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 March 24, 2016 Agenda

BILLS FOR JF CONSIDERATION

1. S.B. No. 336 (RAISED) AN ACT CONCERNING THE NEIGHBORHOOD ASSISTANCE TAX CREDIT. (FIN) JF to Floor

SUMMARY: By law, businesses that invest in qualifying programs that serve low-income individuals are eligible for Neighborhood Assistance Act (NAA) tax credits of 60% of the amount invested. This bill specifies that these programs include those providing scholarships to children who reside in the state and attend accredited private, nonprofit schools for grades kindergarten through 12. As under current law, to qualify, at least 75% of the program population must be at or below 150% of the poverty level for the preceding year.

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

FISCAL IMPACT: None

The bill, which expands the investments eligible for a Neighborhood Assistance Act tax credit, does not result in any fiscal impact as it does not increase the aggregate cap on the amount of credits allowed under the program.

2. H.B. No. 5491 (RAISED) AN ACT CONCERNING THE FILM TAX CREDIT. (FIN) JF to Floor

SUMMARY: This bill lifts the moratorium on film and digital media production tax credits for motion pictures meeting certain job and cost criteria.

Existing law bars the issuance of tax credit vouchers from FY 14 through FY 17 for motion pictures that were not designated as state-certified productions before July 1, 2013. It does not apply, however, to motion pictures that conduct at least 25% of their principal photography days at a Connecticut facility that (1) receives at least $25 million in private investment and (2) opens for business on or after July 1, 2013.

The bill lifts the moratorium for motion pictures that (1) produce at least 50% of their entertainment content in Connecticut, (2) have personnel comprised of at least 50% Connecticut residents, and (3) have a total production cost of less than $2 million.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

Agency Affected	Effect	FY 16 $	FY 17 $	FY 18 $
Department of Revenue Services	General Fund Revenue Loss	None	See Below	None

The bill, which lifts the moratorium on film production tax credits for motion pictures meeting certain job and cost criteria, results in a General Fund revenue loss of up to $600,000 per qualifying production. As the film tax credit moratorium is effective through FY 17, the revenue impact is limited to FY 17 only; it is unknown how many productions would qualify within that time period.

3. H.B. No. 5492 (RAISED) AN ACT INCREASING CERTAIN MUNICIPAL FILING FEES. (FIN) JF to Floor

SUMMARY: As Table 1 shows, this bill increases the fees municipalities must charge for various permits and filings.

Table 1: Municipal Fee Increases

Fee Description	*Current Law*	*Bill*
Liquor permit filing fee	$2	$20
Filing any document	5	10
Survey or map filing and indexing	10	20
Subdivision survey or map indexing	20	30
Notary public: commission and oath filing	10	20
Notary public: character certification	2	5
Marriage license	30	50
Burial or removal, transit, and burial permit	3	5
Cremation permit	3	5

EFFECTIVE DATE: July 1, 2016

FISCAL IMPACT: Minimal Municipal Revenue Gain

The bill increases various fees collected by town clerks for the filing of various documents. These changes result in a minimal revenue gain to all municipalities, which will vary based on the number of filings.

4. H.B. No. 5494 (RAISED) AN ACT CONCERNING THE SALES TAX ON SERVICES RENDERED BETWEEN CERTAIN PARENT COMPANIES AND SUBSIDIARIES. (FIN) JFS to Floor

SUMMARY: Under current law, sales of services between parent companies and wholly-owned subsidiaries are exempt from the state's sales and use tax. This bill expands the exemption to services between certain parent companies and subsidiaries where the parent company owns a controlling interest of at least 80% in the subsidiary. It applies to parent companies organized as corporations, partnerships, limited partnerships, limited liability partnerships, and limited liability companies.

EFFECTIVE DATE: October 1, 2016

FISCAL IMPACT:

Agency Affected	Effect	FY 16 $	FY 17 $	FY 18 $
Department of Revenue Services	Revenue Loss	None	Approximately 1,000,000	Approximately 1,000,000

The bill results in a revenue loss of approximately $1 million annually by expanding the exemption from the sales and use tax for services rendered between parent companies and wholly owned subsidiaries to include services rendered between parent companies and subsidiaries where the controlling interest in such subsidiary is more than eighty per cent.

5. H.B. No. 5592 (RAISED) AN ACT CONCERNING CONNECTICUT FIRST. (FIN) JFS to Floor

SUMMARY: This bill authorizes a range of incentives aimed at stimulating business investment. It:

- creates a new maximum $2 million business tax credit for remediating brownfields, capped at $10 million annually for FYs 20 and 21 (§1, effective July 1, 2016 and applicable to income years beginning January 1, 2019);

- authorizes up to $20 million in bonds for two Department of Economic and Community Development (DECD) brownfield cleanup and redevelopment programs (§ 2, effective July 1, 2016);
- starting July 1, 2017, requires electric distribution company solicitation plans to include zero emission systems sited on remediated brownfields or closed solid waste disposal areas and authorizes bid preferences for certain systems (§§ 3-5, effective July 1, 2017); and
- authorizes a preference for solar development companies included in electric company distribution plans (§ 3, effective July 1, 2017).

The bill extends and increases several existing tax credits for cybersecurity, bioscience, and clean energy technology businesses (targeted businesses). It:

- (a) extends the angel investor personal income tax credit to investments in cybersecurity business startups, (b) increases the credit for this and the other targeted businesses from 25% to 33% of the investment, and (c) extends the sunset date for approving credits for all eligible investments from July 1, 2016 to July 1, 2018 (§ 6, effective July 1, 2016 and applicable to taxable years beginning o on or after January 1, 2018);
- increases from 5% to 10% the corporation business tax credit for the targeted businesses making fixed capital investments (§ 6, effective July 1, 2016 and applicable to taxable years beginning on or after January 1, 2018); and
- allows taxpayers to claim the 100% urban and industrial sites reinvestment tax credit over five years, instead of 10, for investments in facilities housing the targeted businesses (§ 8, effective July 1, 2016 and applicable to taxable years beginning on or after January 1, 2018).

The bill makes programmatic and administrative changes in DECD's Small Business Express Program:

- authorizing the DECD commissioner to collaborate with private lenders on creating a new lending component;

- requiring the DECD commissioner to identify populations the program has underserved and requiring her to give preference to these groups;
- permitting loans in smaller amounts;
- allowing regional economic development corporations to process and approve some loans; and
- expanding the range of eligible businesses (§ 9, effective July 1, 2016).

The bill requires DECD's Office of Small Business Affairs to provide information that helps small businesses bid on state and local contracts (§ 10, effective October 1, 2016).

FISCAL IMPACT: See Below

Section 1 authorizes Brownfield Remediation Tax Credits, which results in a **revenue loss of up to $10 million annually in FY 20 and FY 21**.

Section 2 authorizes new General Obligation bonds of $20 million which would result in an additional $29.4 million in cumulative debt service over 20 years; assuming a 4.5% coupon (which is current). The additional $ 29.4 million in total debt service is approximately $1.9 million in the 2 first years and declines to approx. $1 million by year 20.

Sections 3-5 require electric distribution company solicitation plans to include zero emission systems sited on remediated brownfields or closed solid waste disposal areas and authorizes bid preferences for certain systems; and authorize a preference for solar development companies included in electric company distribution plans. The electric companies are entitled to recover reasonable costs of complying with its approved Class I procurement plan, through a reconciling component of electric rates, as determined by the Public Utilities Regulatory Authority. To the extent that electric distribution companies costs rise, there will be an increased cost to the state and municipalities as ratepayers.

Section 6 expands the Angel Investor Tax Credit, and extends the availability of credits through FY 18. This results in a **revenue loss of $3 million in each of FY 17 and FY 18**.

Section 7 increases, from 5% to 10%, the tax credit for fixed capital investments for those related to bioscience, clean technology, and cybersecurity. To the extent qualifying investments are made, this would result in a **significant revenue loss** annually beginning in FY 18.

Section 8 accelerates the rate at which taxpayers may claim tax credits for investments in bioscience, clean technology, and cybersecurity facilities under the Urban and Industrial Sites Reinvestment tax credit program. To the extent such a qualifying project is undertaken, this results in a **significant revenue loss** beginning in FY 18.

Section 9 makes various changes to the Small Business Express (Express) program that may increase utilization of the program including expanding eligibility and reducing grant and loan amounts.

The bill does not change General Obligation (GO) bond authorizations relevant to the program.

Future General Fund debt service costs may be incurred sooner under the bill to the degree that the bill causes authorized GO bond funds to be expended more rapidly than they otherwise would have been.

The Small Business Express program is funded through GO bond funds. The program has received $310 million in bond authorizations since its inception in 2011. As of March 23rd, the unallocated bond balance available to the program is $67.8 million.

Section 10 requires the Department of Economic and Community Development (DECD) to provide a summary of identification efforts and any assistance granted to businesses in underserved municipalities. There is no impact to DECD as the agency currently provides reports on various business programs, such as Express, on an annual or biannual basis, dependent upon the program.

6. H.B. No. 5593 (RAISED) AN ACT CONCERNING THE REAPPLICATION PROCEDURE FOR ELDERLY PROPERTY TAX RELIEF. (FIN) JF to Floor

SUMMARY: This bill pushes back the deadline, from March 15 to April 15, by which elderly, and in some cases disabled, homeowners must reapply for property tax relief under three income-restricted programs. By law, these taxpayers must reapply for tax relief every two years by submitting copies of their federal income tax returns. By pushing the filing deadline to April 15, the bill aligns it with the deadline for filing federal tax returns, thus giving taxpayers more time to complete those returns and submit them to the municipality.

The deadline changes apply to the:

- state-funded Tax Relief Program for Elderly and Totally Disabled Homeowners (i.e., Circuit Breaker Program);
- local option Elderly Property Tax Freeze Program; and
- state-funded Elderly Property Tax Freeze Program, which has been closed to new applications since 1980.

EFFECTIVE DATE: October 1, 2016

FISCAL IMPACT:

Municipalities Affected	Effect	FY 16	FY 17	FY 18
All	Savings	None	Less than $5,000	Less than $5,000

The bill changes, from certified mail to a certificate of mailing, the required notice for assessors to provide taxpayers who qualify for certain tax relief programs. This results in a savings of less than $5,000 to municipalities. The bill also extends by one month the deadline for homeowners to submit applications for property tax reductions. This provision has no fiscal impact.

7. H.B. No. 5596 (RAISED) AN ACT CONCERNING TAXATION. (FIN) JF to Floor

SUMMARY: This bill requires the DRS commissioner to study the state's sales and use, personal income, and corporation income tax laws and report his findings to the Finance, Revenue and Bonding Committee by January 1, 2017.

EFFECTIVE DATE: October 1, 2016

FISCAL IMPACT: None

The bill requires the Commissioner of the Department of Revenue Services to conduct a relatively limited study, which has no fiscal impact since it is not anticipated to require outside (contracted) expertise or overtime expenditures.

8. H.B. No. 5626 (RAISED) AN ACT CONCERNING THE EARNED INCOME TAX CREDIT. (FIN) JF to Floor

SUMMARY: This bill requires DRS to study the income limits for the state's earned income tax credit (EITC) and whether those limits cause recipients to leave their jobs to remain eligible for the credit. In preparing the study, DRS must consider several policy and administrative changes. It must recommend:

1. a graduated schedule that allows recipients to remain eligible for the credit as their wages increase,
2. paying refunds on a monthly instead of lump sum basis, and
3. a schedule for adjusting monthly payments to maintain recipients' monthly income in cases where their refund decreases due to a wage increase.

DRS must submit the study to the Finance, Revenue and Bonding Committee by January 1, 2017.

EFFECTIVE DATE: October 1, 2016

FISCAL IMPACT: None

The bill, which requires the Department of Revenue Services to conduct a study of various aspects of the Earned Income Tax Credit, has no fiscal impact since it is not anticipated to require outside (contracted) expertise or overtime expenditures.

9. H.B. No. 5627 (RAISED) AN ACT ELIMINATING THE SALES TAX ON PARKING FEES AT CERTAIN FEDERAL, STATE AND LOCAL PARKING LOTS. (FIN) JF to Floor

SUMMARY: This bill exempts from sales and use tax non-metered motor vehicle parking in (1) municipally-owned parking lots with 30 or more spaces and (2) seasonal lots with 30 or more spaces operated by the federal government, state, or political subdivisions.

EFFECTIVE DATE: July 1, 2016 and applicable to sales occurring on or after that date.

FISCAL IMPACT:

Agency Affected	Effect	FY 16 $	FY 17 $	FY 18 $
Department of Revenue Services	Revenue Loss	None	500,000	500,000

The bill results in an annual revenue loss of $500,000 by exempting from the sales tax certain parking fees, including (1) municipally-owned parking lots with 30 or more spaces seasonal lots with 30 or more spaces operated by the state, and (2) seasonal lots with more than 30 spaces operated by the state.

10. S.B. No. 212 (RAISED) AN ACT EXEMPTING WATER COMPANIES FROM THE SALES AND USE TAX. (ET,FIN) JF to Floor

SUMMARY: This bill exempts from the sales and use tax any personal property or services purchased or used by a water company to maintain, operate, manage, or control, any pond, lake, reservoir, stream, well, distributing plan, or system to supply water to 50 or more customers.

EFFECTIVE DATE: January 1, 2018

FISCAL IMPACT:

Agency Affected	Effect	FY 16 $	FY 17 $	FY 18 $
Department of Revenue Services	Revenue Loss	None	None	2,000,000

The bill results in a revenue loss of $2 million in FY 18 and an annual revenue loss of $4 million thereafter by exempting from the sales tax any personal property or any services to a water company for maintenance and operation of water sources and systems for the purpose of supplying water to fifty or more consumers.