Connecticut General Assembly

Office of Fiscal Analysis
Office of Legislative Research

TO: Members of the Finance, Revenue, and Bonding Committee

FROM: OFA & OLR Staff

RE: Items for April 4, 2013 Agenda

BILL FOR JF CONSIDERATION

1. S.B. No. 1046 (RAISED) AN ACT CONCERNING INSURANCE TAX PROVISIONS. (FIN) (JF)

Fiscal Impact:

Agency Affected	Fund	Effect	FY 14 $	FY 15 $
Department of Revenue Services	General Fund	None	None	None

The bill has no fiscal impact. It alters treatment of overpayments of estimated insurance premium taxes and the timing of payments by captive insurance companies for premium taxes on assumed reinsurance premiums.

Summary:
This bill:

1. gives a domestic insurance company that overpays its estimated insurance premium tax for the year the option to apply the overpayment to its estimated tax payments in the following year and

2. requires captive insurance companies to pay premium taxes on assumed reinsurance premiums by March 1 annually, rather than in March.

EFFECTIVE DATE: July 1, 2013; the provision concerning premium tax overpayments is applicable to estimated tax payments for calendar years starting on or after January 1, 2014.

2. S.B. No. 1054 (RAISED) AN ACT CONCERNING ANNUAL ADJUSTMENTS TO ASSESSMENT RATES. (FIN)(JF)

Fiscal Impact:

Municipality Affected	Effect	FY 14 $	FY 15 $
Hartford	None	None	None

The bill, which increases the assessment ratio on residential property in the City of Hartford, has no fiscal impact. It is anticipated that this will shift the share of property taxes among classes of property.

Summary:
The law allows a municipality that meets certain conditions (Hartford is the only one) to make annual adjustments to the assessment ratios for residential and apartment property, beginning with the 2011 assessment year.

This bill modifies the annual adjustments to residential property. Under current law, the adjustment ranges from 0% to 5%. The bill makes the adjustments percentage point, rather than percentage, increases. As under current law, the amount of the adjustment depends on the growth in property taxes levied over the previous fiscal year, adjusted for inflation.

EFFECTIVE DATE: July 1, 2013

3. S.B. No. 1055 (RAISED) AN ACT CONCERNING VARIOUS TAX CREDITS AND AN EXEMPTION TO, AND A STUDY OF, THE INCOME TAX. (FIN)(JFS) (delete sections 5,6 and 8; change effective date of section 4 to "from passage"; make clarifying change to amount of credits granted in section 7; reword the study in section 9)

Fiscal Impact:

Agency Affected	Fund	Effect	FY 14 $	FY 15 $
Department of Revenue Services	General Fund	Revenue Impact	See Below	See Below
Department of Revenue Services	General Fund	Cost	See Below	See Below

Section 1 results in a minimal revenue impact, to the extent that Insurance Companies would otherwise have claimed credits in an order other than that which is specified in the bill. This section does not impact the value of the credits, and as such the sole fiscal impact would relate to timing.

Sections 2 & 3 result in a minimal revenue impact in the out-years, to the extent that credit holders would alter the timing of claiming the credit. These sections do not impact the value of the credits, and as such the sole fiscal impact would relate to timing.

In FY 12, two Donation of Land tax credits were taken resulting in a revenue loss of $3,616.

Section 4 results in a minimal revenue impact, to the extent that a credit holder would shift the claiming of the credit to a year other than that in which the investment was made. This section does not impact the value of the credits, and as such the sole fiscal impact would relate to timing.

Section 5 is deleted.

Section 6 is deleted.

Section 7 may result in a revenue gain to the extent the DECD Commissioner limits Job Expansion tax credits with respect to employees for whom credits have previously been granted.

The altering of the aggregate credit cap does not impact the value of the credits as the limit remains $40 million over the eligible period of the program, and as such the sole fiscal impact would relate to timing of credit claims.

Section 8 is deleted.

Section 9 results in a minimal one-time cost to the DRS to undertake a comprehensive study of various aspects of the state income tax structure. It is anticipated that the study could be accommodated internally by the DRS utilizing resources currently available to the agency.

Sections 10-12 result in a minimal revenue gain, as the current revenue loss from the credits repealed in these sections are minimal. For example, the Research & Development Grants to Institutions of Higher Education credit was claimed once in FY 12 for a total revenue loss of $7,002, and the Displaced Workers credit was claimed twice in FY 12 for a total revenue loss of $4,499.

Summary of Substitute Bill:

§ 1 – Order of Claiming Insurance Premium Tax Credits

The bill establishes the order in which an insurer must claim insurance premium tax credits when it is eligible for more than one credit. Similar requirements apply under existing law for businesses claiming more than one corporation income tax credit.

EFFECTIVE DATE: Upon passage and applicable to calendar years beginning on or after January 1, 2013.

§§ 2-3 – Tax Credit for Donating Land for Educational Use

The law provides a corporation tax credit for donations or discounted sales of land or interests in land to any town, city, borough, school district, or regional school district when the land will be used for schools and related facilities. Under current law, businesses may carry forward unused credits for 15 years. The bill instead allows businesses to carry forward the credits to successive income years until they are fully taken, but not for more than 25 years.

The carryforward provision applies for credits allowed for any tax year starting on or after January 1, 2013. Credits allowed for prior tax years continue to be subject to the 15 year carryforward limit.

EFFECTIVE DATE: July 1, 2013 and applicable to income years starting on or after January 1, 2013

§ 4- Infrastructure Investment Tax Credit Assignees

Under current law, taxpayers to which a film infrastructure tax credit has been sold or transferred (i.e., assignees) may claim the credit only in the year in which the infrastructure investments were made. The bill repeals this requirement, thus allowing assignees to claim all or part of the credits either in the income year in which the infrastructure investments were made or in any of the three immediately succeeding income years.

EFFECTIVE DATE: Upon passage

§ 5 – Manufacturing Apprenticeship Training Tax Credit –Deleted

§ 6 – Research and Development Tax Credit Carry Forward –Deleted

§ 7 – Job Expansion Tax (JET) Credit Program

The bill (1) gives the Department of Economic and Community Development (DECD) commissioner the discretion to limit certain JET credits for employees for whom credits have been previously granted and (2) modifies the aggregate cap on JET credits.

By law, the JET credit is a three-year tax credit equal to $500 per month for each new employee that lives in Connecticut or $900 per month if the employee meets certain criteria (e.g., receives unemployment compensation benefits or vocational rehabilitation or employment services from certain agencies). Beginning January 1, 2014, the bill allows the DECD commissioner to limit applications for the $500 credit, with respect to employees for whom credits have been previously granted, to those that are consistent with the state's economic development priorities. She must continue to consider all applications for the $900 credit for employees for whom credits have been previously granted.

Current law imposes a cap of $20 million per year on the amount of tax credits allowed under the JET program and the state's other job creation tax credit programs, which are now defunct. The bill sets the cap at $40 million over the duration of the JET program.

EFFECTIVE DATE: July 1, 2013

§ 8 – Income Tax Exemption for First Responders Killed in the Line of Duty –Deleted

§ 9 – Income Tax Study

The bill requires the DRS commissioner to (1) study the state's personal income tax structure to consider the impact its rates and credits have on taxpayers by state tax filing status and (2) report his findings, by January 15, 2014, to the Finance, Revenue and Bonding Committee, including suggestions for legislative changes.

EFFECTIVE DATE: Upon passage

§§ 10-12 - Repeal of Certain Tax Credit Programs

The bill repeals business tax credits for:

1. employers hiring people receiving Temporary Family Assistance (TFA),

2. businesses making technology-related research and development grants to colleges and universities in the state,

3. electric suppliers hiring electric workers who were displaced due to electrical industry restructuring, and

4. businesses hiring workers whose jobs were eliminated because of a business restructuring in which at least 10 employees were terminated and whose new salary is at least 75% of his or her previous annual wages or

salary.

EFFECTIVE DATE: July 1, 2013

4. H.B. No. 6564 (RAISED) AN ACT REQUIRING THE STATE TREASURER TO INCLUDE INTERFUND TRANSFERS IN THE MONTHLY REPORT. (FIN)(JF)

Fiscal Impact:

Agency Affected	Fund	Effect	FY 14 $	FY 15 $
Office of the State Treasurer	General Fund	None	None	None

Expansion of the current reporting requirement has no cost.

Summary:

This bill requires the state treasurer to (1) include, in her monthly report to the legislature on the state's cash balance, (a) the amount of any interfund transfer between the state's common cash pool and Short Term Investment Fund and (b) a running total of any outstanding transfers and (2) submit the report to all members of the Finance and Appropriations committees, rather than just the chairpersons and ranking members.

EFFECTIVE DATE: July 1, 2013, and applicable to monthly reports required on or after that date.

5. H.B. No. 6567 (RAISED) AN ACT CONCERNING ACCESS TO TAX RETURN INFORMATION IN PERSONNEL PROCEEDINGS. (FIN)(JFS)(add sentence in section 2 allowing the return information to be disclosed to the employee or former employee who is the subject of the personnel proceeding; add in language of HB6568)

Fiscal Impact:

Agency Affected	Fund	Effect	FY 14 $	FY 15 $
Department of Revenue Services	General Fund	See Below	See Below	See Below

The bill may result in minimal savings by reducing the workload of the Penalty Review Committee: it gives the DRS Commissioner greater discretion in determining whether or not admin penalties are imposed.

The bill may also result in minimal revenue gain by establishing a civil penalty for operating a business without a seller's permit, and by allowing the commissioner to refuse to issue or renew a cigarette license, tobacco products license or seller's permit to a person who owes taxes to the state.

Allowing the limited disclosure of tax return information during personnel proceedings related to employees of the Department of Revenue Services has no fiscal impact.

Summary of Substitute Bill:

This bill:

1. allows the Department of Revenue Services (DRS) commissioner to disclose certain tax information in connection with personnel proceedings involving a current or former DRS employee;

2. increases, from $500 to $1,000, the threshold for tax penalty waivers requiring Penalty Review Committee review and approval;

3. imposes a civil penalty on any person who fails to secure or renew a sales tax permit of $250 for the first day, and $100 for each subsequent day, that the person conducts business without a permit; and

4. bars the DRS commissioner from issuing or renewing a cigarette dealer, cigarette or tobacco product distributor license, or sales tax seller's permit to any person who he determines owes state taxes for which all administrative or judicial remedies have expired or been exhausted.

EFFECTIVE DATE: July 1, 2003, except the provision concerning the disclosure of certain tax information is effective upon passage

6. H.B. No. 6576 (RAISED) AN ACT CONCERNING THE APPLICABILTY OF THE SALES AND USE TAX TO BOATS. (FIN)(JFS delete sections 3 and 4))

Fiscal Impact:

Agency Affected	Fund-Effect	FY 13 $	FY 14 $	FY 15 $
Department of Revenue Services	GF - Revenue Loss	Up to $240,000	Up to $290,000	Up to $300,000

Note: GF=General Fund

The bill results in a state revenue loss of up to $300,000 annually by expanding the sales tax exemption for winter storage of non-commercial vessels by two months and the use tax exemption to vessel storage, maintenance, or repair by one month. The actual revenue loss may vary depending upon the number of vessels that remain in storage during the additional time allotted.

Assuming that the bill passes on May 1st, there would also be a state revenue loss of up to $240,000 and a municipal revenue share loss of less than $5,000 for FY 13. The passage of the bill would allow both the sales tax exemption and the use tax exemption to extend to the end of May.

Summary of Substitute Bill:

This bill extends the (1) sales tax exemption for winter storage of noncommercial vessels by two months and (2) use tax exemption for winter storage, maintenance, and repair of vessels brought into the state exclusively for those purposes by one month. Under current law, the sales tax exemption applies from November 1 to April 30, and the use tax exemption from October 1 to April 30. The bill makes both exemptions apply from October 1 to May 31.

EFFECTIVE DATE: Upon passage

7. H.B. No. 6602 (RAISED) AN ACT CONCERNING RENEWAL OF TEMPORARY NOTES. (FIN)(JF)

Fiscal Impact:

Municipality Affected	Effect	FY 14 $	FY 15 $
Seymour	Cost	Potential	None

Delaying the maturation of a temporary note by one year would delay a $552,070 payment due May 1, 2013, and result in additional interest costs to the General Fund of the Town of Seymour.

Summary:

This bill allows the town of Seymour to renew temporary notes beyond the statutory 10-year deadline, up to May 1, 2014.

The authorization applies (1) to notes the town issued on November 15, 2012 in anticipation of receiving a state school building project grant and (2) regardless of any state law, public or special act, charter, bond ordinance, or bond resolution limiting the notes' renewal.

EFFECTIVE DATE: Upon passage

8. H.B. No. 6490 (RAISED) AN ACT CONCERNING THE ELIMINATION OF DUPLICATIVE DEFICIT REPORTING REQUIREMENTS. (FIN)(JFS) (add in language of SB 973)

Fiscal Impact:

Agency Affected	Fund	Effect	FY 14 $	FY 15 $
Office of Policy and Management	General Fund	None	None	None

The bill, which eliminates a reporting requirement for the Office of Policy and Management, has no fiscal impact to the state as it conforms statute to the current practice of the agency.

Municipalities Affected	Effect	FY 14 $	FY 15 $
Ledyard, Montville	None	None	None

The bill, which makes a technical change to property assessment statutes, has no municipal or state fiscal impact.

Summary of Substitute Bill:

This bill subjects certain Mohegan and Mashantucket Pequot property to the requirement that property be revalued every five years. PA 12-1, JSS made this land eligible for a state payment in lieu of taxes grant equal to 45% of the property taxes that would have been paid on the land and phased in the payment over five years.

The bill also eliminates the requirement that the governor report to the General Assembly in October, January, and April on whether a deficit is projected.

EFFECTIVE DATE: July 1, 2013 and applicable to assessment years starting on or after October 1, 2013, except that the reporting requirement repeal is effective upon passage.