File No. 488

Substitute Senate Bill No. 51

Senate, April 14, 1998. The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY, 11th DIST., Chairman of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING WATER COMPANIES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subdivisions (1) and (2) of subsection (a) of section 12-214 of the general statutes are repealed and the following is substituted in lieu thereof:

(a) (1) Every mutual savings bank, savings and loan association and every company engaged in the business of carrying passengers for hire over the highways of this state in common carrier motor vehicles doing business in this state, and every other company carrying on, or having the right to carry on, business in this state, including a dissolved corporation which continues to conduct business, except those companies described in subdivision (2) of this subsection, shall pay, annually, a tax or excise upon its franchise for the privilege of carrying on or doing business, owning or leasing property within the state in a corporate capacity or as an unincorporated association taxable as a corporation for federal income tax purposes or maintaining an office within the state, such tax to be measured by the entire net income as herein defined received by such corporation or association from business

24 transacted within the state during the income year
25 and to be assessed for each income year commencing
26 prior to January 1, 1995, at the rate of eleven
27 and one-half per cent, for income years commencing
28 on or after January 1, 1995, and prior to January
29 1, 1996, at the rate of eleven and one-quarter per
30 cent, for income years commencing on or after
31 January 1, 1996, and prior to January 1, 1997, at
32 the rate of ten and three-fourths per cent, for
33 income years commencing on or after January 1,
34 1997, and prior to January 1, 1998, at the rate of
35 ten and one-half per cent, for income years
36 commencing on or after January 1, 1998, and prior
37 to January 1, 1999, at the rate of nine and
38 one-half per cent, for income years commencing on
39 or after January 1, 1999, and prior to January 1,
40 2000, at the rate of eight and one-half per cent,
41 and for income years commencing on or after
42 January 1, 2000, at the rate of seven and one-half
43 per cent. The exemption of companies described in
44 subparagraphs (G) and (H) of subdivision (2) of
45 this subsection shall not be allowed with respect
46 to any income year of any such company commencing
47 on or after January 1, 1998, and any such company
48 claiming such exemption for any income years
49 commencing on or after January 1, 1985, but prior
50 to January 1, 1998, shall be required to file a
51 corporation business tax return in accordance with
52 section 12-222 for each such income year.
53 (2) The following companies shall be exempt
54 from the tax imposed under this chapter: (A)
55 Insurance companies incorporated or organized
56 under the laws of any other state or foreign
57 government; [,] (B) companies exempt by the
58 federal corporation net income tax law, and any
59 company which qualifies as a domestic
60 international sales corporation (DISC), as defined
61 in Section 992 of the Internal Revenue Code of
62 1986, or any subsequent corresponding internal
63 revenue code of the United States, as from time to
64 time amended, and as to which a valid election
65 under subsection (b) of said Section 992 to be
66 treated as a DISC is effective, but excluding
67 companies, other than any company which so
68 qualifies as, and so elects to be treated as, a
69 DISC, which elect not to be subject to such tax
70 under any provision of said Internal Revenue Code
71 other than said subsection (b) of Section 992; (C)

72 companies subject to gross earnings taxes under
73 chapter 210; (D) companies all of whose properties
74 in this state are operated by companies subject to
75 gross earnings taxes under chapter 210; (E)
76 cooperative housing corporations, as defined for
77 federal income tax purposes; (F) any organization
78 or association of two or more persons established
79 and operated for the exclusive purpose of
80 promoting the success or defeat of any candidate
81 for public office or of any political party or
82 question or constitutional amendment to be voted
83 upon at any state or national election or for any
84 other political purpose; (G) any company which is
85 not owned or controlled, directly or indirectly,
86 by any other company, the gross annual revenues of
87 which in the most recently completed year did not
88 exceed one hundred million dollars and which
89 engaged in the research, design, manufacture, sale
90 or installation of alternative energy systems or
91 motor vehicles powered in whole or in part by
92 electricity, natural gas or solar energy including
93 their parts and components, provided at least
94 seventy-five per cent of the gross annual revenues
95 of such company are derived from such research,
96 design, manufacture, sale or installation; [and]
97 (H) any company which engages in the research,
98 design, manufacture or sale in Connecticut of
99 aero-derived gas turbine systems in advanced
100 industrial applications, which applications are
101 developed after October 1, 1992, which are limited
102 to simply-cycle systems, humid air, steam or water
103 injection, recuperation or intercooling
104 technologies, including their parts and
105 components, to the extent that such company's net
106 income is directly attributable to such purposes;
107 AND (I) FOR INCOME YEARS COMMENCING ON OR AFTER
108 JANUARY 1, 1999, WATER COMPANIES, AS DEFINED IN
109 SUBDIVISION (10) OF SUBSECTION (a) OF SECTION
110 16-1.
111 Sec. 2. (NEW) Not later than thirty days
112 after the passage of this act, each water company,
113 as defined in subdivision (10) of subsection (a)
114 of section 16-1 of the general statutes, which
115 does not have a proposed rate amendment under
116 section 16-19 of the general statutes pending
117 before the Department of Public Utility Control at
118 such time, shall request the department to reopen
119 the proceeding under said section 16-19 on the

120 company's most recent rate amendment, solely for
121 the purpose of decreasing the company's rates to
122 reflect the tax exemption granted under
123 subdivision (2) of subsection (a) of section
124 12-214 of the general statutes, as amended by
125 section 1 of this act. The department shall
126 immediately reopen such proceedings, solely for
127 such purpose.
128 Sec. 3. This act shall take effect from its
129 passage, except that section 1 shall be applicable
130 to income years commencing on or after January 1,
131 1999.

132 FIN COMMITTEE VOTE: YEA 42 NAY 0 JFS

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"THE FOLLOWING FISCAL IMPACT STATEMENT AND BILL ANALYSIS ARE PREPARED FOR THE BENEFIT OF MEMBERS OF THE GENERAL ASSEMBLY, SOLELY FOR PURPOSES OF INFORMATION, SUMMARIZATION AND EXPLANATION AND DO NOT REPRESENT THE INTENT OF THE GENERAL ASSEMBLY OR EITHER HOUSE THEREOF FOR ANY PURPOSE."

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FISCAL IMPACT STATEMENT - BILL NUMBER sSB 51

STATE IMPACT	Revenue Loss, see explanation below
MUNICIPAL IMPACT	Savings, see explanation below
STATE AGENCY(S)	Department of Revenue Services, Department of Public Utility Control

EXPLANATION OF ESTIMATES:

STATE IMPACT: The bill results in a revenue loss to the Corporation Business Tax of $2.8 million in FY 99 and $4.0 million in FY 00 and each year thereafter.

There is not anticipated to be any fiscal impact to the Department of Public Utility Control as a result of adjusting rates of private water companies.

MUNICIPAL IMPACT: There will be some savings to municipalities that are serviced by private water companies as a result of lower water rates.

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OFA BILL ANALYSIS

sSB 51

AN ACT CONCERNING WATER COMPANIES

SUMMARY: The bill exempts private water companies from the Corporation Business Tax beginning with income years commencing on or after January 1, 1999. The bill also requires the Department of Public Utility Control

(DPUC) to adjust rates of private water companies to reflect that they will no longer be subject to the Corporation Business Tax.

EFFECTIVE DATE: Upon Passage, except Section 1 is applicable to income years beginning on or after January 1, 1998.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 42 Nay 0