OLR Bill Analysis

sHB 6443

AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE BIENNIAL BUDGET.

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SUMMARY

This bill makes numerous changes to state tax laws. Among the provisions affecting individual taxpayers, the bill (1) establishes a new consumption tax on taxpayers with incomes above $500,000; (2) imposes a 2% surcharge on capital gains for taxpayers with incomes in the top income bracket; (3) establishes a child tax credit for resident taxpayers with qualifying incomes; (4) increases the earned income tax credit from 23% to 40%; (5) extends the limits for the property tax credit to the 2021 and 2022 tax years; and (6) phases out the income tax on qualifying taxpayers' income from individual retirement accounts under the same conditions that currently apply to pension and annuity income.

The bill makes various business tax changes, including (1) establishing a per-mile highway use tax on carriers operating certain heavy, multi-unit motor vehicles on roads in Connecticut and depositing tax revenue into the Special Transportation Fund (STF); (2) establishing a new voluntary wage compensation tax; (3) making the

10% corporation surcharge permanent; (4) eliminating the admissions tax; (5) establishing a new tax on digital advertising services on companies with at least $100 million in global annual gross revenues; and (6) increasing the cap on the amount of research and development tax credits corporations may claim against their corporation business tax liability.

The bill authorizes the Department of Revenue Services (DRS) to establish a tax amnesty program for individuals, businesses, or other taxpayers that owe specified Connecticut state taxes. It also generally requires state agencies accepting credit, debit, or charge card payments to charge payors a service fee for doing so and disclose the fee before imposing it.

Lastly, the bill establishes the Connecticut Equitable Investment Fund as a permanent investment fund to receive, invest, and distribute specified tax revenue and creates a nine-member Connecticut Equitable Investment Council to manage and oversee the fund.

EFFECTIVE DATE: Various; see below.

§§ 1 & 2 — VOLUNTARY WAGE COMPENSATION TAX PROGRAM

Establishes a new voluntary wage compensation tax program under which eligible employees and vendors may elect to have employers pay a 5% tax on their respective wages or compensation; allows (1) electing employees and vendors to claim a refundable credit against their personal income tax equal to 95% of the taxes paid by the employer and (2) electing employees to deduct Roth IRA contributions made during applicable tax years; directs the revenue from the tax to the Connecticut Equitable Investment Fund established under the bill (§ 13)

Beginning with the 2022 tax year, the bill authorizes eligible employees and vendors to elect to participate in a wage compensation tax program. Under this program, the employee's or vendor's employer must pay a tax on their respective wages or compensation. The employee and vendor, in turn, may claim a credit against their personal income tax for 95% of the taxes paid by the employer. Employees may also claim a deduction for any contributions made to a Roth individual retirement account (IRA), as described below.

Tax Rate and Base

Under the bill, each employer required to deduct and withhold Connecticut state income tax from employee wages (i.e., "employer") that employs an "electing employee" is subject to a 5% tax on the electing employee's wages. An "electing employee" is one who (1) is required to have Connecticut state income tax withheld from their wages; (2) has annual gross wage income from the employer of more than $40,000; and (3) has elected to participate in the program.

The bill bars employers from prohibiting employees from participating in the program, but it allows them to establish a reasonable minimum time period for which electing employees must continue participating in the program.

Requirement to Notify Employees about the Program

The bill requires each employer to inform its current and newly hired employees about the program and give them (1) information on how they may elect to participate in the program and (2) an estimated tax table that projects their wages and income tax liability if they do or do not participate. DRS must assist employers in preparing the estimated tax table.

Vendors Issued 1099 Forms by Employers

Beginning with the 2022 tax year, for any individuals to whom an employer issues a federal Form 1099 (i.e., vendors), the employer must offer to pay the wage compensation tax on the amount reportable on the form as if that amount were wages paid to the individual. The employer must provide these vendors with the same estimated tax table described above.

Remitting the Tax

Employers subject to the tax on employee wages or vendor compensation must remit the tax payments to DRS at the same time and in the same manner as they would for withholding tax payments. The DRS commissioner must prescribe the form and manner for remitting the payments. Any individual responsible for remitting the tax on an employer's behalf is jointly and severally liable with the employer for any tax, amount, interest, or penalty owed.

Refundable Income Tax Credit

Beginning with 2022 tax year, the bill establishes an income tax credit for electing employees and vendors equal to 95% of the taxes paid by the employer on their respective wages or compensation. If the credit amount exceeds the taxpayer's income tax liability, the DRS commissioner must treat the excess as an overpayment and refund it to the taxpayer (subject to withholding it to pay certain debts or obligations) without interest.

Revenue

The bill requires DRS to deposit any revenue it collects from the tax, including related interest and penalties, to the Connecticut Equitable Investment Fund (see § 13).

Collection and Enforcement

The bill applies to the wage compensation tax certain tax collection and enforcement provisions that apply to the admissions and dues tax under existing law, unless these provisions are inconsistent with the bill. Among other things, these provisions cover (1) refunds for tax overpayments, (2) hearing and appeals processes, (3) penalties for certain willful violations or fraud, (4) record retention requirements for taxpayers, and (5) the issuance of tax warrants.

Deduction for Roth IRA Contributions

The bill allows electing employees to deduct from their Connecticut adjusted gross income the amount of any contributions they made during the tax year to a Roth IRA, so long as the electing employee participated in the wage compensation tax program for at least six months of the applicable tax year.

Federal law caps the total contributions taxpayers can make each year to IRAs. For 2021, the cap is generally $6,000 (or $7,000 for taxpayers age 50 or older) or, if less, the taxpayer's compensation for the year. (Roth IRA contributions are further limited based on a taxpayer's filing status and income.)

EFFECTIVE DATE: Upon passage, except that the Roth IRA deduction is effective January 1, 2022, and applicable to tax years beginning on or after that date.

§ 3 — CONSUMPTION TAX

Establishes a new consumption tax on state residents with federal AGIs of $500,000 or more, ranging from 0.7% to 1.5% of their federal AGI; directs the revenue from the tax to the Connecticut Equitable Investment Fund

Rate and Base

The bill imposes a new consumption tax on each state resident with a federal adjusted gross income of $500,000 or more. (It is unclear how this $500,000 threshold would apply across different filing statuses.) The tax applies to anyone who is considered a state resident for income tax purposes. By law, an individual is a Connecticut resident for a particular tax year if he or she (1) was domiciled here for the entire tax year, subject to certain exceptions, or (2) was not domiciled here but maintained a "permanent place of abode" here during the entire year and spent more than 183 days here during the year.

To calculate the tax due, taxpayers must multiply their federal adjusted gross income (AGI) for the preceding tax year by the applicable adjustment rate shown in Table 1.

Table 1: Consumption Tax Rates

Federal AGI	Adjustment Rate
$500,000 to less than $2 million	0.7%
$2 million to $13 million	1.4%
$13 million or more	1.5%

Taxpayers must file a tax return with the DRS commissioner, as he prescribes, by the 15th day of the fourth month following the end of their tax year. They must pay the tax by this date regardless of any extension for filing the return. The return must calculate the tax due for the preceding tax year.

The bill authorizes the commissioner to adopt implementing regulations for the tax.

Delinquent Taxes

Delinquent taxes are subject to a penalty of 10% of the tax due and unpaid or $50, whichever is greater, plus interest at 1% for each month or fraction of a month from the due date to the payment date.

Subject to the Penalty Review Committee provisions, the commissioner may waive all or part of these penalties when it is proven to the commissioner's satisfaction that failing to pay the tax within the timeframe was due to reasonable cause and was not intentional or due to neglect.

Collection and Enforcement

It applies the same collection, enforcement, and appeal process requirements established in statute for the admissions and dues taxes to the consumption tax, unless the provisions are inconsistent with the bill.

Revenue

The bill requires DRS to deposit the revenue collected from the tax, including any related interest and penalties, in the Connecticut Equitable Investment Fund (see § 13).

EFFECTIVE DATE: January 1, 2022, and applicable to tax years beginning on or after that date.

§ 4 — DIGITAL ADVERTISING SERVICES

Imposes a new tax on the gross revenue from digital advertising services in the state that applies to companies with at least $100 million in global annual gross revenues; directs the revenue from the tax to the Connecticut Equitable Investment Fund

Tax Rate and Base

The bill imposes a new tax on the annual gross revenue businesses derive from digital advertising services in the state. It defines "digital advertising services" as advertisement services on a digital interface (i.e., software that anyone can access with a device, including a website or application), including banner, search engine, and interstitial advertising and other comparable advertising services. (This tax could be vulnerable to a legal challenge that it violates the Internet Tax Freedom Act, which generally prohibits state and local governments from imposing discriminatory taxes on electronic commerce.)

The tax rate imposed depends on the company’s global annual gross revenues. “Annual gross revenues” is income or revenue from all sources, before expenses or taxes, calculated in accordance with generally accepted accounting principles. The tax rate is:

1. 2.5% for companies with revenues of $100 million to $1 billion;
2. 5% for companies with revenues greater than $1 billion but less than or equal to $5 billion;
3. 7.5% for companies with revenues greater than $5 billion but less than or equal to $15 billion; and
4. 10% for companies with revenues greater than $15 billion.

The rate applies to the company’s annual gross revenues derived from digital advertising services in Connecticut (i.e., its “assessable base”). The DRS commissioner must adopt regulations to establish the method for apportioning digital advertising services revenue to the state for determining the assessable base.

Taxpayers subject to the tax must file a return with DRS, as prescribed by the commissioner, that calculates the tax due for the preceding tax year.

Delinquent Taxes

Delinquent taxes are subject to a penalty of 10% of the tax due and unpaid or $50, whichever is greater, plus interest at 1% for each month or fraction of a month from the due date to the payment.

Subject to the Penalty Review Committee provisions, the commissioner may waive all or part of these penalties when it is proven to the commissioner’s satisfaction that failing to pay the tax within the timeframe was due to reasonable cause and was not intentional or due to neglect.

Collection and Enforcement

The bill applies the same collection, enforcement, and appeal process requirements established in statute for the admissions and dues taxes to the digital advertising services tax, unless the provisions are inconsistent with the bill.

Revenue

The bill requires DRS to deposit the revenue collected from the tax, including any related interest and penalties, in the Connecticut Equitable Investment Fund (see § 13).

EFFECTIVE DATE: January 1, 2022

§ 5 — EARNED INCOME TAX CREDIT

Increases the EITC from 23% to 40% and requires it to be funded through the Connecticut Equitable Investment Fund

Beginning with the 2021 tax year, the bill increases the earned income tax credit (EITC) from 23% to 40% of the federal credit. The EITC is a refundable tax credit available to people who work and earn incomes below certain levels.

The bill requires the Connecticut Equitable Investment Council (as described in § 13 below) to transfer or disburse from the new Connecticut Equitable Investment Fund the amount sufficient to provide the EITC at the 40% rate.

EFFECTIVE DATE: July 1, 2021, and applicable to tax years beginning on or after January 1, 2021.

§ 6 — ESTATE TAX REDUCTION FOR QUALIFYING INVESTMENTS

Expands the existing estate tax reduction for decedents that made qualifying investments during their lifetimes and ties the reduction to investments made in the Connecticut Equitable Investment Fund

The bill expands the existing estate tax reduction for decedents that made qualifying investments during their lifetimes. Under current law, decedents qualify for the deduction for amounts they invested for at least 10 years in a private investment fund or "fund of funds" through the Connecticut Innovations, Inc. investment program for state residents. The bill instead allows the deduction for investments made in the Connecticut Equitable Investment Fund (§ 13). As under current law, the reduction is equal to 50% of the eligible investment, up to $5 million per decedent. The bill also eliminates the $30 million cap on the total amount of reductions allowed under this program.

EFFECTIVE DATE: July 1, 2021, and applicable to the estates of decedents dying on or after January 1, 2021.

§§ 7-12 — ONLINE LOTTERY

Requires CLC to establish an online lottery program and directs the program's revenue to the Connecticut Equitable Investment Fund

Program Establishment (§ 7)

The bill requires the Connecticut Lottery Corporation (CLC) to establish a program to sell lottery tickets for lottery draw games through its website, an online service, or mobile application (i.e., online lottery). It defines a "lottery draw game" as any game, other than keno, in which (1) one or more numbers, letters, or symbols are randomly drawn from a range at predetermined times, up to four times per day, and (2) prizes are paid to players with winning plays.

Under the bill, CLC may not establish the online lottery program until the consumer protection commissioner adopts regulations to implement the program and assure its integrity. CLC must also submit official game rules to the commissioner for each lottery draw game it seeks to offer through the program; the commissioner must approve them, in writing, before CLC can offer the game.

Program Requirements (§§ 7 & 8)

The bill requires that the online lottery program, at a minimum, meet the following requirements:

1. verify that a person who establishes an online lottery account to purchase lottery tickets is at least age 18 and located in the state;
2. restrict sales to transactions initiated and received within the state;
3. allow a person to deposit money into an online lottery account and, through that account, use a credit or debit card or verified bank account;

4. limit online account users to only one debit or credit card;
5. provide that any money in an online lottery account belongs solely to the account's owner, who may withdraw the money at any time;
6. establish a voluntary process to allow individuals to exclude themselves from establishing an online lottery account or purchasing a ticket through the program;
7. be the subject of an independent review for responsible play at least every five years as assessed by industry standards;
8. provide responsible gambling and problem gambling information;
9. limit the amount of money a person may deposit into an online lottery account and spend per day through the program; and
10. display the results of lottery draw game drawings on the CLC website, online service, or mobile application, but the drawings must not take place on the website, service, or application.

The bill authorizes CLC, once it has established the program, to implement initiatives to promote (1) lottery ticket purchases through lottery sales agents and (2) online lottery draw games and lottery ticket purchases through lottery sales agents. It also requires CLC to conduct an online public awareness campaign on responsible gambling and programs available for preventing, treating, and rehabilitating compulsive gamblers in the state.

Additionally, the bill authorizes CLC to advertise lottery games on its website, online services, or mobile application.

Revenue (§ 7)

The bill requires all revenue collected under the online lottery program to be deposited in the Connecticut Equitable Investment Fund (see § 13).

Promotional Interactive Lottery Games (§ 8)

Current law prohibits CLC from offering any interactive online lottery games, including online video lottery games for promotional purposes. The bill allows CLC to sell promotional games through its website, online service, or mobile application, so long as (1) there is no cost to play the promotional games, (2) no prizes or rewards of monetary value are awarded, and (3) there is no lottery ticket purchase required to play.

Regulatory Cost (§ 9)

By law, the Office of Policy and Management (OPM) annually assesses CLC an amount sufficient to compensate the Department of Consumer Protection (DCP) for its reasonable and necessary costs in regulating the lottery for each preceding fiscal year. The bill expands the range of regulatory costs covered by this assessment to include the online lottery program.

Freedom of Information Act (FOIA) (§ 10)

Under the bill, the name and any personally identifying information of a person who participates or participated in CLC's voluntary self-exclusion process are not public records and are exempted from disclosure under FOIA, with one exception. The CLC president may disclose the name and any records of a person who claims a winning lottery ticket from using the online program. By law, FOIA applies to the CLC. This means, among other things, that most of CLC's records are considered public and subject to disclosure, with limited exceptions (e.g., unclaimed lottery ticket serial numbers).

Online Lottery on Credit (§§ 11 & 12)

The bill makes conforming changes related to its provisions allowing online lottery program tickets to be bought using credit cards. Specifically, it exempts participation in the program from the laws voiding and recovering certain wagering contracts.

EFFECTIVE DATE: Upon passage

§ 13 — CONNECTICUT EQUITABLE INVESTMENT FUND

Establishes the Connecticut Equitable Investment Fund as a permanent investment fund to receive, invest, and distribute specified tax revenue; establishes the Connecticut Equitable Investment Council to oversee the fund

Establishment of the Fund

The bill establishes the Connecticut Equitable Investment Fund as a permanent investment fund to receive, invest, and distribute specified tax revenue. The fund must (1) contain any money the law requires to be deposited into it and (2) be held in trust separate from all other moneys, funds, and accounts. The fund's investment earnings must be credited to its assets, and any balance remaining in the fund at the end of each fiscal year is carried forward to the next year.

The bill requires the Connecticut Equitable Investment Council established under the bill to use the fund's assets for the purposes described below.

Revenue Deposited in the Fund

The bill directs to the fund revenue from the following sources:

1. the wage compensation (§ 1), consumption (§ 3), and digital advertising taxes (§ 4) established under the bill;
2. any private investments made by state residents to be invested in venture capital firms in the state, as described below; and
3. any taxes the state collects and retains on or after July 1, 2021, on recreational cannabis and cannabis products and online wagering.

Connecticut Equitable Investment Council

The bill establishes a nine-member council to manage and oversee the fund. The council's members are (1) the governor, state treasurer, and OPM secretary and (2) six members of the public, two each appointed by the governor, Senate president, and House speaker.

The governor chairs the council and must schedule meetings as needed, but at least once every calendar quarter, to implement and accomplish the programs and strategies described below.

Use of the Fund. The bill requires the council to (1) protect and grow the fund for current and future generations through prudent, professional investment management and (2) support the state's economic growth through investment-in-place programs and strategies. These strategies must include:

1. building wealth in traditionally underserved communities by (a) attracting and retaining neighborhood wealth, (b) investing in human capital and infrastructure, (c) rebuilding community assets, (d) supporting community reinvestment, (e) increasing homeownership, and (f) creating employment pipelines;

2. reducing income inequality in the state by (a) funding the state EITC, (b) compensating worker value over productivity, and (c) expanding skill development and vocational and technical training opportunities;

3. retaining and attracting talent to the state by increasing the availability of venture capital; and

4. working with the state to reduce municipal reliance on property taxes through a statewide commercial property tax credit and initiatives to (a) prioritize municipal need and capacity, (b) fully fund the payment in lieu of taxes program, (c) reduce or eliminate intertown tax rate advantages, and (d) monetize land use.

The council must establish a review process and standards to evaluate the program and strategies that will help achieve these goals. It must annually distribute at least half of the fund's assets, other than the private investments described below, that are generated through the revenue streams that the council determines are less volatile.

Program to Solicit Investments. The council must establish a program to solicit private investments from state residents that the council will invest in a private investment fund or "fund of funds." The investments must be in venture capital firms (1) with offices in Connecticut and (2) that assist business growth in a way that supports the funding goals described above.

EFFECTIVE DATE: July 1, 2021

§§ 14-16 — CORPORATION BUSINESS TAX SURCHARGE

Makes permanent the 10% corporation business tax surcharge

The bill makes permanent the 10% corporation business tax surcharge, which under current law expires after the 2020 income year.

As under current law, the surcharge applies to companies that have more than $250 in corporation tax liability and either (1) have at least $100 million in annual gross income in those years or (2) are taxable members of a combined group that files a combined unitary return, regardless of their annual gross income amount. Companies must calculate their surcharges based on their tax liability, excluding any credits.

Under the bill, taxpayers are not subject to estimated tax payment requirements and interest on underpayments for the 2021 income year for any additional tax due as a result of this change for the period before the provisions take effect.

EFFECTIVE DATE: Upon passage

§ 17 — R&D TAX CREDITS

Increases the cap on the amount of R&D tax credits corporations may claim each year from 50.01% to 70% of their annual tax liability

Beginning with the 2021 income year, the bill increases the cap on the amount of R&D tax credits corporations may claim each year against the corporation business tax. Current law caps the total value of credits corporations may claim at 50.01% of their annual tax liability. The bill allows them to use credits for research and development expenditures to reduce up to 70% of their liability (CGS §§ 12-217j and 12-217n).

EFFECTIVE DATE: Upon passage and applicable to income years beginning on or after January 1, 2021.

§ 18 — INVEST CT TAX CREDIT CAP

Increases the aggregate cap on Invest CT tax credits by $200 million

The bill increases the aggregate cap on Invest CT tax credits by $200 million, from $350 million to $550 million. It retains the program's existing $40 million annual cap. By law, the credits apply to the insurance premiums and surplus lines brokers tax, and investors qualify for them by investing in eligible businesses through state-certified business investment funds (i.e., Invest CT funds).

EFFECTIVE DATE: July 1, 2021

§ 19 — DIGITAL MEDIA TAX CREDIT

Allows film and digital media production tax credits to be claimed against the sales and use tax under certain conditions

Beginning January 1, 2022, the bill allows film and digital media production tax credits to be claimed against the sales and use tax under certain conditions.

Specifically, under the bill, eligible production companies or other taxpayers claiming the credit (i.e., transferees) may only claim 92% of the credit's value when using it against the sales and use tax, and transferees may claim the credit against the tax only if there is at least 50% common ownership between the transferee and eligible production company that transferred the credit. Similar limitations apply under existing law to credits claimed against the gross receipts tax on cable, satellite, and competitive video services.

As under existing law, film and digital media production tax credits may also be claimed against the corporation business and insurance premiums taxes at full face value and may be sold, assigned, or otherwise transferred to other taxpayers up to three times.

EFFECTIVE DATE: January 1, 2022

§§ 20-24 — ADMISSIONS TAX ELIMINATION

Eliminates the admissions tax beginning July 1, 2021

The bill eliminates the admissions tax beginning July 1, 2021.

Under current law, the admissions tax is generally 10% of amounts paid for tickets; licenses; skybox, luxury suite, or club seat rentals; and any other admission charges, including any charges for the right to buy seats, with certain exceptions. The tax is (1) 6% for movie tickets costing more than $5 and (2) 5% for admissions to specified venues, such as the XL Center in Hartford and Oakdale Theatre in Wallingford. Certain events and facilities are exempt from the tax.

The tax covers, among other things, theaters; concert halls; amusement parks; sporting facilities, ball parks, race tracks, golf courses, beaches, and gyms; stadiums and amphitheaters; convention centers; auto, boat, antique, and dog shows; and other similar venues and events. The bill retains the 10% dues tax, which applies to amounts paid as dues or initiation fees to any social, athletic, or sporting club (i.e., organizations owned or operated, or both owned and operated, by members).

EFFECTIVE DATE: June 30, 2021

§ 25 — CHILD TAX CREDIT

Beginning with the 2022 tax year, establishes a child tax credit against the income tax for resident taxpayers with qualifying incomes and allows such taxpayers to claim the credit for up to three children

The bill establishes a child tax credit (CTC) that resident taxpayers with qualifying incomes may claim against the personal income tax. Taxpayers may claim the credit for up to three children (age 16 and younger) that they validly claimed as dependents on their federal income tax return for the applicable tax year. The credit phases in over two tax years (2022 and 2023). It does not apply against withholding tax.

The bill specifies that, for purposes of the CTC, a taxpayer's tax liability must be calculated without regard to the state earned income tax credit.

EFFECTIVE DATE: January 1, 2022

Credit Amount

Under the bill, taxpayers may claim either a nonrefundable or a refundable credit. The refundable credit is lower in value than the nonrefundable credit, but taxpayers who claim this credit may receive a refund for the portion of the credit that exceeds their income tax liability. The bill also caps the refundable credit amount at a specified percentage of a taxpayer's federal AGI. Table 2 shows the maximum credit amount by tax year.

Table 2: Maximum Child Tax Credit Amount (Per Child)

Tax Year	*Nonrefundable Credit Amount*	*Refundable Credit*	
		Amount	*Cap (% of AGI)*
2022	$300	$210	2.25 %
2023 and thereafter	$600	$420	4.50 %

Income Thresholds and Credit Phase Out

Under the bill, taxpayers are eligible for the full CTC if their federal AGIs are less than or equal to certain thresholds, which vary by filing status. For taxpayers with incomes exceeding these thresholds, the credit phases out at a rate of 10% for every $1,000, or fraction of $1,000, of AGI exceeding the threshold (e.g., a single filer with a federal AGI of $101,500 is eligible for 80% of the full credit amount). Table 3 indicates the income thresholds at which taxpayers are (1) eligible for the full credit and (2) not eligible for the credit.

Table 3: Child Tax Credit Income Thresholds

Filing Status	*Maximum Credit Threshold*	*No Credit*
	Federal AGI ≤	*Federal AGI >*
Single or Married Filing Separately	$100,000	$110,000
Head of Household	$160,000	$170,000
Married Filing Jointly or Surviving Spouse	$200,000	$210,000

§ 26 — INCOME TAX EXEMPTION FOR RETIREMENT INCOME

Phases out the income tax on certain taxpayers' income from IRAs, other than Roth IRAs, under the same conditions that apply to pension and annuity income

The bill phases out the income tax on certain taxpayers' distributions from IRAs, other than Roth IRAs, under the same conditions that apply to pension and annuity income.

As under existing law for pension and annuity income, the bill exempts an increasing portion of the IRA income until the income is fully exempt in the 2025 tax year as shown in Table 4. Taxpayers are eligible for the exemption only if their federal AGI is below (1) $75,000 for single filers, married people filing separately, or heads of households and (2) $100,000 for married people filing jointly.

Table 4: Phase-In of Income Tax Exemption for Pension, Annuity, and IRA Income

Tax Year	*Percent of Pension, Annuity, and IRA Income Exempt*
2022	56
2023	70
2024	84
2025 and thereafter	100

EFFECTIVE DATE: January 1, 2022

§ 27 — CAPITAL GAINS SURCHARGE

Imposes a 2% surcharge on capital gains for taxpayers with incomes in the top income tax bracket

Beginning with the 2022 tax year, the bill imposes a 2% surcharge on net gain from the sale or exchange of capital assets (i.e., capital gains) for taxpayers, other than trusts or estates, with incomes that exceed specified thresholds. The surcharge (1) applies to income classified as capital gains under federal income tax rules and (2) is in addition to any other tax, fee, or surcharge for which the taxpayer is liable.

Under the bill, the surcharge applies to taxpayers with Connecticut AGI of more than (1) $500,000 for single filers and married individuals filing separately, (2) $800,000 for heads of households, and (3) $1,000,000 for married joint filers and surviving spouses.

The bill requires taxpayers subject to the surcharge to file a report with DRS by April 15 in the form, and containing the information, the commissioner prescribes. The report must accurately list the taxpayer's capital gains for the preceding tax year and the amount of the taxpayer's surcharge liability for that year. Any taxpayer who is required to file a report must pay, without assessment, notice, or demand, the surcharge by April 15.

The bill imposes, on any taxpayer who fails to pay the surcharge owed, a penalty of 10% of the tax due or $50, whichever is greater. The penalty gathers interest at the rate of 1% per month or partial month from the due date of the surcharge until the date of payment. The commissioner may waive all or part of any penalty, subject to the law's provisions on the Penalty Review Committee, when the taxpayer proves to the commissioner's satisfaction that the failure to pay the surcharge was due to reasonable cause and not intentional or due to neglect.

The bill applies several collection, enforcement, and appeal process requirements established in statute for the admissions and dues taxes to the surcharge, except those provisions that are inconsistent with the bill. Under these provisions, the DRS commissioner can (1) impose a deficiency assessment and penalty; (2) impose record retention requirements on taxpayers and examine their records; and (3) administer oaths, subpoena witnesses, and receive testimony. DRS must collect the tax and any penalties using the same methods for collecting unpaid admissions and dues taxes (i.e., tax warrants, liens against real property, and foreclosure against that property). Taxpayers can request a hearing on the amount of taxes they must pay and appeal the hearing decision if aggrieved. They may also request refunds from the commissioner if they believe they have overpaid. Lastly, an additional penalty may be imposed on taxpayers for willful violations or filing fraudulent returns.

The bill additionally allows the DRS commissioner to adopt implementing regulations for the surcharge.

EFFECTIVE DATE: January 1, 2022

§ 28 — PROPERTY TAX CREDIT AGAINST THE INCOME TAX

Extends, to the 2021 and 2022 tax years, the limits on eligibility for the property tax credit against the personal income tax

For the 2017 through 2020 tax years, the law limits eligibility for the property tax credit against the personal income tax to people who (1) are age 65 or older before the end of the tax year or (2) validly claim at least one dependent on their federal income tax return for that year. The bill extends these limits to the 2021 and 2022 tax years.

By law, taxpayers earn the credit for property taxes paid on their primary residences or motor vehicles, and the amount of property taxes paid that can be taken as a credit declines as adjusted gross income increases until it completely phases out. The maximum credit is $200 per tax return. The bill also makes technical changes.

EFFECTIVE DATE: Upon passage, and applicable to tax years beginning on or after January 1, 2021.

§ 29 — SALES AND USE TAX EXEMPTION FOR BREASTFEEDING SUPPLIES

Exempts breast pumps and certain related parts, supplies, kits, and repair services from the sales and use tax beginning July 1, 2021

The bill exempts from the sales and use tax (1) breast pumps and breast pump collection and storage supplies, when sold to individuals for home use; (2) repair services and repair or replacement parts for such breast pumps; and (3) breast pump kits, under certain conditions. The bill defines a "breast pump" as an electric or manual pump device for expressing milk from a human breast, including external power supply units for the pump that are packaged and sold with it.

Breast Pump Kits

Under the bill, a breast pump kit is a prepackaged set that contains one or more of the following items: (1) a breast pump, (2) breast pump collection and storage supplies, and (3) other items that may be useful to initiate, support, or sustain breastfeeding using a breast pump.

Breast pump kits prepackaged by the manufacturer are tax exempt if they are sold to individuals for home use and contain only tax-exempt breast pumps and breast pump collection and storage supplies. Breast pump kits are taxable if they contain taxable items for which the sales price is more than 10% of the kit's total sale price.

Breast Pump Collection and Storage Supplies

The bill defines "breast pump collection and storage supplies" as items that are used in conjunction with a breast pump to collect milk expressed from a human breast and store it until it is ready for consumption. It specifically includes the following:

1. breast shields and their connectors,
2. breast pump tubes and tubing adapters,
3. breast pump valves and membranes,
4. backflow protectors and their adapters,
5. bottles and bottle caps specific to the pump's operation,
6. breast milk storage bags, and
7. related items sold in a breast pump kit prepackaged by the breast pump manufacturer.

The bill specifies that the following are not considered breast pump collection and storage supplies:

1. bottles and bottle caps not specific to the breast pump's operation;
2. breast pump travel bags or similar carrying accessories (e.g., ice packs and labels), unless sold in a breast pump kit prepackaged by the breast pump manufacturer;
3. breast pump cleaning supplies, unless sold in a breast pump kit prepackaged by the breast pump manufacturer;
4. nursing bras, bra pads, breast shells, or similar products;

5. creams, ointments, and other similar products that relieve breastfeeding-related symptoms or conditions of the breast or nipples. (Some of these creams and ointments may already be exempt under the nonprescription drug exemption (CGS § 12-412(120).)

EFFECTIVE DATE: July 1, 2021, and applicable to sales occurring on or after that date.

§ 30 — REVENUE FROM SALES AND USE TAX ON MEALS

Allows certain businesses to keep a portion of the sales tax they collect on sales of meals for FY 22

For FY 22, the bill allows certain businesses (e.g., hotels, restaurants, and bars) to keep 13.6% of the 7.35% sales tax they collect on sales of meals. It applies to any establishment that (1) sells meals (i.e., food sold in ready-to-eat form or wrapped as "take-out" or "to-go" to be eaten elsewhere) subject to the 7.35% sales tax and (2) is included in the accommodation and food services industry sector (i.e., sector 72 of the North American Industrial Classification System).

Under the bill, the establishments must report the amount of tax collected from these sales for the period reported, the amount they retained, and any other information or documentation the DRS commissioner requires.

EFFECTIVE DATE: July 1, 2021, and applicable to sales occurring on or after that date.

§§ 31-35 — AMBULATORY SURGICAL CENTERS

Beginning July 1, 2021, terminates the 6% ASC gross receipts tax and instead subjects ASC services to a 6.35% sales tax, subject to certain exclusions; authorizes a refundable state credit against the sales tax for ASCs; allows ASCs to deduct certain COVID-19 expenses from their gross receipts for the period from July 1, 2020, to July 1, 2021

Sales Tax on ASC Services

Beginning July 1, 2021, the bill subjects to sales tax ambulatory surgical center (ASC) services performed by ASCs for a consideration, excluding services performed by an employee for his or her employer.

Definition of ASC. By law, and under the bill, an ASC is a distinct entity that (1) operates exclusively to provide surgical services to patients not requiring hospitalization, where the services are not expected to take more than 24 hours; (2) has an agreement with the Centers for Medicare and Medicaid Services (CMS) to participate in Medicare as an ASC; and (3) meets the federal requirements to do so.

ASC Services Subject to Tax. Under the bill, "ASC services" are the procedures and services included in a facility fee payment to an ASC that are (1) associated with a surgical procedure and (2) not reimbursable ancillary or professional procedures or services. They (1) include facility services only and (2) exclude surgical procedures and physicians', anesthetists', radiology, diagnostic, and ambulance services separately reimbursed to an ASC from the facility fee payment.

Gross Receipts for Purposes of the Tax. The bill limits the gross receipts from ASC services that are subject to sales tax to the amounts received (cash or in kind) from patients, third-party payers, and others for the provision of ASC services, including retroactive adjustments under reimbursement agreements with third-party payers. Gross receipts exclude the following:

1. the first $1.5 million of gross receipts received during each 12-month period beginning July 1, excluding Medicaid and Medicare payments, for ASC services (presumably the ASC would track its gross receipts and begin applying sales tax after reaching this threshold);

2. Medicaid or Medicare payments received for ASC services;

3. payer discounts, charity care, and bad debts (as defined below);

4. amounts received by an ASC for tangible personal property used in connection with an ASC service (e.g., implants, devices, drugs, and biologicals), regardless of the payer; and

5. amounts received by an ASC that were or are subject to the current ASC gross receipts tax.

Under the current ASC gross receipts tax, gross receipts exclude (1) the first $1 million of the ASC's gross receipts in the applicable fiscal year, excluding Medicaid and Medicare payments, and (2) gross receipts from any Medicaid and Medicare payments the ASC receives.

Payer Discounts, Charity Care, and Bad Debts. "Payer discounts" is the difference between an ASC's published charges and the actual payments it received from third-party payers for a different or discounted rate or payment method. It excludes charity care and bad debts.

"Charity care" is free or discounted health care services provided to individuals who cannot afford to pay, including to the uninsured patient or patients who are not expected to pay all or part of an ASC's bill based on income guidelines and other financial criteria established in statute or in an ASC's charity care policies on file at its office. It does not include bad debts and payer discounts.

Reporting Method. The bill allows ASCs to report their sales of ASC services on the cash basis of accounting, rather than on an accrual basis. It does so by extending to ASCs an existing provision that allows retailers whose only sales are certain enumerated services and who report their sales on the cash basis of accounting for federal income tax purposes to do so for sales tax reporting purposes. Under the cash basis method of accounting, the retailer reports its sales during the filing period in which the customer provides payment regardless of when the services were rendered.

Tax Credit. The bill establishes a tax credit against the sales tax for ASCs equal to the following:

1. the greater of 50% of the aggregate amount of Medicaid payments (a) the ASC received during the applicable reporting period for ASC services or (b) that would have been due had those services been performed by and at a hospital instead (i.e., the "Medicaid investment"), plus

2. 25% of the aggregate payments received from or on behalf of

each individual who is covered under the state employee health plan or MEHIP for the provision of ASC services (i.e., the "state health plan investment").

If the credit amount allowed exceeds the ASC's sales tax liability for the reporting period, the ASC must file a refund claim with DRS in the form and manner the DRS commissioner prescribes. After verifying the claim, the DRS commissioner must treat the excess as an overpayment and refund it to the ASC. DRS must add interest to the overpayment at a rate of 0.67% for each month or fraction of a month; the accrual period for this interest begins 90 days after DRS receives the ASC's refund claim and runs until the date DRS provides notice that the refund is due.

Under the bill, an ASC that claims this credit and receives a refund is entitled to retain it for its own account and is not required to refund or pay it to any user or payer for ASC services.

ASC Gross Receipts Tax

The bill terminates the ASC gross receipts tax as of July 1, 2021, and makes conforming changes.

It also allows ASCs to retroactively deduct COVID-19 expenses from their gross receipts for purposes of the tax for FY 21 (i.e., for calendar quarters from July 1, 2020, to July 1, 2021). Specifically, they may deduct any amounts they incurred, directly or indirectly, as a result of COVID-19, for the ASC's personnel, patients, service providers, visitors, facilities, or tangible personal property. This includes amounts for purchasing, leasing, licensing, or using tangible or intangible property in connection with COVID-19 tests, protection, prevention, or treatment.

Under the bill, "COVID-19" means the respiratory disease designated by the World Health Organization (WHO) on February 11, 2020, as coronavirus 2019 and any related mutation of it that the WHO recognizes as a communicable respiratory disease.

EFFECTIVE DATE: July 1, 2021, and applicable to calendar quarters beginning on or after July 1, 2021, except that the changes to the existing ASC gross receipts tax are effective June 1, 2021, and applicable to calendar quarters beginning on or after July 1, 2020.

§§ 36-41 — CREDIT CARD SERVICE FEES

Generally requires state agencies accepting credit, debit, or charge card payments to charge payors a service fee for doing so and disclose the fee before imposing it

The bill generally requires state agencies accepting credit, debit, or charge card payments to (1) charge payors a service fee for doing so and (2) disclose the fee to payors before imposing it, in accordance with any disclosure requirements set by the card issuer or processor. It allows agencies to waive the service fee for a category of fees, costs, or fines if the OPM secretary approves the waiver.

Under current law, the OPM secretary may authorize agencies to charge a service fee for these payments, which must be (1) related to the cost of the service and (2) uniform for all cards accepted. The bill instead requires the service fee to (1) defray the service cost and (2) not exceed the charge imposed by the card issuer or processer, including any discount rate. As under existing law, the fee must be applied only when allowed or authorized in writing by the card issuer or processor.

Current law also authorizes agencies to accept payments through an electronic payment service. The bill retains this authorization but eliminates the agencies' authorization to charge a service fee for these payments.

The bill makes conforming changes to statutes on credit card payments to certain state agencies. Specifically, the bill:

1. requires, rather than allows, the motor vehicles commissioner to charge a service fee to payers making fee payments by credit card (§ 38);

2. requires the Department of Public Health (DPH) to charge a service fee for each credit card payment made under its online license renewal system (§ 39);

3. requires, rather than allows, the Probate Court to charge a service fee for any court fee card payments (§ 40); and

4. requires, rather than allows, the chief court administrator to charge a service fee for credit card payments made to the judicial branch (§ 41).

The bill requires these agencies to apply the same criteria described above in determining the rate or amount of their respective service fees. It also authorizes both the Department of Motor Vehicles (DMV) and DPH to waive their respective service fees if the OPM secretary has approved the fee category for a waiver, as described above. The bill also makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2022

§ 42 — HIGHWAY USE TAX

Beginning January 1, 2023, imposes a HUT on carriers operating certain heavy, multi-unit motor vehicles on roads in Connecticut and deposits the revenue into the Special Transportation Fund

Beginning January 1, 2023, the bill imposes a highway use tax (HUT) on every "carrier" for the privilege of operating, or causing to be operated, certain heavy, multi-unit motor vehicles on any highway (i.e., public road) in the state.

Under the bill, a "carrier" is any person that operates a taxable motor vehicle (i.e., "eligible motor vehicle") or causes one to be operated. Carriers do not include the United States, the federal government, or the state or any of its political subdivisions.

The bill establishes tax rates for eligible motor vehicles and requires carriers to obtain a permit from DRS and file monthly returns with the department. It applies to the HUT various collection, enforcement, and appeals process provisions that apply to other taxes under existing law.

The bill authorizes the DRS commissioner to adopt implementing regulations for the HUT and prohibits tax credits from being applied against the HUT.

EFFECTIVE DATE: Upon passage, and applicable to calendar months beginning on or after January 1, 2023.

Vehicles Subject to Tax (§ 42(a) & 42(j))

The HUT applies to "eligible motor vehicles," which are those (1) with a gross weight of 26,000 pounds (lbs.) or more and (2) in classes 8 through 13 of the Federal Highway Administration's (FHWA) vehicle classification system (see Table 5).

Under the bill, "gross weight" is the light weight of a vehicle plus the weight of its load. In the case of a tractor-trailer unit, it means the tractor's light weight plus (1) the light weight of the trailer or semitrailer and (2) the weight of the vehicle's load. "Light weight" means the weight of an unloaded vehicle ordinarily equipped and ready for use, minus the driver's weight.

Table 5: FHWA Vehicle Classification and Tax Status

Not Subject to HUT		Subject to HUT	
Class	**Vehicles**	**Class**	**Vehicles**
1	Motorcycles	**8**	Single trailer, 3- or 4- axle trucks
2	Passenger cars	**9**	Single trailer, 5-axle trucks
3	Pickups, panels, and vans	**10**	Single trailer, 6+ axle trucks
4	Buses	**11**	Multi-trailer, 5 or fewer axle trucks
5	Single unit, 2-axle trucks	**12**	Multi-trailer, 6-axle trucks
6	Single unit, 3-axle trucks	**13**	Multi-trailer, 7+ axle trucks
7	Single unit, 4+ axle trucks		

The bill requires each carrier to maintain, on a monthly basis, a list of all eligible motor vehicles it operated or caused to be operated in the month. Carriers must maintain these lists for at least four years after the month's date and make them available to DRS upon request.

Tax Rate (§ 42(b))

The bill requires carriers to determine their tax due on a monthly basis by (1) calculating the number of miles traveled by each eligible motor vehicle the carrier operated or caused to be operated in the state and (2) multiplying each vehicle's miles traveled by the rate corresponding to its gross weight. The rates range from 2.5 cents per mile to 17.5 cents per mile, as shown in Table 6.

Table 6: Highway Use Tax Rates (per mile)

Gross Weight (lbs.)	Rate (cents per mile)	Gross Weight (lbs.)	Rate (cents per mile)
26,000-28,000	2.50	54,001-56,000	6.54
28,001-30,000	2.79	56,001-58,000	6.83
30,001-32,000	3.08	58,001-60,000	7.12
32,001-34,000	3.37	60,001-62,000	7.40
34,001-36,000	3.65	62,001-64,000	7.69
36,001-38,000	3.94	64,001-66,000	7.98
38,001-40,000	4.23	66,001-68,000	8.27
40,001-42,000	4.52	68,001-70,000	8.56
42,001-44,000	4.81	70,001-72,000	8.85
44,001-46,000	5.10	72,001-74,000	9.13
46,001-48,000	5.38	74,001-76,000	9.42
48,001-50,000	5.67	76,001-78,000	9.71
50,001-52,000	5.96	78,001-80,000	10.00
52,001-54,000	6.25	80,001 and over	17.50

Returns (§ 42(c))

Under the bill, each carrier must file a monthly return with DRS in a form and with the information that the commissioner requires and pay the taxes owed. The returns and tax payments are due by the last day of the month following the month for which a carrier is filing a return. The bill requires carriers to file returns and pay the tax by electronic funds transfer in accordance with existing law.

Deposit and Recording of Revenue (§ 42(c) & 42(r))

The bill requires the DRS commissioner to deposit HUT revenue into the STF (see BACKGROUND). This comports with existing law, which requires that, beginning July 1, 2015, all funds that the state receives or collects on account of, or derived from, the use of highways be credited to the STF (CGS § 13b-61(b)(19)).

At the close of each fiscal year, beginning with FY 23, the bill authorizes the state comptroller to record as revenue for the fiscal year the amount DRS received from the HUT no later than five business days after the end of July following the end of the fiscal year.

HUT Permits (§ 42(d) & 42(e))

Application and Issuance. The bill requires each carrier to apply to DRS for a HUT permit in the manner and with the information he prescribes. It prohibits carriers from operating, or causing to be operated, any eligible motor vehicle in the state without a HUT permit on or after January 1, 2023.

DRS must grant and issue a permit to a carrier upon receiving its fully completed application. The permit is (1) valid only for the carrier to which it is issued and the eligible motor vehicles the carrier operates or causes to be operated and (2) not assignable (i.e., it cannot be transferred to another carrier). Carriers must keep a copy of the permit in each eligible motor vehicle they operate or cause to be operated.

Suspension, Revocation, and Cancellation. Under the bill, DRS must order a hearing if a carrier (1) fails to comply with any HUT provision or (2) files a return for four successive months indicating that none of the eligible motor vehicles that the carrier operated or caused to be operated used roads in the state. During the hearing, the carrier must show cause as to why its permit should not be (1) suspended or revoked for failing to comply with any HUT provision or (2) cancelled for filing returns showing no road use in Connecticut.

The commissioner must give written notice of the hearing's date, time, and location, personally or via registered or certified mail, at least (1) 10 days before a hearing for failure to comply with any HUT provision and (2) 30 days before a hearing for returns indicating no road use in the state. If the commissioner revokes or suspends a permit after a hearing, he must not restore it or issue a new permit to the carrier until he is satisfied that it will comply with the HUT. If he cancels a permit, he must not issue a new one until he is satisfied that the carrier will use roads in the state.

Tax Collection and Enforcement (§ 42(f)-42(n) & 42(p))

The bill applies various collection, enforcement, and appeals process provisions to the HUT that apply to other taxes under existing law. They include the following:

1. The DRS commissioner may (a) impose a deficiency assessment and penalty; (b) impose record retention requirements on taxpayers and examine all of their records; (c) administer oaths, subpoena witnesses, and receive testimony; and (d) collect the tax and any penalties using the same methods for collecting unpaid admissions and dues taxes (i.e., tax warrants, liens against real property, and foreclosure against that property).

2. Carriers may (a) request a hearing from the commissioner on the amount of taxes or related penalties they must pay and appeal the hearing decision to Superior Court if aggrieved and (b) apply for a refund if they believe they overpaid the HUT.

Table 7 lists the penalties in existing law that the bill applies to the HUT. Additionally, any person that knowingly violates a HUT-related provision for which a penalty is not provided must be fined $1,000.

Table 7: Penalties Applicable to the HUT

Action	Penalty
Deficiency assessment	Amount of deficiency plus 1% monthly interest 10% of deficiency amount or $50, whichever is greater, if the deficiency was due to negligence or intentional disregard 25% of the deficiency amount if the deficiency was due to fraud or an attempt to evade
Return made by DRS commissioner when no return has been filed	10% of the tax due or $50, whichever is greater, plus 1% monthly interest
Willful failure to pay tax, file return, keep records, or supply information	Up to one year of imprisonment, fine of up to $1,000, or both, in addition to any other penalty provided by law

Willful delivery or disclosure to DRS commissioner of false or fraudulent documents	Class D felony (i.e., up to five years' imprisonment, fine of up to $5,000, or both), in addition to any other penalty provided by law
Willful failure by a person, other than a carrier, that is required on the carrier's behalf to collect, truthfully account for, and pay the HUT	Total amount of tax evaded, not collected, or not accounted for and paid, including any penalty or interest attributable to the above violations Applies in addition to other penalties the law provides

§ 43 — DRS TAX AMNESTY PROGRAM

Requires DRS to establish a tax amnesty program for individuals, businesses, or other taxpayers that owe Connecticut state taxes that gives eligible taxpayers a 75% reduction in the interest that would otherwise be due

The bill requires the DRS commissioner to establish a tax amnesty program for individuals, businesses, or other taxpayers that owe Connecticut state taxes (other than motor carrier road taxes) to DRS. Under the program, eligible taxpayers may receive a 75% reduction in the interest that would otherwise be due. The amnesty runs from November 1, 2021, to January 31, 2022, and covers any taxable period ending on or before December 30, 2020.

Amnesty Conditions

The DRS commissioner must prepare an amnesty application that requires applicants to specify the taxes and taxable periods for which they seek amnesty. The bill allows the commissioner to require that taxpayers file amnesty applications and pay any associated amounts electronically. Applicants must pay all amounts due to the state under the program with their applications.

If a taxpayer files the application and pays all the taxes and interest owed for the applicable tax periods, the commissioner must refrain from seeking to collect applicable civil penalties and seeking criminal prosecution for those periods.

If the commissioner grants amnesty, the affected taxpayer relinquishes all unexpired administrative and judicial appeal rights as of the payment date. The act bars taxpayers from receiving any refund or credit of amnesty tax payments. Failure to pay all amounts due makes a taxpayer ineligible for amnesty. The commissioner may not consider any request to cancel the unpaid portion of any erroneously or illegally assessed tax, penalty, or interest in connection with any amnesty application.

The commissioner may not accept amnesty applications for any applicable tax periods in which the taxpayer's liability for such period has already been paid, unless the application is filed to report an additional tax amount for that period. Amnesty applications may not result in a refund or credit of any tax, penalty, or interest previously paid.

Interest Reduction

Eligible taxpayers who apply for the amnesty program qualify for a 75% reduction of the interest that would otherwise be owed on the taxes for the applicable periods. (The interest rate on overdue taxes is generally 1% per month.) A taxpayer's eligibility for this interest reduction is subject to the commissioner's review of his or her application and, if granted by the commissioner, compliance with the amnesty program's requirements.

Amnesty Exclusions

The bill bars any amnesty for those who:

1. are parties to any criminal investigation or criminal litigation pending on July 1, 2021, in any federal or Connecticut court;

2. are parties to a closing agreement with the DRS commissioner;

3. have made a compromise offer that has been accepted by the commissioner; or

4. are parties to a managed audit agreement.

Penalty for Failing to File for 2013 Amnesty Program

Current law imposes a penalty on any taxpayer who (1) owes any tax for tax periods on or before November 30, 2012, for which a tax return was required but not previously filed and (2) failed to file a timely amnesty application under the state's 2013 amnesty. The penalty is equal to 25% of the tax owed and may not be waived.

Under the bill, the penalty does not apply to tax periods ending on or before November 30, 2012, for which no return was previously filed if the (1) tax period is the subject of or included in an amnesty application granted by the commissioner under the bill's provisions and (2) taxpayer pays all amounts due to the state in connection with the application, as described above.

Penalty for Fraud

Under the bill, anyone who willfully delivers or discloses to the commissioner or the commissioner's authorized agent any application, list return, account, statement, or other document known by him or her to be fraudulent or false in any material matter is ineligible for the amnesty program and, in addition to any other penalties provided by law, subject to a fine of up to $5,000, imprisonment for between one and five years, or both.

Implementation

The bill gives the DRS commissioner authority to do anything necessary to implement the program in a timely fashion.

EFFECTIVE DATE: Upon passage

§ 44 — TRANSFER FROM THE GENERAL FUND TO THE TOURISM FUND

Requires the comptroller to transfer specified amounts from the General Fund to the Tourism Fund for FYs 21 and 22

The bill requires the comptroller to transfer, from the General Fund to the Tourism Fund, (1) $9.8 million for FY 21 and (2) $3.1 million for FY 22.

EFFECTIVE DATE: Upon passage

§ 45 — GAAP DEFICIT

Deems that $1 is appropriated in FYs 22-23 to pay off the state's GAAP deficit for FYs 13 and 14

The bill deems that $1 is appropriated in FYs 22 and 23 to pay off the General Fund's unassigned negative balances (i.e., Generally Accepted Accounting Principles (GAAP) deficits) for FYs 13 and 14, which reflect the negative balances that accumulated before the state adopted GAAP in FY 14. By law, the OPM secretary must annually publish recommended schedules to fully amortize the deficits by FY 28.

EFFECTIVE DATE: Upon passage

§ 46 — TRANSFER OF FY 21 GENERAL FUND REVENUE TO FY 22 AND FY 23

Requires the comptroller to designate $235 million of FY 21 General Fund resources for use in FYs 22 and 23

By June 30, 2021, the bill requires the comptroller to designate $235 million of FY 21 General Fund resources to be accounted for as FY 22 and FY 23 General Fund revenue ($117.5 million for each year).

EFFECTIVE DATE: Upon passage

§ 47 — TRANSFER FROM BUDGET RESERVE FUND (BRF) TO GENERAL FUND

Requires the comptroller to transfer specified amounts from the BRF to the General Fund for FYs 22 and 23

The bill requires the comptroller to transfer, from the BRF to the General Fund, (1) $890 million on July 1, 2021, to be used as FY 22 revenue and (2) $995 million on July 1, 2022, to be used as FY 23 revenue. He must reduce these transfers by the amount of any federal aid the state receives that is used to reduce state budgetary requirements for the fiscal year.

EFFECTIVE DATE: Upon passage

BACKGROUND

Related Bills

SB 1107, favorably reported by the Finance, Revenue and Bonding Committee, contains identical provisions on the ASC gross receipts tax and sales tax on ASC services.

sSB 888 (File 569), favorably reported by the Judiciary Committee, establishes a state excise tax on cannabis and directs the revenue to the General Fund and two new accounts for specified purposes.

sSB 570 (File 396) and sHB 6451 (File 384), favorably reported by the Public Safety and Security Committee, among other things, authorize CLC to operate an online lottery program subject to several conditions, including specific contractual agreements with the Mashantucket Pequot and Mohegan tribes.

sSB 146 (File 395), favorably reported by the Public Safety and Security Committee, prospectively directs funds received from an online lottery program the CLC establishes to the state's debt-free community college program.

Special Transportation Fund

The STF is a dedicated fund used to finance the state's transportation infrastructure program and operate Department of Transportation (DOT) and DMV (CGS § 13b-68). The law requires that specified tax revenue (e.g., fuel taxes and a portion of sales and use tax revenue) and various transportation-related fees, fines, and charges be credited to the STF. By law, STF revenue is pledged to Special Tax Obligation (STO) bonds issued for transportation projects through DOT's capital program (CGS §§ 13b-74 to 13b-77), and its resources must be used first to pay off STO bond debt service.

Both the state constitution and the general statutes contain a "lockbox" provision, which preserves the STF as a perpetual fund; requires that the fund be used exclusively for transportation purposes, including paying transportation-related debt; and requires that any funding sources directed to the STF by law continue to be directed there, as long as the law authorizes the state to collect or receive them (Conn. Const., art. III § 19; CGS § 13b-68(b)).

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 26 Nay 22 (04/22/2021)