS to remit it weekly, and a new law specifies how they must do so. They must remit the tax through a certified service provider or, if they choose, by establishing a separate bank account with a financial institution for depositing the tax payments. The revenue services commissioner must inform them about these options when he notifies them that they must weekly remit the tax. Their choice is irrevocable and remains in effect until the commissioner notifies them they no longer have to remit the tax weekly. The period for weekly remittance may exceed prior law's one-year limit ([PA 17-147](#), § 4, effective January 1, 2018).

Security Requirement for Certain Taxes

Under a new law, the DRS commissioner may require employers and payers to deposit securities (e.g., bonds or cash deposits) to ensure their compliance with withholding tax requirements. The new law establishes conditions under which the commissioner may impose this security requirement and gives him discretion to determine the type and amount of security required, up to six times the employer's or payer's estimated liability for the prior or future 12-month period. It applies similar conditions to existing laws authorizing the commissioner to impose a security requirement for sales and use and admissions and dues taxes ([PA 17-147](#), §§ 5, 44 & 45, effective October 1, 2017 for the withholding tax and upon passage for sales and use and admissions and dues taxes).

Shorter Period for Renewing Sales Tax Permits

For permits issued on or after October 1, 2017, a new law shortens the period, from five to two years, for renewing sales tax permits ([PA 17-147](#), § 3, October 1, 2017).

Tax Regulations

A new law eliminates requirements that the DRS commissioner adopt regulations concerning certain tax laws, including the (1) disclosure of tax returns or return information for administrative purposes and (2) sales and use tax exemption permits for businesses purchasing goods in Connecticut for business use or consumption outside the state. It also (1) eliminates laws authorizing him to adopt regulations concerning informational income tax returns filed by certain payers and (2) allows, rather than requires, him to issue certain regulations, including those concerning the taxation of personal property used in rendering telecommunications services ([PA 17-147](#), §§ 20, 22, 32, 35, 37 & 38, most provisions effective upon passage).

Tobacco Products Tax Record-Keeping Requirements Tightened

A new law tightens requirements for maintaining tobacco products tax records and establishes a civil penalty of \$1,000 per day for any distributor or importer who fails to immediately produce or provide electronic access to the records on the commissioner's or agent's request. It authorizes the commissioner to waive all or any part of the penalties if he is satisfied that the failure to provide the records was due to reasonable cause ([PA 17-147](#), § 31, October 1, 2017).

Tobacco Settlement Law Changes

This session, the legislature made several minor changes to the state's tobacco settlement law, which establishes requirements tobacco product manufacturers must meet in order to sell their products in the state. Among other things, the new law (1) requires certain manufacturers to post

annual, rather than quarterly, bonds with the DRS commissioner and (2) broadens the tax information the attorney general may disclose under the tobacco settlement law and the entities to whom he may disclose this information ([PA 17-105](#), §§ 1-3, effective October 1, 2017).

Tax Credits

Expanded Eligibility for Angel Investor Tax Credit

A new law allows angel investors to receive tax credits for investing in eligible businesses in any industry, rather than only those in specified technology industries. It also generally restricts the amount of credits that may be awarded for investments in businesses in those technology industries by capping the amount of credits that Connecticut Innovations can reserve for such investments at 75% of the annual credit cap. However, CI may exceed the cap if any unreserved credits remain after April 1 in each year ([PA 17-110](#), effective July 1, 2017).

Transferability of Invest CT Tax Credits

This session, the legislature allowed insurers that earn tax credits for investing in Invest CT funds (i.e., insurance reinvestment funds) to sell or otherwise transfer these credits, or parts of these credits, to any taxpayer or taxpayers. Under prior law, insurers could transfer credits only to their affiliates. Under the new law, the transferee must claim the credits in the transferee's income year in which the transferee bought, was assigned, or was otherwise transferred the credit ([PA 17-244](#), §§ 2 & 3, effective July 1, 2017).

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