

OFA AMENDED BILL ANALYSIS

SB 2015 (as amended by Senate "A" - "I")

AN ACT MAKING CERTAIN AMENDMENTS AND CORRECTIONS TO THE PERSONAL INCOME, GIFT, SALES AND USE AND MOTOR VEHICLE FUELS TAXES AND THE ECONOMIC RECOVERY FUND ENACTED OR AMENDED IN THE 1991 JUNE SPECIAL SESSION

SUMMARY: The bill as amended by Senate "A" strikes the language of the original bill and substitutes the following:

Section 1 establishes a "Class C" annual bingo permit of \$50 which allows the playing of bingo no more than one day per month.

Sections 2-8 establish a Class 7 raffle permit with a top prize of \$50,000 in order to commemorate the celebration of the 100th anniversary (or any multiple thereof) of a municipality's founding. A permit fee of \$100 is established, all of which is remitted to the state.

Section 9 changes the information required in the reports from the Department of Revenue Services to the Office of Fiscal Analysis concerning tax data. It deletes information on dividend, interest and capital gain income and substitutes components of and adjustments to personal income. It also makes technical changes by moving sections of the statutes concerning other tax data to one section of the statutes.

Section 10 clarifies that lodging houses are not subject to the Local Property Tax surcharge which certain municipalities are permitted to levy on commercial, industrial or public utility property to provide residential property tax relief.

Section 11 changes the treatment of Inter Vivos trusts under the Personal Income Tax such that taxable trust income is apportioned to Connecticut based upon the number of beneficiaries living in state, effective with income years beginning on or after 1/1/93. Under current law, trust income is 100% taxable if either the trust or trustees are located in state and nontaxable if only the beneficiaries live in state.

Section 12 requires non-resident married couples who file jointly for federal tax purposes to file jointly for state tax purposes, effective with income years beginning on or after 1/1/92. The joint filing requirement for resident

married couples was passed under PA 91-3 and is currently applied by the Department of Revenue Services to non-resident couples as well, in light of the 1991 New York Appellate Court decision, Brady vs. New York.

Section 13 specifies that nonresidents who engage only in purchasing or selling intangible property or stock option contracts in the state are not considered to have taxable income in Connecticut for purposes of the Personal Income Tax, effective with income years beginning on or after 1/1/92.

Section 14 requires estimated payments for the personal income tax if the tax on income other than wages subject to withholding is expected to exceed \$200 instead of the current requirement that income exceed \$1,000, effective with income years beginning on or after 1/1/92. It does not require estates or trusts to make estimated payments for two years after a person's death, which matches federal tax treatment of these entities.

Section 15 of the bill changes the amount of estimated payment as follows (effective with income years beginning on or after 1/1/92):

	Payment Date	Current Law the lesser of	Proposed the lesser of
1st	4/15	25% of current year or 30% of last year	22.5% of current or 25% of last year
2nd	6/15	50% of current year or 55% of last year	45% of current or 50% of last year
3rd	9/15	75% of current year or 80% of last year	67.5% of current or 75% of last year
4th	1/15	100% of current year of next or 100% of last year	90% of current or 100% of last year

Section 16 removes the minimum \$50.00 penalty for underpayment of an installment payment or personal income tax and changes the penalty for failure to file a personal income tax return from 10% of the tax to a 10% of the tax or \$50.00 penalty, whichever is greater (effective with 1/1/92 income years).

Sections 17-19 exempt from the Sales Tax (1) land surveyors and (2) parking lots owned or leased by employers for the exclusive use of their employees, effective 7/1/92. The length of the parking lot lease must be at least 10 years. Facilities owned by federal, state or municipal government are exempted from the Sales Tax on amusements and recreation services, effective 10/1/91. The Sales Tax is applied to athletic or sporting activities, except swimming, in which patrons over age 19 participate, when such services are provided by federal, state or municipal government, nonprofit charitable hospitals and charitable or religious organizations. Admissions and dues which are subject to the Admissions or Dues Taxes are exempted from the Sales Tax. Massage therapist services are exempted from the Sales Tax on miscellaneous personal services, effective 7/1/92. And finally, technical corrections are made by deleting references to landscape architects and media advertising.

Senate "I" exempts golf services provided by municipally owned golf courses prior to 1/1/93 from the Sales Tax.

Sections 20-23 clarify the definitions of taxable sales and gross receipts for property management services under the Sales Tax to exclude 95% of the amount separately stated for wages, fringe benefits, workers' compensation and payroll taxes for all employees. Senate "B" deletes the 95%

Section 24 changes the definition of transportation services for the purposes of the Sales and Use Tax to include services provided by firms licensed by the US Interstate Commerce Commission, effective 7/1/92. Currently the tax only applies to firms licensed by the Connecticut Department of Transportation. It also exempts commercial vehicles carrying more than 16 people from the Sales Tax on transportation services.

Sections 25-27 require boat retailers to obtain an affidavit from out-of-state purchasers regarding their state of residence for the purposes of the Sales Tax, effective 7/1/92. Under current law, vessels purchased in state but immediately transported out of state, are taxed at the lower of Connecticut's or the destination state's rate. To obtain the lower rate, out-of-state purchasers are required to furnish proof that the boat has been registered out of state within 10 days of sale.

Section 27 imposes the Use Tax based on the price of raw materials purchased and assembled outside Connecticut which are made into building components that are subsequently brought into and used in Connecticut, effective 7/1/92.

Sections 25-27 and 29 exempt aviation fuel from the Sales and Use Tax at the 2.5% rate, effective 7/1/92 and exempt aircraft replacement parts and repair services, effective 7/1/93.

Senate "H" adds a Sales Tax exemption and a Petroleum Products Gross Receipts Tax exemption for bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil for use in any vessel displacing more than 4,000 dead weight tons.

Section 28 makes a technical change to the Sales Tax exemption for commercial fishing boats and equipment.

Section 30 imposes a permanent moratorium on authorizing the operation of additional OTB facilities. It also authorizes one additional Simulcasting facility in the Bridgeport Dog Track.

Section 31 permits the Division of Special Revenue with the approval of the Gaming Policy Board, to combine OTB parimutual wagers with similar out-of-state wagering pools.

Section 32 imposes a permanent moratorium on authorizing the operation of additional (and relocation of currently existing) jai alai or dog racing facilities.

Section 33 reduces the reexamination fee for a professional engineer or land surveyor from \$450 to \$150 and from \$75 to \$38 for an engineer-in-training or land surveyor-in-training.

Section 34 requires retailers of petroleum products who provide car wash services free or at a price less than \$4 to impute a reasonable value to the services and pay the Sales Tax on the imputed value. If the retailer provides the car wash services for less than 10 days per year there is no tax due.

Sections 35-39 permit the Department of Revenue Services to require the electronic transfer of funds for taxpayers with tax liability over \$500,000. Such transfers will be mandatory for any tax payments or estimated tax payments due on or after January 1, 1993. Any person who files a tax return n a

monthly or quarterly basis and who is not required to pay the tax by electronic transfer can request (from DRS) that such a payment be done so electronically.

Section 40 allows an individual standing in close personal or business relationship with a taxpayer who is unable to sign a request for filing for extensions of state tax filing deadlines because of illness, absence or other good cause, to sign on the taxpayer's behalf.

Section 41 makes technical changes with regard to the refinancing of the Economic Recovery Notes.

Sections 42-45 validate various municipal actions.

Sections 46 and 47 authorize a feasibility study of casino gambling in the State. It establishes an 18-member task force to examine the economic and social impact of casino gambling on residents and businesses and the revenue impact. The task force must submit a report of its findings and recommendations to the General Assembly by December 1, 1992. The study is funded by an appropriation of \$25,000 made to the Legislative Management Committee.

Senate "C" allows the Finance, Revenue and Bonding Committee, through its co-chairmen, to revise revenue estimates based on receipt of new information as well as changes resulting from legislation.

Senate "D" restores the Comptroller's authority under the Connecticut General Statutes 3-115 to analyze financial statements of the state.

Senate "E" exempts purchases made between 10/1/89 and 3/1/91 from the Sales Tax by any consumer who has been granted a tax exemption prior to 3/1/91 and exempts such sales by any retailer. If tax has been paid on such purchases, it provides for a repayment by from the state of this amount.

Senate "F" permits the use of Sales Tax resale certificates for purchases associated with the delivery of landscaping or horticultural services, provided that the total sales price of the services are taxable.

Senate "G" excludes aircraft built prior to 1/1/46 from the Personal Property Tax.

EFFECTIVE DATE: Upon passage

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