



Senate

General Assembly

File No. 565

February Session, 2022

Substitute Senate Bill No. 443

Senate, April 21, 2022

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE TAX INCIDENCE REPORT AND TAX INCIDENCE ANALYSES.

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

1 Section 1. Section 12-7c of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2022*):

3 (a) The Commissioner of Revenue Services shall, on or before
4 [February 15, 2022] December 15, 2023, and biennially thereafter, submit
5 to the joint standing committee of the General Assembly having
6 cognizance of matters relating to finance, revenue and bonding, and
7 post on the department's Internet web site a report on the overall
8 incidence of the income tax, sales and excise taxes, the corporation
9 business tax and property tax, for each of the most recent ten tax years
10 for which complete data are available. The report shall include incidence
11 projections for each such tax and shall present information on the
12 distribution of the tax burden as follows:

13 (1) For individuals:

14 (A) Income classes, including income distribution expressed for (i)
15 every ten percentage points, (ii) the top five per cent of all income
16 taxpayers, and (iii) the top one per cent of all income taxpayers;

17 (B) For each income class, the percentage of taxpayers who (i) are
18 homeowners, (ii) are single, (iii) are married, (iv) are seniors, or (v) have
19 children;

20 (C) For each income class, the average market value of a home and
21 the average monthly rent; and

22 ~~[(B)]~~ (D) Other appropriate taxpayer characteristics, as determined by
23 said commissioner.

24 (2) For businesses:

25 (A) Business size as established by gross receipts;

26 (B) Legal organization; and

27 (C) Industry by NAICS code.

28 (b) The Commissioner of Revenue Services may enter into a contract
29 with any public or private entity for the purpose of preparing the report
30 required pursuant to subsection (a) of this section.

31 Sec. 2. (NEW) *(Effective July 1, 2022)* The cochairpersons of the joint
32 standing committee of the General Assembly having cognizance of
33 matters relating to finance, revenue and bonding may request the
34 Commissioner of Revenue Services to prepare an incidence impact
35 analysis of any bill or proposal to change any tax system in effect, which
36 bill or proposal is projected by the legislative Office of Fiscal Analysis to
37 increase or decrease tax revenue by more than twenty million dollars or
38 redistribute the tax burden by more than twenty million dollars. Such
39 analysis shall:

40 (1) Present information using system-wide measures, by income

41 classes, taxpayer characteristics or other relevant categories;

42 (2) Include an analysis of the effect of the bill or proposal on
43 representative taxpayers;

44 (3) Include, to the extent data are available on the effect the changes
45 contemplated under the bill or proposal may have on the distribution of
46 the tax burden, a report on the incidence effects the commissioner
47 believes would result if the bill or proposal were enacted; and

48 (4) Include a statement of the incidence assumptions that were used
49 to determine any distribution or redistribution of the tax burden.

| | | |
|---|--------------|-------------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | July 1, 2022 | 12-7c |
| Sec. 2 | July 1, 2022 | New section |

Statement of Legislative Commissioners:

In Section 2, "by more than twenty million dollars" was added after "tax revenue" for clarity.

FIN Joint Favorable Subst.

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the 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 chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note**State Impact:** None**Municipal Impact:** None**Explanation**

The bill, which adjusts the content and deadline for the biennial tax incidence study by the Department of Revenue Services, does not result in any fiscal impact to the state or municipalities.¹

The Out Years**State Impact:** None**Municipal Impact:** None

¹ Under both the bill and current law the study would next be due in FY 24, with an associated cost of approximately \$375,000 assuming it is produced by a third party.

OLR Bill Analysis**sSB 443*****AN ACT CONCERNING THE TAX INCIDENCE REPORT AND TAX INCIDENCE ANALYSES.*****SUMMARY**

This bill (1) expands the scope of the tax incidence study the Department of Revenue Services (DRS) must biennially submit to the legislature and post on its website and (2) advances the deadline for the next study, from February 15, 2024, to December 15, 2023.

The bill also authorizes the co-chairpersons of the Finance, Revenue and Bonding Committee to ask the DRS commissioner to prepare an incidence impact analysis of any bill or proposal that the Office of Fiscal Analysis projects will increase or decrease tax revenue, or redistribute the tax burden, by more than \$20 million. It outlines specific components that DRS must include in these analyses.

EFFECTIVE DATE: July 1, 2022

TAX INCIDENCE STUDY

By law, the DRS tax incidence study must provide the overall incidence of the income tax, sales and excise taxes, corporation business tax, and property tax. The bill requires that it (1) provide this information for each of the most recent 10 tax years for which complete data are available and (2) include incidence projections for each of these taxes.

Under current law, the report must present information on the tax burden distribution for individual taxpayers by income classes, including income distribution by income deciles (i.e., every 10 percentage points). The bill additionally requires it to:

1. present this information for the top 1% and 5% of all income

taxpayers; and

2. provide, for each income class, the (a) percentage of taxpayers who are homeowners, single, married, or seniors or have children; (b) average market value of a home; and (c) average monthly rent.

INCIDENCE IMPACT ANALYSES

Under the bill, the incidence impact analyses prepared by DRS must:

1. present information using systemwide measures, by income classes, taxpayer characteristics, or other relevant categories;
2. analyze the bill or proposal’s effect on representative taxpayers;
3. to the extent data are available, report the incidence effects the commissioner believes would result if the bill or proposal were enacted; and
4. state the incidence assumptions used to determine any tax burden distribution or redistribution.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 36 Nay 14 (04/05/2022)