



General Assembly

January Session, 2021

Raised Bill No. 1077

LCO No. 5640



Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:
(FIN)

AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR TAX ADMINISTRATION AND REVISIONS TO THE TAX AND RELATED STATUTES.

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

1 Section 1. Subsection (a) of section 12-699 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage*):

4 (a) As used in this [section and section 12-699a] chapter:

5 (1) "Partnership" has the same meaning as provided in Section
6 7701(a)(2) of the Internal Revenue Code, as defined in section 12-213,
7 and regulations adopted thereunder. "Partnership" includes a limited
8 liability company that is treated as a partnership for federal income tax
9 purposes;

10 (2) "S corporation" means a corporation or a limited liability company
11 that is treated as an S corporation for federal income tax purposes;

12 (3) "Affected business entity" means a partnership or an S

13 corporation, but does not include a publicly-traded partnership, as
14 defined in Section 7704(b) of the Internal Revenue Code, that has agreed
15 to file an annual return pursuant to section 12-726 reporting the name,
16 address, Social Security number or federal employer identification
17 number and such other information required by the Commissioner of
18 Revenue Services of each unitholder whose distributive share of
19 partnership income derived from or connected with sources within this
20 state was more than five hundred dollars;

21 (4) "Member" means (A) a shareholder of an S corporation, (B) a
22 partner in (i) a general partnership, (ii) a limited partnership, or (iii) a
23 limited liability partnership, or (C) a member of a limited liability
24 company that is treated as a partnership or an S corporation for federal
25 income tax purposes; and

26 (5) "Taxable year" means the taxable year of an affected business
27 entity for federal income tax purposes.

28 Sec. 2. (NEW) (*Effective from passage*) (a) Any affected business entity
29 may elect to file a composite income tax return on behalf of each
30 nonresident individual who is a member of such affected business
31 entity, subject to any requirements and conditions the Commissioner of
32 Revenue Services may prescribe in the return form and instructions for
33 such return. The affected business entity shall make such election by the
34 due date or extended due date of such affected business entity's return
35 under chapter 228z of the general statutes.

36 (b) If an affected business entity elects to file a composite income tax
37 return pursuant to subsection (a) of this section, the affected business
38 entity shall pay to the commissioner the tax calculated under subsection
39 (c) of this section, plus penalties and interest due thereon, on behalf of
40 each nonresident individual member of such affected business entity.
41 Any such payment made by an affected business entity to the
42 commissioner with respect to any taxable period shall be considered to
43 be a payment by such nonresident individual member for the tax
44 imposed on such member under chapter 229 of the general statutes for

45 such taxable period.

46 (c) The composite income tax due on behalf of each nonresident
47 individual member shall equal (1) such member's distributive share of
48 the affected business entity's items derived from or connected with
49 sources within this state as calculated under subdivision (1) of
50 subsection (c) of section 12-699 of the general statutes multiplied by the
51 highest marginal rate in effect under section 12-700 of the general
52 statutes for the taxable year, less (2) the credit allowed to such
53 nonresident individual member pursuant to subdivision (1) of
54 subsection (g) of section 12-699 of the general statutes with respect to
55 the affected business entity. In no event shall an amount due on behalf
56 of a nonresident individual member be less than zero. Such composite
57 income tax shall be due at the same time, and subject to penalties and
58 interest, as if such tax was a tax due from the affected business entity
59 under section 12-699 of the general statutes, as amended by this act.

60 (d) (1) If income from one or more affected business entities that each
61 elect to file a composite income tax return pursuant to this section is the
62 only source of income derived from or connected with sources within
63 this state for a nonresident individual member, or for the member and
64 the member's spouse if a joint federal income tax return is or shall be
65 filed, the filing by the affected business entity of the composite income
66 tax return and the payment by the affected business entity on behalf of
67 the member of the tax imposed under this section shall satisfy the filing
68 and payment requirements otherwise separately imposed on the
69 member under chapter 229 of the general statutes. The commissioner
70 may make any deficiency assessment against the affected business
71 entity or the member, provided any such assessment against the
72 member shall be limited to the member's share thereof. Except as
73 provided in section 12-733 of the general statutes, any such assessment
74 shall be made not later than three years after the affected business
75 entity's annual return pursuant to section 12-699 of the general statutes,
76 as amended by this act, is filed.

77 (2) If income from one or more affected business entities that each

78 elect to file a composite income tax return pursuant to this section is not
79 the only source of income derived from or connected with sources
80 within this state for a nonresident individual member, or for the
81 member and the member's spouse if a joint federal income tax return is
82 or shall be filed, nothing in this section shall be construed as excusing
83 the member from the obligation to file such member's own separate tax
84 return under chapter 229 of the general statutes. In such event, the
85 member shall receive credit for the composite income tax paid under
86 this section by the affected business entity on the member's behalf. The
87 commissioner may make any deficiency assessment that is related to the
88 member's distributive share of income from the affected business entity
89 against the affected business entity or the member. Except as provided
90 in section 12-733 of the general statutes, any such assessment against the
91 affected business entity shall be made not later than three years after the
92 affected business entity's annual return pursuant to section 12-699 of the
93 general statutes, as amended by this act, is filed.

94 Sec. 3. Subsection (c) of section 12-391 of the general statutes is
95 amended by adding subdivision (4) as follows (*Effective October 1, 2021*):

96 (NEW) (4) "Federal basic exclusion amount" means the dollar amount
97 published annually by the Internal Revenue Service at which a decedent
98 would be required to file a federal estate tax return based on the value
99 of the decedent's gross estate and federally taxable gifts.

100 Sec. 4. Subparagraph (J) of subdivision (3) of subsection (b) of section
101 12-392 of the general statutes is repealed and the following is substituted
102 in lieu thereof (*Effective October 1, 2021*):

103 (J) A tax return shall be filed, in the case of every decedent who dies
104 on or after January 1, 2023, and at the time of death was (i) a resident of
105 this state, or (ii) a nonresident of this state whose gross estate includes
106 any real property situated in this state or tangible personal property
107 having an actual situs in this state. If the decedent's Connecticut taxable
108 estate is over [five million four hundred ninety thousand dollars] the
109 federal basic exclusion amount, such tax return shall be filed with the

110 Commissioner of Revenue Services and a copy of such return shall be
111 filed with the court of probate for the district within which the decedent
112 resided at the date of his or her death or, if the decedent died a
113 nonresident of this state, the court of probate for the district within
114 which such real property or tangible personal property is situated. If the
115 decedent's Connecticut taxable estate is equal to or less than [five million
116 four hundred ninety thousand dollars] the federal basic exclusion
117 amount, such return shall be filed with the court of probate for the
118 district within which the decedent resided at the date of his or her death
119 or, if the decedent died a nonresident of this state, the court of probate
120 for the district within which such real property or tangible personal
121 property is situated, and no such return shall be filed with the
122 Commissioner of Revenue Services. The judge of probate for the district
123 in which such return is filed shall review each such return and shall
124 issue a written opinion to the estate representative in each case in which
125 the judge determines that the estate is not subject to tax under this
126 chapter.

127 Sec. 5. Section 12-643 of the general statutes is amended by adding
128 subdivision (4) as follows (*Effective October 1, 2021*):

129 (NEW) (4) "Federal basic exclusion amount" means the dollar amount
130 published annually by the Internal Revenue Service over which a donor
131 would owe federal gift tax based on the value of the donor's federally
132 taxable gifts.

133 Sec. 6. Subsection (d) of section 12-704c of the general statutes is
134 repealed and the following is substituted in lieu thereof (*Effective from*
135 *passage*):

136 (d) (1) Notwithstanding the provisions of subsections (b) and (c) of
137 this section, for taxable years commencing on or after January 1, [2021]
138 2023, for any taxpayer who paid the conveyance tax on real property at
139 the rate prescribed by subparagraph (C)(ii) of subdivision (2) of
140 subsection (b) of section 12-494, the credit allowed under this section
141 shall not exceed thirty-three and one-third per cent of the amount of the

142 conveyance tax paid [at such rate] in excess of one and one-quarter per
143 cent on that portion of the consideration taxed under section 12-494 that
144 is in excess of eight hundred thousand dollars, in each of the three
145 taxable years [next succeeding the second] beginning with the third
146 taxable year after the taxable year in which such conveyance tax was
147 paid. For any taxable year such taxpayer claims the credit or portion
148 thereof under this subsection, such credit shall be in lieu of any credit
149 such taxpayer may be eligible to claim under subsection (b) or (c) of this
150 section.

151 (2) If any credit allowed under this subsection or portion thereof is
152 not used because the amount of the credit exceeds the tax due and owing
153 by the taxpayer or the amount of property tax paid by the taxpayer, the
154 unused amount may be carried forward to each of the successive taxable
155 years until such amount is fully taken, except that in no event may any
156 amount of the credit be carried forward for a period of more than six
157 taxable years.

158 Sec. 7. (NEW) (*Effective from passage*) Notwithstanding any provision
159 of the general statutes, where the results of any civil audit, investigation,
160 examination or reexamination conducted by the Commissioner of
161 Revenue Services have become final by operation of law or by
162 exhaustion of all available administrative and judicial rights of appeal,
163 the period covered by such audit, investigation, examination or
164 reexamination shall be closed and the taxpayer may not file any
165 additional claims for refund for such period, except for claims for refund
166 authorized under the provisions of sections 12-226, 12-704, as amended
167 by this act, and 12-727 of the general statutes.

168 Sec. 8. Subdivision (1) of subsection (b) of section 12-704 of the general
169 statutes is repealed and the following is substituted in lieu thereof
170 (*Effective from passage and applicable to taxable years commencing on or after*
171 *January 1, 2021*):

172 (b) (1) (A) If, as a direct result of (i) the change to or correction of a
173 taxpayer's income tax return filed with another state of the United States

174 or a political subdivision thereof or the District of Columbia by the tax
175 officers or other competent authority of such jurisdiction, or (ii) a
176 taxpayer paying an assessment issued against the taxpayer by the tax
177 officers or other competent authority of such jurisdiction for any taxable
178 year for which the taxpayer has not filed an income tax return with such
179 jurisdiction, the amount of tax of such other jurisdiction that the
180 taxpayer is finally required to pay is different from the amount used to
181 determine the credit allowed to any taxpayer under this section for any
182 taxable year, the taxpayer shall provide notice of such difference to the
183 commissioner by filing, on or before the date that is ninety days after the
184 final determination of such amount, an amended return under this
185 chapter, and shall concede the accuracy of such determination or state
186 wherein it is erroneous. The commissioner may redetermine, and the
187 taxpayer shall be required to pay, the tax for any taxable year affected,
188 regardless of any otherwise applicable statute of limitations.

189 (B) If a taxpayer files an amended return under this subdivision as a
190 direct result of the taxpayer paying an assessment as set forth in
191 subparagraph (A)(ii) of this subdivision, the taxpayer shall not be
192 eligible for a refund if the amended return is filed more than five years
193 after the original due date of the taxpayer's Connecticut income tax
194 return, even if such amended return is filed within the time prescribed
195 under subdivision (2) of subsection (b) of section 12-732, as amended by
196 this act.

197 Sec. 9. Subsection (b) of section 12-732 of the general statutes is
198 repealed and the following is substituted in lieu thereof (*Effective from*
199 *passage and applicable to taxable years commencing on or after January 1,*
200 *2021*):

201 (b) (1) Notwithstanding the three-year limitation provided by
202 subsection (a) of this section, if a taxpayer has timely complied with the
203 requirements of subsection (b) of section 12-727, and, as a direct result
204 of the change to or correction of the taxpayer's federal income tax return
205 by the United States Internal Revenue Service or other competent
206 authority, or as a direct result of a renegotiation of a contract or

207 subcontract with the United States, the tax that has previously been
208 reported to be due on a tax return under this chapter has been overpaid,
209 or as a direct result of an amendment by the taxpayer of the taxpayer's
210 federal income tax return, the tax that has previously been reported to
211 be due on a tax return under this chapter has been overpaid, any claim
212 for refund subsequently filed by such taxpayer will be deemed to be
213 timely filed.

214 (2) Notwithstanding the three-year limitation provided by subsection
215 (a) of this section, if a taxpayer has timely complied with the
216 requirements of subsection (b) of section 12-704, as amended by this act,
217 and, as a direct result of (A) the change to or correction of taxpayer's
218 income tax return by the tax officers or other competent authority of
219 another state of the United States or a political subdivision thereof or the
220 District of Columbia, the tax that has previously been reported to be due
221 on a tax return under this chapter has been overpaid, [or as a direct
222 result of] (B) an amendment by the taxpayer of the taxpayer's income
223 tax return to another state of the United States or a political subdivision
224 thereof or the District of Columbia, the tax that has previously been
225 reported to be due on a tax return under this chapter has been overpaid,
226 or (C) a taxpayer paying an assessment issued against the taxpayer by
227 the tax officers or other competent authority of another state of the
228 United States or a political subdivision thereof or the District of
229 Columbia for any taxable year for which the taxpayer has not filed an
230 income tax return with such jurisdiction, the tax that has previously
231 been reported to be due on a tax return under this chapter has been
232 overpaid, any claim for refund subsequently filed by such taxpayer will
233 be deemed to be timely filed.

234 Sec. 10. Section 12-736 of the general statutes is repealed and the
235 following is substituted in lieu thereof (*Effective from passage*):

236 (a) Any person required to collect, truthfully account for and pay over
237 the tax imposed under this chapter who wilfully fails to collect such tax
238 or truthfully account for and pay over such tax or who wilfully attempts
239 in any manner to evade or defeat the tax or the payment thereof, shall,

240 in addition to other penalties provided by law, be liable for a penalty
241 equal to the total amount of the tax evaded, or not collected, or not
242 accounted for and paid over, including any penalty or interest
243 attributable to such wilful failure to collect or truthfully account for and
244 pay over such tax or such wilful attempt to evade or defeat such tax. The
245 amount of a penalty for which a person may be personally liable under
246 this section shall be collected in accordance with the provisions of
247 section 12-734.

248 (b) Any person who with fraudulent intent shall fail to pay, to deduct
249 or to withhold and pay any tax, to make, render, sign or certify any
250 return or to supply any information within the time required by or
251 under this chapter shall be subject to a penalty of not more than one
252 thousand dollars, in addition to any other amounts required under this
253 chapter to be imposed, assessed and collected by the commissioner.

254 Sec. 11. Section 29-18b of the general statutes is repealed and the
255 following is substituted in lieu thereof (*Effective from passage*):

256 (a) The Commissioner of Emergency Services and Public Protection
257 may appoint persons nominated by the Commissioner of Revenue
258 Services to act as special policemen in the Department of Revenue
259 Services. Such appointees shall serve at the pleasure of the
260 Commissioner of Emergency Services and Public Protection and, during
261 such tenure, shall have all the powers conferred on state policemen.
262 Such special policemen shall, in addition to their duties with said
263 department, be subject to call by the Commissioner of Emergency
264 Services and Public Protection for such emergency service as the
265 Commissioner of Emergency Services and Public Protection may
266 prescribe.

267 (b) Special policemen in the Department of Revenue Services may, in
268 connection with their official duties relating to any criminal tax
269 investigation, disclose return information, as defined in section 12-15, to
270 the extent such disclosure is necessary to obtain information that is not
271 otherwise reasonably available with respect to the enforcement of any

272 criminal law of this state.

273 Sec. 12. (NEW) (*Effective from passage*) (a) Notwithstanding the
274 provisions of section 12-15 of the general statutes, the Commissioner of
275 Revenue Services may, subject to terms and conditions the
276 commissioner may prescribe, disclose returns or return information, as
277 those terms are defined in said section, to an authorized member of an
278 organized local police department, upon written request by the chief of
279 police of such department. Such written request shall: (1) Establish the
280 relevance of such return or return information to an authorized
281 investigation being conducted by such department into a violation of a
282 criminal law of this state; (2) establish that no other source of such
283 information is available to such department; and (3) include the name
284 of each member of such department who will be authorized to receive
285 such return or return information. If the commissioner deems such
286 return or return information to be relevant to such investigation, the
287 commissioner may disclose such return or return information to such
288 department.

289 (b) No member of an organized local police department who receives
290 any return or return information pursuant to this section may disclose
291 such return or return information except in connection with a criminal
292 prosecution, including any judicial proceeding related thereto, when
293 such return or return information is directly involved in and necessary
294 to such prosecution. Any person who violates this subsection shall be
295 fined not more than one thousand dollars or imprisoned not more than
296 one year, or both.

297 Sec. 13. Subdivision (9) of section 53a-3 of the general statutes is
298 repealed and the following is substituted in lieu thereof (*Effective from*
299 *passage*):

300 (9) "Peace officer" means a member of the Division of State Police
301 within the Department of Emergency Services and Public Protection or
302 an organized local police department, a chief inspector or inspector in
303 the Division of Criminal Justice, a state marshal while exercising

304 authority granted under any provision of the general statutes, a judicial
 305 marshal in the performance of the duties of a judicial marshal, a
 306 conservation officer or special conservation officer, as defined in section
 307 26-5, a constable who performs criminal law enforcement duties, a
 308 special policeman appointed under section 29-18, 29-18a, 29-18b, as
 309 amended by this act, or 29-19, an adult probation officer, an official of
 310 the Department of Correction authorized by the Commissioner of
 311 Correction to make arrests in a correctional institution or facility, any
 312 investigator in the investigations unit of the office of the State Treasurer,
 313 an inspector of motor vehicles in the Department of Motor Vehicles,
 314 who is certified under the provisions of sections 7-294a to 7-294e,
 315 inclusive, a United States marshal or deputy marshal, any special agent
 316 of the federal government authorized to enforce the provisions of Title
 317 21 of the United States Code, or a member of a law enforcement unit of
 318 the Mashantucket Pequot Tribe or the Mohegan Tribe of Indians of
 319 Connecticut created and governed by a memorandum of agreement
 320 under section 47-65c who is certified as a police officer by the Police
 321 Officer Standards and Training Council pursuant to sections 7-294a to
 322 7-294e, inclusive;

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-699(a)
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>October 1, 2021</i>	12-391(c)
Sec. 4	<i>October 1, 2021</i>	12-392(b)(3)(J)
Sec. 5	<i>October 1, 2021</i>	12-643
Sec. 6	<i>from passage</i>	12-704c(d)
Sec. 7	<i>from passage</i>	New section
Sec. 8	<i>from passage and applicable to taxable years commencing on or after January 1, 2021</i>	12-704(b)(1)
Sec. 9	<i>from passage and applicable to taxable years commencing on or after January 1, 2021</i>	12-732(b)

Sec. 10	<i>from passage</i>	12-736
Sec. 11	<i>from passage</i>	29-18b
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>from passage</i>	53a-3(9)

Statement of Purpose:

To implement the Department of Revenue Services' recommendations for tax administration and revisions to the tax and related statutes.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]