**PA 18-169**—sHB 5028
*Finance, Revenue and Bonding Committee*

# AN ACT CONCERNING CHILD CARE LICENSING, CERTAIN MUNICIPAL PENSION DEFICIT FUNDING BONDS, RECIPROCAL LICENSING OF ITINERANT FOOD VENDING ESTABLISHMENTS, FUNCTIONS OF THE DEPARTMENT OF REHABILITATION SERVICES, BUSINESS DEDUCTIONS AND TAXATION OF CERTAIN WAGES AND INCOME, ORAL HEALTH ASSESSMENTS REQUESTED BY LOCAL OR REGIONAL BOARDS OF EDUCATION, PROPERTY TAX TREATMENT OF CERTAIN CONVERTED CONDOMINIUM AND COMMON INTEREST COMMUNITY UNITS, AND PAYMENT OF CERTAIN GRANTS, ADVANCES AND TRANSFERS

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## § 1 — CHILD CARE SERVICES LICENSING EXEMPTION

*Exempts programs administered by a specified nonprofit organization from child care services licensing requirements*

The act exempts from licensing requirements the child care services administered by Organized Parents Make a Difference, Inc., a Hartford-based nonprofit organization that is exclusively for school-aged children.

As with other programs exempt from licensure, the organization must inform the enrolled children's parents and guardians that its programs are not licensed by the Office of Early Childhood to provide such services (CGS § 19a-77(c)).

EFFECTIVE DATE: Upon passage

## § 2 — MUNICIPAL PENSION DEFICIT FUNDING BONDS

*Modifies the required amount of pension plan contributions for certain municipalities that issued pension deficit funding bonds*

The law generally requires municipalities that issue pension obligation bonds

to contribute to their pension plans the actuarially required contribution (ARC) for each year in which the bonds are outstanding. But it creates an exception for any municipality in New Haven County with a population of less than 65,000 that issued pension obligation bonds before July 1, 2015, allowing it to contribute less than the ARC for a specified number of years. The act extends, by two years, the period during which such a municipality is exempt from contributing the full ARC amount and decreases its required contributions in the fourth, fifth, and sixth fiscal years following the bonds' issuance, as shown in Table 1.

**Table 1: ARC Requirements**

| *Fiscal Year* | *Required Contribution* | |
|---|---|---|
| | *Prior Law* | *Act* |
| 1 (fiscal year in which the bonds are issued) | At least 50% of the ARC | No change |
| 2 | Lesser of (1) 55% of the ARC or (2) $5 million more than the first year's contribution | No change |
| 3 | Lesser of (1) 70% of the ARC or (2) $5 million more than the second year's contribution | No change |
| 4 | Lesser of (1) 80% of the ARC or (2) $5 million more than the third year's contribution | 55% of the ARC |
| 5 | 100% of the ARC | Lesser of (1) 70% of the ARC or (2) $3 million more than the fourth year's contribution |
| 6 | | Lesser of (1) 85% of the ARC or (2) $3 million more than the fifth year's contribution |
| 7 and each fiscal year thereafter | | 100% of the ARC |

EFFECTIVE: Upon passage

## § 3 — GRANT TO STUDY SCHOOL CONSOLIDATION

*Authorizes a grant to the Naugatuck Valley Council of Governments for a school consolidation study*

The act authorizes a $168,000 grant to the Naugatuck Valley Council of Governments from the regional planning incentive account to fund a school consolidation study.

EFFECTIVE: July 1, 2018

## § 4 — COMMUNITY INVESTMENT ACCOUNT (CIA) FUNDS TRANSFER

*For FY 19, requires the $5 million transfer from the CIA to the General Fund to be on a pro rata basis*

PA 17-2, June Special Session (§ 697) transfers $5 million from the CIA to the General Fund for FY 19. This act requires the transfer to be done on a pro rata basis, presumably from the CIA's designated recipients.

The CIA is a separate, nonlapsing General Fund account that contains land use document recording fees town clerks remit to the state treasurer (CGS §§ 4-66aa & 7-34a(e)). By law, the treasurer distributes quarterly $10 of each recording fee credited to the CIA to the agriculture sustainability account, and then she distributes equally the remaining funds for specified purposes to the departments of Agriculture, Economic and Community Development, Energy and Environmental Protection, and Housing.

EFFECTIVE DATE: July 1, 2018

## § 5 — ITINERANT FOOD VENDOR LICENSURE RECIPROCITY

*Requires the DPH commissioner and local health directors to develop and implement a process allowing for licensure by reciprocity for itinerant food vendors*

The act requires the Department of Public Health (DPH) commissioner to collaborate with local health directors to develop a process allowing for reciprocal licensing of itinerant food vending establishments that (1) have a valid license or permit from a local health director and (2) seek to operate in a different municipality.

By January 1, 2019, the commissioner must report to the Public Health Committee on the reciprocity process he develops in collaboration with local health directors. By February 1, 2019, the commissioner and each local health director must implement such licensure by reciprocity.

EFFECTIVE DATE: Upon passage

## § 6 — CONNECTICUT RETIREMENT SECURITY AUTHORITY (CRSA) ADVANCE FUNDS

*Allows CRSA to request an advance of up to $1 million from the General Fund if its expenses exceed its available funds*

The act allows CRSA's board of directors to request an advance from the General Fund if it determines that the authority's current expenses exceed the amount of available funds. The board may make a written request to the Office of Policy and Management (OPM) secretary for up to $1 million to pay these expenses.

If he approves the request, OPM must notify the state treasurer and comptroller of the advance amount, and the comptroller must draw a warrant to disburse the funds. The treasurer and CRSA board must determine the advance's terms, including its authorized uses and the payback period, which must not exceed 10 years. The authority must include information on any advances in its annual report.

By law, CRSA is a quasi-public agency created to design, implement, and

administer a program providing private-sector employees with retirement savings accounts if their employers do not offer one. Among other things, CRSA may (1) charge participants for CRSA's administrative costs and expenses and (2) borrow working capital funds and other funds needed for start-up and operational costs, as long as they are borrowed in CRSA's name only (CGS §§ 31-416 to -429).
EFFECTIVE DATE: Upon passage

## §§ 7-23 & 29-40 — DEPARTMENT OF SOCIAL SERVICES (DSS) AGING-RELATED FUNCTIONS TO DORS

*Transfers the functions, powers, duties, and personnel of the former State Department on Aging from DSS to DORS*

The act (1) transfers the functions, powers, duties, and personnel of the former State Department on Aging (SDA) (or any similar subsequent division) to the Department of Rehabilitation Services (DORS); (2) makes DORS, rather than DSS, a successor to SDA; and (3) adds DORS to the statutory list of executive branch agencies.

The act transfers to DORS the statutory authority and framework to implement the policies and programs that originated in SDA and were transferred to DSS. It does so mainly by replacing DSS with DORS as the agency charged with implementing these policies and programs. This change applies to responsibilities regarding the following aging programs and activities:

1. state responsibilities under the federal Older Americans Act;
2. nutrition programs for elderly persons;
3. fall prevention programs;
4. the CHOICES program, which provides free information and assistance related to health insurance issues;
5. the Aging and Disability Resource Center Program;
6. the Alzheimer's Respite Program;
7. the Connecticut Partnership for Long-Term Care; and
8. guidelines for municipal agents for elderly persons.

The act adds services for older persons and their families to the types of services DORS must provide and requires the agency to describe such services in its annual report to the governor. Under the act, DORS must continuously study the conditions and needs of older people in the state, including needs related to nutrition, transportation, home care, housing, income, employment, health, and recreation.

The act also authorizes the governor, with the Financial Advisory Committee's approval, to transfer funds between DSS and DORS during FY 18 and eliminates a similar authorization for fund transfers between SDA and DSS.

### *Councils and Commissions*

The act adds the DORS commissioner as a member of the Connecticut Alcohol and Drug Policy Council, the Council on Medical Assistance Program Oversight, and the Connecticut Homecare Option Program for the Elderly advisory committee. The act also adds one person from DORS, appointed by the

commissioner, to the Long-Term Care Planning Committee.

*Consultations and Requirements Involving Other Agencies*

The act requires other agencies to consult with DORS on various programs. Under the act, the housing commissioner must consult with DORS for the provision of services under its congregate housing program. The act also adds DORS to the agencies with which DSS may adopt regulations on nursing home financial reporting.

By law, the Long-Term Care Ombudsman must issue informational letters on patients' rights that accompany a nursing home's notice of terminating a service or decreasing bed capacity. The act requires the ombudsman to issue the letter jointly with DORS, rather than DSS.

The act also requires the Department of Consumer Protection to collaborate with DORS, rather than DSS, on a public awareness campaign to educate elderly consumers and caregivers on ways to resist aggressive marketing tactics and scams.

EFFECTIVE DATE: Upon passage, except for a technical provision effective July 1, 2019.

## §§ 24-28 — LONG-TERM CARE OMBUDSMAN

*Transfers the Office of the Long-Term Care Ombudsman from OPM to DORS*

The act transfers the Office of the Long-Term Care Ombudsman from OPM to DORS, thereby requiring DORS to (1) appoint the State Long-Term Care Ombudsman, whose duties include identifying, investigating, and resolving complaints involving long-term care facilities, and (2) adopt regulations related to the office.

The act also authorizes DORS to seek funding for the office from public or private sources.

EFFECTIVE DATE: Upon passage

## § 41 — CORPORATION BUSINESS TAX DEDUCTIONS

*Establishes a deduction for contributions made by the state or local governments; requires that expenses related to dividends equal 5% of all dividends received by a corporation during an income year for purposes of calculating gross income; decouples the state corporation business tax from the new federal limitation on business interest expenses*

*State or Local Government Contribution Deduction*

The act establishes a corporation business tax deduction for the amount of any contributions made by the state of Connecticut or its political subdivisions on or after December 23, 2017, to the extent that such contributions are included in a corporation's gross income under federal law. (PA 18-49, § 13, contains an identical provision.)

The federal Tax Cuts and Jobs Act of 2017 generally requires a corporation to include in its gross income any contribution made after December 22, 2017, by a governmental entity or civic group (other than a contribution made by a

shareholder as such) (26 U.S.C. § 118(b)(2)).

*Dividends Received Deduction*

Existing law generally allows corporations to deduct from their gross income the dividends they receive from other corporations in which they have an ownership stake, but not the expenses related to those dividends. The act specifies that expenses related to dividends equal 5% of all dividends received by a company during an income year. For multi-state companies or financial service companies, it requires the net income associated with the disallowed expenses to be apportioned according to the existing requirements for doing so. (PA 18-49, § 13, contains an identical provision.)

*Business Interest Deduction*

The federal Tax Cuts and Jobs Act of 2017 generally limits the amount of business interest a company may deduct from gross income to 30% of its adjusted taxable income. (The limitation generally applies to all taxpayers, except small businesses with average gross receipts of $25 million or less, adjusted for inflation.)

For income years beginning on or after January 1, 2018, the act requires the business interest deduction for state corporation business tax purposes to be determined as provided under federal law, except that the limitation does not apply. (PA 18-49, § 13, contains an identical provision.)

EFFECTIVE DATE: Upon passage and applicable to income years beginning on or after January 1, 2017.

## § 42 — INCOME TAX CREDIT FOR PAYROLL TAXES PAID TO OTHER JURISDICTIONS

*Allows Connecticut residents to take an income tax credit for certain payroll taxes paid to other jurisdictions*

Existing law authorizes Connecticut full- and part-time residents to take a credit against their personal income tax for income taxes paid to another U.S. state, political subdivision, or the District of Columbia on income that is also subject to Connecticut income taxes. The act allows residents to claim this credit for certain payroll taxes paid to other jurisdictions. It does so by providing that, for purposes of calculating the credit, a tax on wages paid to another jurisdiction that allows a credit must be considered an income tax. Under the act, resident taxpayers may claim a comparable credit in the form and manner the DRS commissioner prescribes, subject to the credit's existing limitations. (PA 18-49, § 19, contains an identical provision.)

EFFECTIVE DATE: Upon passage, and applicable to tax years beginning on or after January 1, 2019.

## § 43 — "CONVENIENCE OF THE EMPLOYER" TEST FOR NONRESIDENT TAXPAYERS

*Subjects residents of states with a "convenience of the employer" test to similar rules for work done for a Connecticut employer*

By law, people who reside in other states must pay Connecticut income taxes on income they derive from a business, trade, profession, or occupation conducted here. The act specifies that such income includes income from days the nonresident taxpayer worked outside Connecticut for his or her convenience if the taxpayer's domicile state uses a similar test for allocating income. (PA 18-49, § 20, contains an identical provision.)

States using such a test, commonly referred to as a "convenience of the employer" test, generally allocate a taxpayer's income to the state of his or her principal place of employment, even if it is attributable to work performed outside the state, if the taxpayer was performing the work outside of the state for his or her convenience, rather than at the employer's direction.

EFFECTIVE DATE: Upon passage and applicable to tax years beginning on or after January 1, 2019.

## § 44 — STUDENT ORAL HEALTH ASSESSMENTS

*Provides that the presence of a child's parent or guardian is not required during an oral health assessment that occurs at an outpatient clinic on school grounds*

PA 18-168 (§ 80) requires school boards to request that students have an oral health assessment, meeting specified criteria, prior to public school enrollment and in specified grades. It prohibits such an assessment from being performed unless (1) the child's parent or guardian consents and (2) the assessment is made in the presence of the parent or guardian or another school employee.

This act provides that the presence of the child's parent or guardian is not required when the assessment is conducted by a licensed outpatient clinic on school grounds.

EFFECTIVE DATE: July 1, 2018

## § 45 — HARTFORD PROPERTY TAX ASSESSMENT RATIO ADJUSTMENTS

*Modifies the definitions of residential and apartment properties in Hartford for assessment purposes*

The law generally requires municipalities to assess all property at 70% of its fair market value (assessment ratio), but it requires any municipality that was implementing a special property tax relief program in the 2010 assessment year (i.e., Hartford) to make certain annual adjustments to its assessment ratio for residential property based on the growth in property taxes levied. Beginning with the 2017 assessment year, the act modifies the types of properties that qualify as residential and apartment properties for assessment purposes in Hartford. (PA 18-170, §§ 3 & 4, delays the effective date of these changes to the 2018 assessment year.)

*Common Interest Community and Condominium Units Under Common Ownership*

Under prior law, all common interest communities, including condominiums used for residential purposes, were included in the definition of residential property and thus qualified for the residential assessment ratio (33.82% for 2017, compared to 70% for all other property types). The act excludes common interest community and condominium units from being taxed as residential property if four or more of such units are under common ownership, thus increasing the assessment ratio on such units to 70%. (PA 18-170, § 3, repeals this provision.)

Under the act, the units are under common ownership if more than 50% of their voting control is owned, directly or indirectly, by a common owner or owners (corporate or noncorporate). Indirect ownership is based on federal stock ownership laws.

*Converted Condominium and Common Interest Community Units*

The act specifies that condominiums converted after July 1, 2018, (presumably from apartments units) qualify as apartment property and are thus subject to the apartment assessment ratio of 70%, except as described below. However, the act also specifies that all common interest community units and condominiums used for residential purposes, including those converted from apartment properties before July 31, 2018, are classified as residential property. (PA 18-170, § 3, changes this date to July 1, 2018.) Thus, it is unclear whether condominium units converted after July 1, 2018, are classified under the act as apartment or residential property.

The act carves out an exception for property owners that purchase buildings with four or more residential units and make certain investments in the buildings. Under the act, if such a property owner invests more than 35% of the building's purchase price within three years after the purchase date is recorded on the land records, the property must be treated as residential property for tax purposes. The act requires assessors to verify the investments made and authorizes the owners to appeal an assessor's decision to the Superior Court. The act does not specify the nature of the investments required.

The act also specifies that the owners of such properties may convert the buildings into common interest communities. However, existing law already authorizes property owners to convert eligible properties to common interest communities, subject to Common Interest Ownership Act requirements.

*Capital Region Development Authority (CRDA) Apartments*

The act specifies that no provision of Hartford's property tax assessment law changes the assessment of apartment properties constructed or converted by CRDA pursuant to existing law. It requires such apartment property to continue to be assessed as residential property.

Existing law requires Hartford to assess all apartments with four or more units that CRDA constructs or converts in the statutorily designated Capital City Economic Development District the same way it assesses residential property

with three or fewer units throughout the city (CGS § 32-610a). The act incorrectly references this law.

EFFECTIVE DATE: July 1, 2018, and applicable to assessment years beginning on or after October 1, 2017.