OFA BILL ANALYSIS

sHB 5912

AN ACT MAKING CERTAIN AMENDMENTS TO THE PROPERTY, PERSONAL INCOME, AND SALES AND USE TAXES AND TO FEES FOR ENGINEERS AND PROVIDING FOR A REFERENDUM ON THE STATE'S TAX STRUCTURE

SUMMARY: Section 1 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.

Sections 2 and 4 make changes to the Personal Income Tax effective with the 1992 income year and sunset the tax at the end of the 1993 income year. The bill changes the standard deduction for heads of household from $19,000 to $17,000 and changes the phase out ranges for the standard deduction as follows:

Filing Status	Current CT AGI Phase Out Range	Proposed CT AGI Phase Out Range
Single	$24,000 - 36,000	$27,000 - 57,000
Joint	48,000 - 72,000	54,000 - 114,000
Head of Household	38,000 - 57,000	42,500 - 85,000

The bill (1) raises the tax rate on income above the CT AGI phase out range from 4.5% to 7%, (2) requires nonresidents with negative CT AGI not derived from Connecticut sources to calculate the low income credit based solely on the portion of their income attributable to Connecticut sources, and (3) creates a $2,000 exemption per dependent. It also changes the phase out of the standard deduction from a decrease of $1000 of standard deduction per $1000 increase in CT AGI to a decrease of $1 of standard deduction for each $2.50 increase in CT AGI.

Section 3 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. 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 5 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.

Section 6 exempts from the Sales Tax parking lots owned or leased by employers for the exclusive use of their employees effective 7/1/92. The length of the lease must be at least 10 years. It exempts land surveyors and amusements and recreation services from the Sales Tax effective 7/1/92. The section also makes technical corrections by deleting references to landscape architects and media advertising.

Sections 7 and 8 change 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. The provision is made retroactive to 1/1/86. Currently this exclusion applies only to maintenance and repair employees.

Section 9 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.

Sections 10, 11 and 13 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. They also exempt computer and data processing services rendered by a retailer who acquired the operation from the customer on or after 7/1/91, effective 7/1/92.

Section 11 requires 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 12 broadens the Sales Tax exemption for vessels and equipment used in commercial fishing to include any vessel with a coastwise fishery certificate from the US Coast Guard, effective 10/1/91. This will allow party-fishing boats to qualify for the exemption.

Sections 14 and 15 retain the current 18 cent per gallon Motor Fuel Excise Tax on diesel fuel. The rate is scheduled to increase by eight cents 7/1/92 under current law.

Section 16 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 17 increases the license fee for surveyor-in-training from $32 to $38, making this fee equal to that for an engineer-in-training.

Section 18 provides for a nonbinding referendum to be conducted 11/3/92 on four questions related to the Connecticut tax structure.

EFFECTIVE DATE: Upon Passage

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 25 Nay 15

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