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 26, 2017 Agenda

BILLS FOR JF CONSIDERATION

1. S.B. No. 787 AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET. (FIN) **JFS**

SUMMARY:

Earned Income Tax Credit (EITC)

The bill reduces the EITC from 30% to 27.5%.

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

Fresh Start Program

The bill authorizes the Department of Revenue Services (DRS) commissioner to establish a fresh start program for qualified taxpayers that failed to file tax returns, or underreported taxes due, for any state tax other than the motor carrier road tax. The program runs from July 1, 2017, to October 31, 2018 and covers any tax returns due on or before December 31, 2016. Under the bill, the fresh start agreements (1) must waive all tax penalties and 50% of the interest due on the delinquent taxes and (2) may provide for a limited look-back period for qualified taxpayers that failed to file a return.

EFFECTIVE DATE: Upon passage

Sales Tax Transfer to Municipal Revenue Sharing Account (MRSA)

The bill eliminates the requirement that the DRS commissioner direct to MRSA 7.9% of sales tax revenue received by the state for calendar months beginning on or after July 1, 2017.

EFFECTIVE DATE: July 1, 2017

Insurance Premium Tax Rate and Credit Cap

The bill reduces, from 1.75% to 1.50%, the tax on insurance premiums and health care subscription charges. It also makes permanent the cap on the maximum insurance premium tax liability that an insurer may offset through tax credits. Under current law, the cap expires December 31, 2016.

EFFECTIVE DATE: Upon passage

Film and Digital Media Tax Credit Moratorium

The bill permanently prohibits the issuance of film and digital media production tax credits for most motion pictures that were not designated as state-certified productions before July 1, 2013. Current law imposes a moratorium issuing credits to such productions through FY 17.

EFFECTIVE DATE: Upon passage

Estate and Gift Tax Threshold and Cap

The bill increases the estate and gift tax threshold over three years, from $2 million to the federal threshold amount ($5.49 million in 2017), and modifies the marginal rate schedule for gifts and estates over $5.1 million. It also lowers, from $20 million to $15 million, the cap on the maximum (1) estate tax imposed on the estates of decedents dying on or after January 1, 2018 and (2) gift tax imposed on taxable gifts donors make on or after that date.

EFFECTIVE DATE: January 1, 2018; estate tax provision are applicable for deaths occurring on or after January 1, 2018 and gift tax provisions are applicable to gifts made on or after that date.

Gift Tax Repeal

Beginning January 1, 2020, the bill eliminates the state gift tax and, for estate tax purposes, limits the taxable gifts included in a decedent's Connecticut taxable estate to the aggregate value of taxable gifts made during the three years preceding the decedent's death. Under current law, the Connecticut taxable estate includes the aggregate value of all Connecticut taxable gifts the decedent made on or after January 1, 2005.

EFFECTIVE DATE: January 1, 2020, and applicable for deaths occurring on or after that date.

Social Security Exemption

The bill fully exempts Social Security benefits from the state income tax. Under current law, the amount of the exemption is 100% or 75% of federally taxable Social Security benefits, depending on income.

EFFECTIVE DATE: January 1, 2019 and applicable to taxable years beginning on or after that date.

Admissions Tax and Local Admissions Surcharge Exemptions

The bill exempts from the state's 10% admission tax any event held at the Webster Bank Arena in Bridgeport and Oakdale Theatre in Wallingford. Under current law, events at the Webster Bank Arena are temporarily exempt until June 30, 2017.

The bill also exempts motion picture shows from the local option admissions surcharge.

EFFECTIVE DATE: January 1, 2018 for the state admissions tax exemptions and July 1, 2017 for the local option admissions surcharge exemption.

Coin-Operated Car Wash Services

The bill exempts coin-operated car washes from the sales and use tax. As under existing law, all other car wash services are subject to this tax.

EFFECTIVE DATE: July 1, 2017, and applicable to sales occurring on or after that date.

College Graduate Tax Credit

The bill establishes a $500 refundable personal income tax credit for qualifying college graduates, which they may claim in each of the five years after they graduate. To qualify, a person must (1) graduate after January 1, 2018, from an in-state or out-of-state college, with a degree in a science, technology, engineering, or math-related field, (2) work in the state, and (3) live in the state or move to it within two years after graduating.

EFFECTIVE DATE: January 1, 2018

Municipal Revenue Sharing Fund (MRSF) Transfer

The bill transfers from the General Fund to the MRSF $264.9 million in FY 18 and FY 19.

EFFECTIVE DATE: July 1, 2017

State Fees

The bill establishes a procedure and timeframe for reviewing state fees and recommending fee increases to the Finance Committee. It requires each agency except OPM to determine if the fees they charge cover the collection cost and the associated administrative expenses and report any recommended fee increases to OPM by December 1, 2017. OPM must report to the Finance Committee by February 7, 2018 any recommended increases of up to 50% of any existing fee, but the total value of the increases cannot exceed $20 million.

EFFECTIVE DATE: Upon passage

Marriage License Fee and Surcharge

Under current law, the $30 marriage license fee consists of a (1) $10 fee, retained by the municipality, and (2) $20 surcharge, split between the municipality ($1) and the state ($19). The bill increases the (1) municipal fee from $10 to $15 and (2) surcharge from $20 to $35. It retains the municipal share of the surcharge at $1, thus increasing the state's share from $19 to $34.

By law, the state's share of the marriage license surcharge is credited to an account used to fund (1) shelter services for victims of domestic violence and (2) rape crisis services.

EFFECTIVE DATE: July 1, 2017

Speeding Fines Working Group

The bill creates a 25-member working group to analyze the efficacy of fines in deterring excessive speeding. The group must examine available data on specified factors, including the percentage of speeding fines that are paid, procedures used by police with respect to drivers who are speeding, statistical comparisons with other states, and the average amount of fines collected in a year and the costs associated with doing so.

EFFECTIVE DATE: Upon passage

Stranded Tax Credits and Capital Projects

This bill requires the Department of Economic and Community Development (DECD) commissioner to create a program allowing a business that holds stranded R&D tax credits to use them against the corporation business or sales and use tax if it undertakes a capital project that will expand the business' scope, create jobs, or generate a substantial return to the state economy.

EFFECTIVE DATE: July 1, 2017

Tax Credit Auction for the Technical Education Cooperative (TEC) Initiative and Innovation Investment

The bill requires the DECD commissioner, in consultation with Connecticut Innovations' (CI) CEO, to hold tax credit auctions to allow taxpayers with R&D credits against the corporation business tax to apply them against other taxes in exchange for making an investment in the TEC initiative or a corporate venture fund established by the taxpayers themselves. The minimum bid is 80 cents per dollar of tax credit, and the maximum amount of credits that can be exchanged through the auctions is $50 million. Credits exchanged through the auctions can be used against the insurance premiums, sales, or hospital tax.

Under the bill, proceeds from the TEC auction must be deposited in the TEC initiative account, which must be used to expand education and training for manufacturing, computer programming, and information technology jobs. Proceeds from the innovation investment auction must be deposited in the winning bidder's or bidders' corporate venture fund, subject to certain requirements, including requirements that (1) the amount invested be invested in the winning bidder's spin-off companies or businesses located in the state and (2) profits from the corporate fund be split evenly between the state and the winning bidder.

EFFECTIVE DATE: July 1, 2017

Film Tax Credits

Beginning January 1, 2018, the bill allows taxpayers to use film production tax credits against the sales and use tax if the taxpayer pays a fee of six cents for each dollar of credit it claims. Fee revenue must be deposited in the TEC account described above.

EFFECTIVE DATE: July 1, 2017

Estate Tax Credit

Current law allows an estate tax reduction for decedents that made qualifying investments through CI's investment program for state residents. The bill (1) expands eligible investments to include investments in a TEC initiative or innovation investment fund and (2) reduces, from 10 years to 4 years, the length of time an investment must be in the fund to qualify for the reduction.

As under existing law, the reduction is equal to 50% of the eligible investment, up to $5 million per decedent and $30 million total.

EFFECTIVE DATE: July 1, 2017

Bond Authorization Limit

The bill lowers the maximum amount of General Fund-supported state debt the General Assembly may authorize to 1.575 times, rather than 1.6 times, the estimated net General Fund tax receipts for the fiscal year of the authorization. By law, the limit must be calculated using the Finance Committee's estimates of annual General Fund tax revenue included in the state budget.

EFFECTIVE DATE: July 1, 2019

Hospital Voluntary Contributions for Municipal Services

The bill authorizes nonprofit hospitals to make voluntary public service payments to their host municipality equal to the property taxes they would have paid if their property had been subject to the tax. A hospital that chooses to make these payments must do so by entering into an agreement with its host municipality.

EFFECTIVE DATE: July 1, 2017

Hospital Tax Credit

The bill authorizes a credit against the hospital provider tax during those fiscal years when the difference between the aggregate amount of hospital tax hospitals owed prior to the application of tax credits and the amount of supplemental payments they receive exceeds the FY 17 difference between these two amounts. The credit equals the difference between the total amount of state and federal supplemental payments the hospital would have received during the fiscal year and the actual amount they received.

EFFECTIVE DATE: July 1, 2017

Hospital Tax Phase-Out

Beginning July 1, 2020, the bill phases out the hospital tax in equal increments over seven years.

EFFECTIVE DATE: July 1, 2020

FISCAL IMPACT:

sSB787 General Fund Revenue Impact to the FY 18-19 Biennium (in millions)

Policy	FY 18	FY 19
Reduce the Earned Income Tax Credit to 27.5% of the federal rate	11.0	11.5
Authorize "Fresh Start" initiative by the DRS	60.0	25.0
Eliminate the Sales Tax transfer to the Municipal Revenue Sharing Account	340.1	349.0
Lower Insurance Premiums Tax Rate from 1.75% to 1.50%	(11.0)	(22.4)

Policy	FY 18	FY 19
Make 3-tier cap permanent	17.4	16.0
Make moratorium on film production tax credit permanent	4.0	4.0
Lower lifetime cap on Gift & Estate Tax	-	(4.5)
Phase-in (over 3 years) fedeal exemption levels for Estate Tax	-	(15.6)
Exempt Social Security, effective 1/1/19	-	(23.8)
Exempt from Admissions Tax Harbor Yard and Oakdale Theater	(0.4)	(0.8)
Repeal Sales Tax on coin-operated car washes	(0.5)	(0.5)
Establish a $500 Tax Credit for certain College Graduates	-	(4.0)
Transfer out to the Municipal Revenue Sharing Fund	(264.9)	(264.9)
Increase fees to cover various administration costs - Various agencies	-	20.0
Total	**155.7**	**89.0**

Gift Tax Repeal. Repealing the Gift Tax in 2020 and establishing a 3-year lookback under the Estate Tax results in a revenue loss of less than $2 million annually beginning in FY 21.

Income Tax Changes – Outyear Impact. The annualized revenue loss to completely exempt social security income from the state Personal Income Tax is $49.2 million in FY 2020. The annualized revenue loss from phasing in the federal exemption level for the Estate Tax is estimated to be $57.8 million in FY 2021. The annualized revenue loss to provide $500 credits to certain College graduates is estimated to be $20 million in FY 2022.

Marriage License Fees. Increasing the marriage license fee in accordance with the provisions in the bill would generate approximately $300,000 additional revenue annually to the separate, non-lapsing account in the State's General Fund used to support victims of domestic and sexual violence.

Speed Fines Working group. The bill establishes a working group to analyze the efficacy of fines in deterring excessive speeding. There may be a cost of less than $1,000 in FY 18 to reimburse any state agency officials that may participate in the working group for mileage expenses, currently at 53.5 cents/mile.

Stranded Tax Credits and Capital Projects. The bill authorizes the DECD commissioner to create a program allowing a business that holds stranded R&D tax credits to use them against the corporation business or sales and use tax if it undertakes a capital project. The bill requires that no credits be claimed before the project generates revenue that exceeds the amount of credits to be claimed; to the extent the DECD commissioner ensures that the timing of revenue generation and credit utilization are consistent this does not result in any fiscal impact.

Tax Credit Auction. Holding tax credit auctions to allow taxpayers with R&D tax credits to use them in exchange for making an investment in the TEC Fund or a corporate venture fund established by the taxpayers themselves could result in a revenue loss of up to $5 million annually from FY 21 through FY 24, and up to $10 million annually from FY 25 through FY 27. The actual revenue impact is dependent on the amount and timing of investments made through the auctions.

Film Tax Credits. Allowing taxpayers to use film production tax credits against the sales and use tax if the taxpayer pays a fee of six cents for each dollar of credit it claims results in a potential revenue gain to the TEC account.

Estate Tax Credit. Expanding eligibility for the Estate Tax credit under the bill could result in a significant revenue loss to the extent it results in additional credits being utilized that otherwise would not be.

Bond Authorization Limit. The bill reduces the multiplier used in the statutory bond cap effective July 1, 2019. To the extent that this change leads to a reduction in bond authorizations, it may also reduce bond allocations and related bond issuances thus generating debt service savings.

Hospital Voluntary Contributions. To the extent that hospitals enter into voluntary agreements to provide host municipalities with payments for municipal services in amounts equal to the property taxes that would have been paid, municipalities would experience a revenue gain.

Hospital Tax Credit. Establishing a Hospital Tax credit could result in a state revenue loss to the extent that the difference between the total Hospital Tax owed prior to the application of currently available credits and supplemental Medicaid grants to hospitals increases.

Hospital Tax Phase-Out. The bill results in a revenue loss of approximately $80 million beginning in FY 21 by phasing out the hospital tax in equal increments over seven years. The revenue loss will increase incrementally by $80 million each year thereafter with a total revenue loss of $556 million in the seventh year.

2. H.B. No. 7322 (RAISED) AN ACT CONCERNING STATE AND LOCAL REVENUE. (FIN) **JFS**

SUMMARY AND FISCAL IMPACT: same as SB 787 above

3. S.B. No. 788 AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES. (FIN) **JFS**

See attached OFA spreadsheet.

In addition, the proposal would transfer $4 million in current authorizations from the Regenerative Medicine Research Fund to the Bioscience Innovation Fund by cancelling the current authorization and making it available in the Bioscience Innovation Fund in FY 22. Pre-authorizations for FY 18 and FY 19 for the Regenerative Medicine Research Fund are cancelled. The schedule of pre-authorizations for the Bioscience Innovation Fund is altered and extended. It should be noted that the resultant pre-authorization schedule represents an increase of $5 million in FY 18 and FY 19 over what was proposed in the Committee bonding proposal.

4. H.B. No. 7050 AN ACT CONCERNING ENHANCEMENTS TO MUNICIPAL FINANCE AND ACCOUNTABILITY. (FIN) **JFS**

SUMMARY: This bill establishes a system under which financially distressed municipalities can bring themselves under varying degrees of state fiscal oversight and control. The system consists of (1) a four-tiered scheme for assessing and classifying a municipality based on its fiscal condition and (2) an oversight board to oversee its financial planning and management. The board's powers, which vary depending on the municipality's assigned tier, include reviewing and approving budgets, bond issuances, collective bargaining agreements, fund transfers, and operational practices.

The bill allows a municipal chief elected official to determine the municipality's tier designation and request the OPM secretary to establish a board to oversee the municipality's finances. The bill also allows the secretary to independently assess municipalities' fiscal conditions and establish a board to oversee those that are severely distressed (i.e., tiers III and IV). In both cases, the board must consist of an equal number of labor and state and local government representatives.

A municipality retains its designation for a minimum of two or three fiscal years, depending on its tier. The designation is removed if the municipality achieves specific financial benchmarks.

EFFECTIVE DATE: July 1, 2017

FISCAL IMPACT: Staffing and related expenses to administer the oversight board is anticipated to be less than $400,000 annually.

5. H.B. No. 7218 (RAISED) AN ACT AUTHORIZING BONDS OF THE STATE FOR MUNICIPAL DEVELOPMENT PROJECTS. (PD,FIN) **JFS**

SUMMARY: This bill authorizes $100 million in general obligation bonds to the Department of Transportation for grants to municipalities for certain municipal development projects.

EFFECTIVE DATE: July 1, 2017

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	Out Years
Office of the Treasurer – Debt Service	GF –Cost	None	Up to 5,000,000	See Below

Note: GF=General Fund

Municipal Impact: See below.

Explanation

The bill would authorize $100 million in General Obligation bonding for municipal development projects, to be administered by the Department of Transportation. To the extent that the authorized bonds are allocated by the State Bond Commission, the state would need to repay the principal amount of the bond plus associated fees and interest. If bonds were approved for use and issued in FY 18, the state could begin repayment of up to $5 million given current market rates. A later issuance date would not result in repayment cost in the biennium.

The Out Years

Under current market conditions, the state would repay a $100 million bond over 20 years at approximate total cost of $144 million (for principal and interest), or approximately $7.2 million per year on average.

6. H.B. No. 7312 (RAISED) AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR STATE TAXATION AND COLLECTION AND IMPROVING TAX GAP COMPLIANCE. (FIN) **JFS**

§	*Summary and Fiscal Impact*
1	***Order of Applying Partial Tax Payments*** ***Summary:*** changes the order in which the DRS commissioner must apply partial tax payments by requiring the payment to apply first to penalties, then to the tax, and lastly to interest on the tax. Under current law, penalties and interest are satisfied before the tax. EFFECTIVE DATE: July 1, 2018 ***Fiscal Impact:*** To the extent this results in less interest being due, this results in a minimal revenue loss.
2	***Income Tax on Nonqualified Deferred Compensation*** ***Summary:*** requires taxpayers who receive compensation from a nonqualified deferred compensation plan attributed to services performed in the state to include such income for Connecticut income tax purposes. EFFECTIVE DATE: July 1, 2017 and applicable to tax years beginning on or after January 1, 2017 ***Fiscal Impact:*** Potential revenue gain.
3	***Sales Tax Permits*** ***Summary:*** makes sales tax permits issued on or after October 1, 2017 valid for two rather than five years. EFFECTIVE DATE: October 1, 2017 ***Fiscal Impact:*** None.
4	***Weekly Sales Tax Remittance***

	Summary: requires taxpayers that must remit sales tax on a weekly basis to do so by either (a) establishing a separate bank account in trust for the state or (b) contracting with a certified service provider to segregate and remit the taxes on their behalf. The bill authorizes the commissioner to allow the certified service provider to retain a portion of each amount of sales tax remitted on behalf of the taxpayer, up to the actual cost the service provider charges the taxpayer for the service. It gives the DRS commissioner certain powers with respect to the segregated accounts, including the right to withdraw funds if he determines that the tax will be jeopardized by delay. It also codifies the requirement that taxpayers with less than $1,000 in annual sales tax liability remit the tax on an annual basis. EFFECTIVE DATE: January 1, 2018 ***Fiscal Impact:*** To the extent this increases sales tax compliance, this results in a revenue gain.
5	***Bond Requirement for Withholding Tax*** ***Summary:*** authorizes the DRS commissioner to require employers and payers to post a bond to secure withholding tax payments. The bond may be up to six times the employer's or payer's estimated liability for the prior or next twelve-month period EFFECTIVE DATE: October 1, 2017 ***Fiscal Impact:*** To the extent this increases sales tax compliance, this results in a revenue gain.
6 & 8	***Income Tax Withholding for Pension and Annuity Payments*** ***Summary:*** subjects pension and annuity payments to state income tax withholding, including employer pension, annuity, profit-sharing, stock bonus, deferred compensation plan, individual retirement arrangements, endowment, and life insurance payments. Current law allows Connecticut residents who receive pensions or annuities to instruct the payer to withhold state income tax. EFFECTIVE DATE: January 1, 2018 ***Fiscal Impact:*** None.
7	***Payers of Nonpayroll Amounts*** ***Summary:*** The bill codifies the requirement that payers of nonpayroll amounts to annually (1) provide to each payee a written statement that shows the amount paid and the amount deducted and withheld from the payment during the previous calendar year (e.g., federal form 1099-MISC) and (2) file copies of these forms with DRS by January 31. EFFECTIVE DATE: January 1, 2018 ***Fiscal Impact:*** None.
9	***1099-K Forms*** ***Summary:*** requires reporting entities (i.e., banks or third-party settlement organizations, such as MasterCard, Paypal, and Visa) that make payments to Connecticut retailers in connection with credit

	or debit card transactions to submit to DRS copies of the informational reports (i.e., 1099-k forms) they are required to file with the IRS EFFECTIVE DATE: July 1, 2017 and applicable to information returns due for calendar years beginning on or after January 1, 2017 ***Fiscal Impact:*** None.
10	***DRS Tax Warrants*** ***Summary:*** authorizes DRS to include in its tax warrants a continuous order to withhold intangible personal property (e.g., assets in a bank account) for up to 180 days following the date the warrant was issued EFFECTIVE DATE: July 1, 2017 ***Fiscal Impact:*** To the extent this increases sales tax compliance, this results in a revenue gain.
11	***Hosting Platforms*** ***Summary:*** requires “hosting platforms” (e.g., companies offering room-sharing websites) to collect and remit room occupancy tax on behalf of the hotel or lodging house operators listed on their websites EFFECTIVE DATE: October 1, 2017 ***Fiscal Impact:*** Potential revenue gain.
12	***Criminal Background Checks for DRS Employees*** ***Summary:*** The bill requires existing DRS employees, at least once every 10 years, to (a) disclose any criminal convictions and pending charges, (b) be fingerprinted, and (c) submit to state and national criminal history record checks under Connecticut's uniform criminal record check procedure. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
13-15	***Room Occupancy Tax*** ***Summary:*** The bill applies a uniform 11% room occupancy tax on rent received by bed and breakfast establishments (B&Bs), rather than 6.35% sales tax on the portion of the rent allocated to meals and 15% on the portion allocated to the room as current DRS practice requires. It also increases, from 6.35% to 15%, the tax on meal charges that are included in room occupancy charges at hotels and lodging houses. Under current DRS practice, room occupancy charges that include meals at a fixed price are allocated according to a specified schedule such that the percentage allocated to meals is taxed at the general 6.35% sales tax rate and the percentage allocated to the room is taxed at the 15% hotel tax rate.

	The bill also amends the definition of lodging house to explicitly include furnished residences. EFFECTIVE DATE: October 1, 2017, and applicable to sales occurring on or after that date. ***Fiscal Impact:*** This section results in a revenue gain of up to $20 million annually by increasing, from 6.35% to 15%, the tax on meal charges that are included in room occupancy charges at hotels and lodging houses. The bill also applies a uniform 11% room occupancy tax on rent received by bed and breakfast establishments which is not anticipated to have a net impact to the state.

7. S.B. No. 1047 (RAISED) AN ACT CONCERNING TAX PREPARERS AND FACILITATORS AND THE DEPARTMENT OF REVENUE SERVICES' CHANGES TO THE TAX AND RELATED STATUTES. (FIN) **JFS**

§	*Summary and Fiscal Impact*
1-4	***Tax Preparers*** ***Summary:*** The bill establishes a regulatory structure for tax preparers and facilitators. Among other things, it: • prohibits anyone who provides or facilitates tax preparation services from engaging in various predatory or deceptive practices or other specified activities, such as (a) imposing fees on a refund anticipation loan in excess of those charged by the loan originator, (b) requiring a taxpayer to use a specific bank or debit card provider for a tax refund, or (c) requiring a taxpayer to designate the preparer as the payee for a tax refund; • starting January 1, 2019, requires tax preparers or facilitators who are not otherwise regulated (e.g., attorneys and accountants) to obtain a permit from DRS ($100 initial fee, $50 renewal fee every two years); • requires tax preparers to disclose certain information to a client before providing services, including the estimated cost of the services; and • imposes various penalties, including permit revocation and fines, for violating the bill's provisions, and allows the DRS commissioner to waive penalties for good cause. EFFECTIVE DATE: October 1, 2017 for the prohibited practices (§ 1) and October 1, 2018 for the permit and disclosure requirements (§§ 2-4) ***Fiscal Impact:*** The initial and renewal fee for certain tax preparers results in a revenue gain beginning in FY 19 and every other year thereafter.
5	***Delinquent Taxpayer List*** ***Summary:*** Current law requires DRS to prepare a list of delinquent corporation business taxpayers, which must be arranged in sequential order by taxpayer ID number, and give it to OPM annually by July 15. The bill requires DRS to do so only if OPM requests it and makes the inclusion of taxpayer ID numbers optional. EFFECTIVE DATE: Upon passage

	Fiscal Impact: None.
6	***DRS Regulations*** ***Summary:*** eliminates a requirement that the DRS commissioner adopt regulations concerning the disclosure of tax returns or return information for administrative purposes. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
7	***Data Match Program*** ***Summary:*** The bill makes several changes to DRS's "data match" program, which requires DRS and financial institutions to exchange information about delinquent taxpayers, including (1) explicitly requiring financial institutions to participate in the program, rather than requiring the DRS commissioner to enter into agreements with institutions to implement the program and (2) allowing financial institutions to share, under specified conditions, information they receive through the data match program with certain authorized government representatives and entities that provide such institutions with data services EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
8	***DRS Regulations*** ***Summary:*** The bill allows, rather than requires, the DRS commissioner to issue regulations concerning the taxation of property used in telecommunications services EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
9	***Captive Real Estate Investment Trusts (REIT)*** ***Summary:*** modifies the definition of a captive REIT for corporation income tax purposes EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
10 & 11	***Corporation Tax Filing Date*** ***Summary:*** The bill extends the deadline for filing corporation tax returns. It requires corporations to file their annual tax returns on the 15th day, rather than the first day, of the month following the month in which their corresponding federal return for the income year is due. For corporations that are not required to file a federal return, state returns must be filed on the 15th day of the fifth month

	succeeding the end of the income year, rather than the first day of the fourth succeeding month. EFFECTIVE DATE: Upon passage and applicable to income years beginning on or after January 1, 2017 ***Fiscal Impact:*** None.
12	***Dry Cleaning Drop Stores*** ***Summary:*** The bill exempts from the 1% dry cleaning surcharge businesses that accept clothing or other fabrics to be dry cleaned by another establishment (i.e., "drop stores"). EFFECTIVE DATE: October 1, 2017 and applicable to calendar quarters beginning on or after that date ***Fiscal Impact:*** This results in a revenue loss of less than $50,000 annually.
13	***Utility Companies Tax*** ***Summary:*** The bill makes a number of minor and technical changes to the utility companies tax, including aligning the determination of a power company's "gross earnings" with the way income in classified in the Public Utilities Regulatory Authority's uniform system of accounts. EFFECTIVE DATE: October 1, 2017 ***Fiscal Impact:*** None.
14	***Successor Liability for Cigarette Sales Taxes*** ***Summary:*** The bill makes anyone who buys a cigarette dealer's business or entire stock liable for their unpaid taxes under the same provisions that already apply to people a cigarette distributor's business or stock. EFFECTIVE DATE: July 1, 2017 ***Fiscal Impact:*** To the extent this results in increased compliance, this results in a revenue gain.
15	***Extension of Cigarette Sales Tax Exemption to U.S. Veterans' Hospitals and U.S. Armed Forces Members*** ***Summary:*** The bill extends, to the extent federal law allows it, the cigarette sales tax exemption to cigarettes sold to U.S. veterans' hospitals and U.S. armed forces members through agencies that are physically located at military bases and authorized under federal regulations to make such sales. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** This results in a minimal revenue loss.
16	***Successor Liability for Tobacco Products Sales Taxes*** ***Summary:*** The bill makes anyone who buys the business or the entire stock of a tobacco products

	distributor or an unclassified tobacco products importer liable for their unpaid taxes under the same provisions that already apply to cigarette distributors. Those provisions include a requirement that the buyer withhold enough money from the purchase price to pay any unpaid tax until the seller provides either a DRS (1) receipt showing that he or she paid all cigarette taxes that the seller owed or (2) certificate stating that no taxes are owed. The buyer becomes personally liable for the tax if he or she fails to withhold the appropriate amount. The liability equals the amount of the unpaid tax up to current price of the business or stock. EFFECTIVE DATE: July 1, 2017 ***Fiscal Impact:*** To the extent this results in increased compliance, this results in a revenue gain.
17	***Tobacco Products Tax Records*** ***Summary:*** The bill tightens requirements for maintaining tobacco products tax records and establishes a civil penalty of $1,000 per day for any distributor or importer who fails to immediately produce or provide electronic access to the records upon the commissioner's or agent's request EFFECTIVE DATE: October 1, 2017 ***Fiscal Impact:*** This results in a potentially minimal revenue gain from penalty collections.
18	***DRS Regulations*** ***Summary:*** The bill eliminates the requirement that the DRS commissioner adopt regulations concerning sales and use tax exemption permits for businesses purchasing goods in Connecticut for business use or consumption outside the state EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
19 & 20	***MRSA and STF Transfers*** ***Summary:*** The bill extends the required sales tax revenue diversion for MRSA and the STF to the 6.35% use tax, according to the same amounts and schedule specified under existing law for the sales tax and makes conforming changes. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
21	***DRS Regulations*** ***Summary:*** The bill allows, rather than requires, the DRS commissioner to issue regulations concerning the administration and enforcement of admissions taxes on pari-mutuel or off-track betting facilities. EFFECTIVE DATE: Upon passage

	Fiscal Impact: None
22	***Sourcing of Income from Real Property for Income Tax Purposes*** ***Summary:*** The bill clarifies that real property owned directly or indirectly in the state is sourced to Connecticut for personal income tax purposes. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
23 & 24	***DRS Regulations*** ***Summary:*** The bill eliminates requirements that the DRS commissioner adopt regulations concerning the place for paying income taxes and filing income tax returns, declarations, statements, or documents. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None.
24	***Deadline for Filing Certain Informational Returns with DRS*** ***Summary:*** The bill advances, from the last day of February to January 31, the date by which certain employers and payers must file informational returns with DRS for personal income tax purposes, thus aligning it to the deadline for employers filing income tax withholding data (i.e., federal W-2 forms) with DRS; eliminates statutes authorizing the DRS commissioner to adopt regulations concerning these informational income tax returns, including standards for determining which returns must be filed on magnetic media or in another machine-readable format EFFECTIVE DATE: Upon passage and applicable to tax years beginning on or after January 1, 2017 ***Fiscal Impact:*** None.
25	***Penalty Waivers*** ***Summary:*** For those situations in which the law allows the DRS commissioner to waive a penalty, the bill prohibits him from considering any request he receives one year after he first notified the taxpayer about the penalty. If the taxpayer reported the penalty on a tax return, the one- year period starts from the return's filing date. The one-year timeframe for considering waiver requests does not extend the deadlines for protesting or appealing a DRS decision. EFFECTIVE DATE: July 1, 2017 and applicable to waiver requests received on or after that date ***Fiscal Impact:*** To this extent this results in fewer penalty waivers, this results in a minimal revenue gain.

26	*Enforcing Cable TV Gross Earnings Tax* *Summary:* The bill (1) makes cable TV companies liable for the penalty for willfully failing to pay the 0.5% gross earnings tax, file returns, keep records, or supply information and (2) allows DRS to enforce the payment of this tax by using the enforcement tools authorized for collecting railroad, cable, and utility company taxes, which include examining records and returns, taking testimony under oath, issuing subpoenas, and imposing deficiency penalties. EFFECTIVE DATE: Upon passage *Fiscal Impact:* To the extent this increases compliance, this results in a revenue gain.
27	*Racketeering Activity* *Summary:* The bill extends the definition of racketeering activity under the Corrupt Organization Racketeering Act (CORA) to include violations of certain tobacco products-related crimes. EFFECTIVE DATE: July 1, 2017 *Fiscal Impact:* None.
28	*Automated Sales Tax Collection and Remittance* *Summary:* The bill authorizes the DRS commissioner to require taxpayers to enter into agreements with electronic payment processing companies for automated sales tax collection and remittance. It requires the commissioner to annually publish a list of approved companies eligible to provide such services and allows him to authorize the companies to retain a portion of each payment amount, up to the actual cost charged by the company to provide the service on the taxpayer's behalf. EFFECTIVE DATE: Upon passage *Fiscal Impact:* To the extent the commissioner implements this provision, this may result in an increase in interest earned. The actual revenue gain would be dependent upon (1) level of shift in collections (i.e. the number of days sooner collections are remitted under this provision than in current law per taxpayer, which for delinquent filers would be more extensive than timely filers) and (2) interest rates over a given fiscal year and (3) number of participants.
29 & 30	*Mental Health Community Investment Account* *Summary:* The bill establishes a new mental health community investment account as a separate, nonlapsing General Fund account, and allows taxpayers to contribute any portion of their state income tax refunds to the account. It requires the DRS commissioner to deposit contributions into the account and revise tax forms and instructions to implement the program. The Department of Mental Health and Addiction Services, in consultation with nonprofit mental health organizations, must use the account's funds to improve services and programs in the state designed to support individuals diagnosed with mental health conditions. EFFECTIVE DATE: July 1, 2017 *Fiscal Impact:* This results in a one-time cost of $15,000 in FY 18 to establish the check-off box. This estimate is based on the actual cost of implementing previous check-off boxes.

8. H.B. No. 7317 (RAISED) AN ACT CONCERNING ELECTRONIC TOLLS AND AUTHORIZING CERTAIN LOAN AGREEMENTS BETWEEN THE STATE AND THE UNITED STATES DEPARTMENT OF TRANSPORTATION. (FIN) **JFS**

SUMMARY: This bill requires the DOT to develop a plan to provide toll discounts to in-state drivers and submit the plan to the Finance and Transportation committees by January 1, 2018.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: None.

9. S.B. No. 1051 (RAISED) AN ACT CONCERNING CTNEXT PLANNING GRANTS-IN-AID AND INNOVATION PLACE DESIGNATION APPLICATIONS, INVEST CT FUND TAX CREDIT TRANSFERABILITY AND STATE INVESTMENTS WITH VENTURE CAPITAL FIRMS. (FIN) **JF**

§	*Summary*
1	***Innovation Place Applications*** ***Summary:*** This bill allows CT Next to accept applications for Innovation Place designation and planning grants in addition to the initial application round authorized under current law. EFFECTIVE DATE: July 1, 2017
2 & 3	***Invest CT Tax Credits*** ***Summary:*** Under current law, companies that earn tax credits for investing in Invest CT funds may transfer the credits only to their affiliates. The bill instead allows the companies to sell or otherwise transfer those credits to any taxpayer with insurance premium tax liability, but the transferee must claim the credits in the year they were transferred. EFFECTIVE DATE: July 1, 2017
4	***Treasurer Venture Capital Investments*** ***Summary:*** The bill requires the treasurer, if she invests state funds in start-up businesses or in venture capital funds or funds of funds on or after July 1, 2017, to do the following, among other things: (1) consult with the CI CEO before making the investment or choosing a managing firm and (2) ensure that any managing firm, and any fund that firm invests in, has an office and at least one employee in the state. The bill also requires the Treasurer to report specified information on such investments to the Finance, Revenue, and Bonding Committee by July 1, 2020 and every three years after that.

	EFFECTIVE DATE: July 1, 2017

FISCAL IMPACT:

Agency Affected	Effect	FY 17	FY 18	FY 19
CTNext (CT Innovations)	GF - Accelerated use of G.O. bonds	See below	See below	See below
Department of Revenue Services	GF – Potential Revenue Loss	See below	See below	See below

Section 1 of the bill is anticipated to accelerate the use of General Obligation bond funds by requiring the CTNext Board by allowing CT Next to accept applications for Innovation Place designation and planning grants.

The bill does not authorize any General Obligation bonds, the funding source of CTNext, for this specific purpose. It is therefore anticipated that funding will sourced from G.O. bond authorizations available to CTNext.

Section 2 results in a potential revenue loss by allowing companies to sell or otherwise transfer InvestCT credits to any taxpayer with insurance premium tax liability. Any such revenue loss would occur only to the extent that this provision allows credits to be transferred that may otherwise not be utilized.

Section 3 has no fiscal impact by specifying requirements to the Office of State Treasurer in the event the agency invests **state** funds in venture capital funds or funds of funds and (2) requiring the Treasurer to report to the Finance, Revenue, and Bonding Committee such investments.

10. H.B. No. 5384 (COMM) (File No. 112) AN ACT RAISING THE LEGAL AGE FOR PURCHASE AND USE OF TOBACCO PRODUCTS. (PH,PH,FIN) **JFS**

SUMMARY: This bill raises, from 18 to 21, the legal age to purchase or possess in public cigarettes and other tobacco products, electronic nicotine delivery systems (e.g., electronic cigarettes), and vapor products. The bill exempts from the age requirement any person who is 18 or older as of October 1, 2017 or an armed forces member.

EFFECTIVE DATE: October 1, 2017

FISCAL IMPACT: The bill results in a significant revenue loss from cigarette and tobacco taxes annually beginning in FY 21.

11. S.B. No. 1054 (RAISED) AN ACT CONCERNING VARIOUS TAX RATES, THE USE OF CERTAIN TAXES AND FEES FOR TOURISM AND OTHER PROGRAMS, ESTABLISHING THE MENTAL HEALTH COMMUNITY INVESTMENT ACCOUNT AND CONCERNING THE PURPOSE OF THE CAPITAL REGION DEVELOPMENT

AUTHORITY. (FIN) **JFS**

SUMMARY: This bill requires the DRS commissioner to study the state's revenue policies and identify how they legislature could change them to improve the state's business climate and economic opportunities. In conducting the study, the commissioner may consult with any individuals, businesses, and state agencies he deems appropriate. He must submit the study to the Finance, Revenue and Bonding Committee by January 1, 2018.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: The bill has no fiscal impact by requiring a study on various revenue policy.

12. S.B. No. 1048 (RAISED) AN ACT REDUCING THE RATE OF SALES AND USE TAXES ON VESSELS. (FIN) **JF**

SUMMARY: This bill reduces the sales and use tax rate on boats by 50%, from 6.35% to 3.175%. By law, boats docked in the state for more than 60 days are subject to the tax.

EFFECTIVE DATE: July 1, 2017, and applicable to sales occurring on or after that date.

FISCAL IMPACT: The bill results in a revenue loss of approximately $2.5 million annually by decreasing the sales tax rate on boats by 50%.

13. S.B. No. 1056 (RAISED) AN ACT ESTABLISHING A WORKING GROUP TO DEVELOP A PLAN TO FOSTER THE MICROBIOME SECTOR IN THE STATE. (FIN) **JF**

SUMMARY: This bill establishes a working group to develop Connecticut's microbiome sector. The working group must include state officials and representatives of the state's hospitals, venture capital firms, bioscience companies, and the state's public and private colleges and universities. Among other things, the working group must identify support services and networks for microbiome companies, stimulate the development of laboratories and production spaces for key partners and collaborators, and build linkages between microbiome companies and private venture capital firms.

By January 1, 2018, the working group must submit a report to the Commerce, Finance, and Public Health committees on its plan to develop the microbiome sector, along with recommendations for legislative and programmatic changes, budget options for implementing these changes, measurable and achievable goals for developing the sector, and a timetable for achieving the goals. The working group must also make a presentation on its report to the governor and the legislature by February 1, 2018.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

Agency Affected	Effect	FY 17	FY 18	FY 19
Various State Agencies	GF – Potential Cost	None	Less than $1,000	None

The bill establishes a working group to study and develop a roadmap to foster the microbiome sector in the state. The task force shall present its findings and recommendations to the members to the Finance committee by January 1, 2018.

There may be a cost of less than $1,000 in FY 18 to reimburse state agency representatives in the working group for mileage expenses, currently at 53.5 cents/mile.

14. S.B. No. 1058 (RAISED) AN ACT CONCERNING THE IDENTIFICATION OF EMERGING ECONOMIC TRENDS. (FIN) **JF**

SUMMARY: This bill requires CTNext, a subsidiary of CI, to retain and direct an independent research organization to conduct ongoing strategic planning and generate timely recommendations for specific legislative and programmatic recommendations. The organization must report quarterly to the board on economic issues or problems that could affect the state's economy or a key industry sector and the extent to which state agencies have implemented any previous recommendations.

The organization and the chairperson of CTNext's board must make a comprehensive annual report at a hearing held by the Commerce and Finance committees. The committees must propose legislation to implement any legislative changes the organization recommends.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

Agency Affected	Effect	FY 17	FY 18	FY 19
CTNext (CT Innovations)	GF - Accelerated use of G.O. bonds	See below	See below	See below

The bill is anticipated to accelerate the use of General Obligation bond funds by requiring the CTNext Board by requiring CT Next to retain and direct an independent research organization to conduct ongoing strategic planning and generate recommendations.

The bill does not authorize any General Obligation bonds, the funding source of CTNext, for this specific purpose. It is therefore anticipated that funding will sourced from G.O. bond authorizations available to CTNext.

15. S.B. No. 623 (COMM) AN ACT ESTABLISHING THE 7/7 PROGRAM TO ENCOURAGE THE REDEVELOPMENT OF BROWNFIELDS AND UNDERUTILIZED PROPERTY. (CE,CE) **JF**

SUMMARY: This bill provides a package of tax incentives to property owners after they redevelop and operate brownfields or abandoned or underutilized property. Owners must apply to DECD for these incentives and provide the information the bill requires, which includes a plan and a commitment to train and hire students to work at the redeveloped property.

Approved brownfield and abandoned or underutilized property owners qualify for (1) business or personal income tax credits against the income attributable to the redeveloped property and (2) sales and use tax exemptions applicable to items purchased for use there. Owners can claim these credits and exemptions for seven years. They also qualify to have the property's tax assessment frozen for five years at its pre-redevelopment value.

Brownfield owners qualify for an additional seven-year credit based on the property's remediation costs. They can apply these credits against the corporation business tax or use them to offset sales taxes. They can begin claiming the credits eight years after they began to use the redeveloped property for business operations.

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

FISCAL IMPACT:

State Impact:

Agency Affected	Effect	FY 17	FY 18	FY 19
Department of Revenue Services	GF – Revenue Loss	None	None	Potential Significant

Municipal IMPACT:

Municipalities	Effect	FY 17	FY 18	FY 19
Various	Grand List Reduction	None	None	Potential

Explanation

The bill results in revenue losses to the state and various municipalities, detailed below, by providing various tax credits, exemptions and property tax assessment freezes under the "7/7 program."

State Tax Revenue Loss

The bill provides various tax credits and exemptions for participants in the program. Specifically the bill provides:

1. a nonrefundable seven year 100% corporation business tax credit for corporations and a nonrefundable income tax credit for pass through entities.

2. an exemption from the sales tax for any items purchased for the purpose of redeveloping the property.

The actual revenue loss to the state from these credits and exemptions would depend upon (1) the number of participants in the program; (2) the level of redevelopment required for the property (with regard to purchases necessary that the sales tax would otherwise apply to); and (3) the level of business activity on the property once business operations begin (with regard to the business and income tax credits).

The actual revenue loss to the state is uncertain but may be potentially significant. Because such tax benefits are not until business begins on the remediated property, any revenue loss is not anticipated until FY 19 at the earliest.

Municipal Impact

The bill freezes, for five years, the assessment of property developed under the 7/7 program following the issuance of a building permit. This precludes any grand list increase a municipality would otherwise experience as a result of the cleanup and development of a brownfield.

Administration Costs

It is anticipated that the Department of Economic and Community Development (DECD) can administer this program within current resources. Given the parameters outlined under the bill, it is estimated that the number of potential projects may be limited and therefore can be administered with current resources under DECD's Office of Brownfield Remediation and Development.

16. H.B. No. 7320 (RAISED) AN ACT CONCERNING A STUDY BY THE COMMISSION ON ECONOMIC COMPETITIVENESS OF STATE TAX, REVENUE AND BONDING POLICIES. (FIN) **JF**

SUMMARY: This bill requires the Commission on Economic Competitiveness to study the state's tax, revenue, and bonding policies and identify legislative changes that would improve the state's business climate and economic opportunities. It requires the commission to report its findings and recommendations to the Finance and Commerce committees by January 1, 2018.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

The bill has no fiscal impact by requiring the Permanent Commission on Economic Competitiveness to study the tax, revenue and bonding policies of the state and submit a report on their findings. The Commission is currently tasked by statute to review legislative policies and so may complete the study without additional resources.

17. H.B. No. 7321 (RAISED) AN ACT ESTABLISHING A CREDIT REVENUE BOND PROGRAM. (FIN) **JF**

SUMMARY: This bill authorizes the state treasurer to issue "credit revenue bonds" in place of general obligation (GO) bonds and directs the savings from the new bonding program to the Rainy Day Fund. Under the bill, the credit revenue bonds are backed by withholding taxes statutorily pledged for the repayment of the bonds.

The bill deems any GO bond authorization adopted before or after the bill's effective date as having authorized such bonds to be issued as either GO bonds or credit revenue bonds. It establishes parameters for issuing the credit revenue bonds, including the terms and conditions the treasurer may include in agreements with bondholders. It subjects the credit revenue bonds to the state's bond cap and State Bond Commission authorization.

For each year in which the bonds are outstanding, the bill automatically transfers from the General Fund to the Rainy Day Fund, at the beginning of the fiscal year, an amount equal to the aggregate savings from the bonds in that fiscal year. It allows the state to reduce this transfer only if (1) it protects bondholders' rights in another way, (2) the governor declares an emergency or extraordinary circumstances and a supermajority of the legislature approves, or (3) the bond terms allow it under other circumstances. The bill also pledges that the state will use the Rainy Day Fund for only those purposes allowed by law as of the bill's effective date.

Beginning July 1, 2019, the bill also requires the net earnings from investments of bond proceeds and bond premiums to be used to fund previously authorized capital projects.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

Potential Significant Debt Service Savings.

Potential Budget Reserve Fund Deposits.

The bill authorizes the Office of the State Treasurer to issue bonds backed by revenue generated from the withholding portion of the State Income Tax in lieu of General Obligation (GO) bonds. Similar initiatives in other jurisdictions have lowered borrowing costs.

Connecticut's borrowing costs have increased relative to a benchmark of AAA rated municipal (including other state) governments.1 A contributing factor to Connecticut's worsening credit has been the decline in the Budget Reserve Fund. The bill directs any savings from the initiative to the Budget Reserve Fund, which should help to shore up Connecticut's credit over time thus reducing borrowing costs in the long-term. In addition, indications are that the new type of borrowing authorized in the bill may be viewed more favorably in capital markets because it is linked directly to a large and relatively stable revenue source. If such is the case, then near-term debt service savings could be achieved.

18. H.B. No. 5886 (COMM) AN ACT ESTABLISHING A TAX CREDIT FOR DONATED AGRICULTURAL FOOD COMMODITIES PRODUCED OR GROWN BY THE TAXPAYER. (FIN) **JF**

SUMMARY: This bill authorizes tax credits for people and businesses that donate fruits, vegetables, poultry, and other agricultural commodities they grow or produce to DRS-recognized food banks or emergency feeding organizations operating in Connecticut. The credit equals 15% of the market value of the donated

[1] The interest rate "spread" between Connecticut State GO borrowing and an index of the highest rated municipal bonds has doubled from 0.35 to 0.70 since June 2014.

commodities during the income year the taxpayer claims the credit, up to $5,000. Taxpayers can apply the credit to their personal income or corporation business taxes and may carry unused credits forward for up to five years.

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

FISCAL IMPACT:

Agency Affected	Effect	FY 17	FY 18	FY 19
Department of Revenue Services	Revenue Loss	None	Less than $30,000	Less than $30,000
Department of Revenue Services	Cost	None	Less than $5,000	None

The bill, which establishes a tax credit for certain food donations, results in a revenue loss of less than $30,000 annually beginning in FY 18. This assumes that approximately 70,000 pounds of eligible foods are donated annually at a market value of approximately $2.30 per pound.

The bill also results in a one-time cost of less than $5,000 to the Department of Revenue Services in FY 18 to implement the credit. This includes updates to the online Taxpayer Service Center and the agency's internal Integrated Tax Administration System.

19. H.B. No. 7263 (RAISED) AN ACT CONCERNING MINOR REVISIONS AND TECHNICAL CHANGES TO THE TAX AND RELATED STATUTES. (FIN) **JFS**

§§	***Summary and Fiscal Impact***
1-3	***Tobacco Settlement Law*** ***Summary:*** makes several minor changes to the state's tobacco settlement law, including: • requiring nonparticipating manufacturers (NPMs) to post annual, rather than quarterly, bonds with the DRS commissioner; • allowing the attorney general to release the bond or security once the NPM's escrow obligation has been satisfied; • modifying the basis for determining whether there are discrepancies between the totals in the NPM's sales reports; and • expanding the tax return and return information the attorney general may disclose related to cigarette manufacturer Connecticut sales. EFFECTIVE DATE: October 1, 2017 ***Fiscal Impact:*** None.
4	***Commission on Economic Competitiveness*** ***Summary:*** allows the ranking members of the Commerce and Finance committees to appoint designees to serve in their place on the Commission on Economic Competitiveness. EFFECTIVE DATE: Upon passage

	Fiscal Impact: None.
5-9	***Technical Changes*** ***Summary:*** makes various technical corrections and changes to tax statutes EFFECTIVE DATE: October 1, 2017 ***Fiscal Impact:*** None
10-11	***Property Tax Exemptions*** ***Summary:*** exempts the following items from property tax: • cellular mobile telephones, computers, and mobile electronic devices used by and belonging to any family and • machinery and equipment used to color or mix paint that is used by paint retailers, including spectrographic color matching machines, automatic colorant dispensers, paint shakers, and related computer equipment. EFFECTIVE DATE: October 1, 2017, and applicable to assessment years beginning on or after that date. ***Fiscal Impact:*** The bill exempts from property taxes 1) certain equipment used for mixing paint sold at retail, and 2) cell phones used by and belonging to any family. This results in a grand list reduction, which would result in a revenue loss, given a constant mill rate. Information about the assessed value of this equipment, how much of this equipment is owned by retail establishments, or the municipalities this equipment is located in, is not readily available.
12 & 13	***Confiscated Mini-Motorcycles, Dirt Bikes, and ATVs*** ***Summary:*** Existing law authorizes municipalities with a population of 20,000 or more that adopt an ordinance regulating mini-motorcycle, dirt bike, or ATV use to include provisions for the seizure and forfeiture of such vehicles. Current law requires the municipalities to sell the confiscated vehicles at public auction. The bill additionally allows them to destroy the confiscated vehicles by order of the chief of police or, if there is no police department, by order of the chief executive officer. EFFECTIVE DATE: October 1, 2017 ***Fiscal Impact:*** None

20. H.B. No. 7315 (RAISED) AN ACT CONCERNING THE PURCHASE OF A REPLACEMENT MOTOR VEHICLE IN A BUYBACK PROGRAM. (FIN) **JF**

SUMMARY: This bill allows individuals receiving certain payments from a motor vehicle manufacturer that was a party to a court-approved settlement (e.g., Volkswagen) to treat the payments as trade-in value for purposes of calculating sales tax on a replacement vehicle. Under the bill, payments received by an individual from a motor vehicle manufacturer as compensation for a motor vehicle violating federal emission standards must be considered as trade-in value if the individual uses the payment to purchase a replacement vehicle within one year of receiving the payment. The bill applies to motor vehicles purchased on or after October 1, 2016.

By law, Connecticut sales tax applies only to the difference between a motor vehicle's sale price and the value of any trade-in, and not to the full cost of the purchased vehicle.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

Agency Affected	Effect	FY 17	FY 18	FY 19
Department of Revenue Services	GF – Revenue Loss	See below	See below	See below

The bill results in a revenue loss that ranges between $3 million and $13.6 million in total. As the bill is effective from passage, it is assumed the revenue loss would begin in FY 17 and continue through FY 19; the actual revenue loss by year is unknown.

The actual impact will depend upon (1) the number of owners who opt for the buyback payment rather than the emissions modification of the affected vehicle (2) the payment based on the model and year of the vehicle, as well as condition of the car that will modify the base payment (e.g. mileage).

21. H.B. No. 7316 (RAISED) AN ACT CONCERNING EVALUATION OF BUSINESS ASSISTANCE AND INCENTIVE PROGRAMS. (FIN) **JFS**

SUMMARY: This bill increases legislative oversight of economic development programs, using DECD's annual report to the legislature and the auditors' regular and stand-alone audits to trigger legislative program reviews. The bill requires DECD to:

1. include in its annual report data and analyses about financial assistance and tax incentives other agencies award to businesses (e.g., the Labor Department's Subsidized Training and Employment Program),

2. expand the type of data DECD must include about the financial assistance and tax credits it administers, and

3. submit a report to the governor, auditors, and the Appropriations, Finance, and Commerce committees (i.e., oversight committees).

The bill requires the auditors to audit these programs' performance and evaluate all the information in DECD's annual reports since their last audit of the department, and report the results to the governor, OPM secretary, and oversight committees. The bill requires the oversight committees to hold joint or individual hearings on DECD's and the auditors' reports.

Lastly, the bill eliminates the requirement that DECD prepare and submit a separate report on tax incentives programs aimed at retaining or recruiting businesses to Connecticut (CGS § 32-1r).

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

Sections 1 and 3 are not anticipated to result in a fiscal impact by (1) modifying the requirements of the DECD annual report to include analyses of business assistance and incentive programs and (2) eliminating the triennial tax credit and abatement. DECD currently analyzes business assistance programs in its normal course of business and therefore can accommodate these changes without additional resources.

Section 2 requires the Auditors of Public Accounts to conduct a performance audit of these incentive programs and issue a report including recommendations for improving the administrative efficiency or effectiveness of these incentive programs. This will not require any additional resources.

22. H.B. No. 6551 (COMM) AN ACT CONCERNING A STUDY OF CONSUMER ACCESS TO MARIJUANA FOR PALLIATIVE USE. (FIN) **JF**

SUMMARY: This bill establishes a 9-member task force to study consumer access to palliative marijuana and evaluate whether (1) there is sufficient access to satisfy demand in the state and (2) the prices charged to qualifying patients are reasonably related to the cost of producing and dispensing the marijuana. The task force must report its findings and recommendations to the General Law Committee by February 1, 2018.

EFFECTIVE DATE: July 1, 2017

FISCAL IMPACT:

Agency Affected	Fund-Effect	FY 18 $
Consumer Protection, Dept.	GF - Potential Cost	Less than $1,000

The bill establishes a task force to study consumer access to marijuana for palliative use and to evaluate supply, demand and pricing of such marijuana.

The task force shall present its findings and recommendations to the members to the General Law committee by February 1, 2018.

There may be a cost of less than $1,000 in FY 18 to reimburse the Director of the Department of Consumer Protection Drug Control Division and the Commissioner of Consumer Protection for mileage expenses, currently at 53.5 cents/mile.

23. S.B. No. 1046 (RAISED) AN ACT CONCERNING THE APPLICABILITY OF THE FILM PRODUCTION TAX CREDIT AND THE SALES AND USE TAXES EXEMPTION FOR SERVICES RENDERED BETWEEN CERTAIN PARENT COMPANIES AND SUBSIDIARIES. (FIN) **JFS**

§	*Summary and Fiscal Impact*
1	***Film Production Tax Credit*** ***Summary:*** Beginning with the 2018 income year, this bill allows film production tax credits to be used against the sales and use tax, but at less than face value if the credits are sold or otherwise transferred. Under the bill, a credit applied against the sales and use tax is valued at (1) 92% of its face value if it is transferred to the production company's parent company (i.e., an entity that owns 50% or more of the production company) and (2) 95% of its face value if it is transferred to any other taxpayer. EFFECTIVE DATE: July 1, 2017
2	***Sales and Use Tax on Services Rendered Between Parent Companies and Subsidiaries*** ***Summary:*** Under current law, sales of services between affiliated businesses are generally exempt from the state's sales and use tax when (1) one business owns a 100% controlling interest in the other or (2) the same parent company owns a 100% controlling interest in both. The bill expands the number of affiliated businesses qualifying for the exemption by lowering the ownership threshold, from 100% to at least 80%, for businesses organized as corporations or limited liability companies with more than one member. EFFECTIVE DATE: July 1, 2017

FISCAL IMPACT:

Agency Affected	Effect	FY 17	FY 18	FY 19
Department of Revenue Services	GF – Revenue Loss	None	See below	See below

Section 1 allows film production tax credits to be used against the sales and use tax at a reduced value. To the extent these credits are utilized against the sales and use tax, this precludes a minimal revenue loss.

Section 2 results in an annualized revenue loss of at least $600,000 based on the testimony of ESPN. To the extent other companies would benefit from this change, which is unknown if any would fit the criteria, the revenue loss would increase.

24. H.B. No. 7318 (RAISED) AN ACT CONCERNING THE FAILURE TO FILE FOR CERTAIN GRAND LIST EXEMPTIONS. (FIN) **JF**

SUMMARY: This bill extends the deadlines for taxpayers in Danbury, New Britain, and Berlin to file claims for specified property tax exemptions, as shown in the following table.

HB 7318 Exemption Deadline Waivers

§	*Town*	*Grand List*	*Type of Property*
1	Danbury	2013	Property leased to a charitable, religious, or nonprofit organization
2	New Britain	2016	Manufacturing facility, manufacturing plant, or service facility in a designated area
3	Berlin	2016	Manufacturing machinery and equipment

EFFECTIVE DATE: July 1, 2017

FISCAL IMPACT:

Municipalities Affected	Effect	FY 17	FY 18	FY 19
Berlin, Danbury, New Britain	Revenue Loss	Potential	None	None

The bill allows taxpayers in Berlin, Danbury, and New Britain who would have been eligible for certain tax exemptions, if they had not missed the deadline to file a claim, to receive such exemptions.

These exemptions are based on past grand lists, for which taxes have already been levied. Due to this, the bill results in either a revenue loss to affected municipalities or a cost to reimburse taxpayers for taxes that have already been paid.

25. Substitute for S.B. No. 965 (RAISED) AN ACT CONCERNING AN EXEMPTION FROM THE PERSONAL INCOME TAX FOR CERTAIN VENTURE CAPITAL INCOME. (CE) **JFS**

SUMMARY: This bill requires CI to study and recommend business sectors to include in a program providing a personal income tax deduction for venture capital investment in the state. The sectors may include bioscience, cybersecurity, data analytics, or software development. CI must report its recommendations, including a suggested formula for calculating the deduction, to the Commerce and Finance committees by January 1, 2018.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: The bill has no fiscal impact by requiring Connecticut Innovations to study issues concerning venture capital income in the state.

26. Substitute for H.B. No. 6746 (COMM) AN ACT CONCERNING A BIOSCIENCE AND BIOTECHNOLOGY INVESTMENT TAX CREDIT. (CE,CE,FIN) **JF**

SUMMARY: This bill authorizes personal and corporation business income tax credits for cash investments in Connecticut-based bioscience and biotechnology companies. The credits equal 50% of the investment up to $50,000 for individuals and $250,000 for corporations and venture capital funds. Taxpayers may sell, assign, or other transfer these credits to other taxpayers.

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

FISCAL IMPACT:

Agency Affected	Effect	FY 17	FY 18	FY 19
Department of Revenue Services	Revenue Loss	None	Significant	Significant
Department of Revenue Services	Cost	None	Less than $10,000	None

The bill, which establishes a tax credit under the personal income and corporation business tax to qualified investors for investing in certain Connecticut bioscience or biotechnology companies, results in a significant revenue loss annually beginning in FY 18.

Assuming the credit utilization level is similar to the Angel Investor Tax Credit, the revenue loss would be approximately $3 million annually. However, the bill does not cap the aggregate amount of credits available; thus, the revenue loss could be more in any given year.

The bill also results in a one-time cost of less than $10,000 to the Department of Revenue Services in FY 18 to implement the credit. This includes updates to the online Taxpayer Service Center and the agency's internal Integrated Tax Administration System.

27. H.B. No. 5237 (COMM) AN ACT REQUIRING A STUDY OF THE EARNED INCOME TAX CREDIT. (FIN) **JF**

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 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, 2018.

EFFECTIVE DATE: October 1, 2017

FISCAL IMPACT:

The bill does not result in any fiscal impact as it is anticipated the study could be accommodated within the agency's normal course of duties.

28. H.B. No. 6557 (COMM) AN ACT CONCERNING A STUDY OF THE LEGISLATIVE BOND AUTHORIZATION PROCESS. (FIN) **JF**

SUMMARY: This bill creates a working group, comprising the Finance Committee's chairpersons, vice chairpersons, and ranking members, to (1) study the bond authorization process, (2) develop criteria for evaluating and prioritizing future bond authorizations, and (3) present its recommendations to the committee by January 1, 2018. Under the bill, the criteria must include (1) competitive grant processes to prioritize projects and (2) weighting factors in favor of public safety, transportation, public health, technology, and other projects that promote job growth and economic development.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $
Legislative Management	GF - Potential Cost	Less than $1,000

The bill establishes a working group to study the bond authorization process and develop criteria for the legislative finance committee to use to evaluate and prioritize future bond authorizations.

The task force shall present its findings and recommendations to the members to the Finance committee by January 1, 2018.

There may be a cost of less than $1,000 in FY 18 to reimburse legislators participating in the working group for mileage expenses, currently at 53.5 cents/mile.

29. H.B. No. 7264 (RAISED) AN ACT REQUIRING LEGISLATIVE APPROVAL FOR FINANCIAL ASSISTANCE TO ADDITIONAL FIRST FIVE PLUS PROGRAM BUSINESS DEVELOPMENT PROJECTS. (FIN) **JF**

SUMMARY: This bill expands legislative oversight of the First Five Plus Program by barring DECD from providing financial assistance under the program until (1) DECD reports to the Commerce and Finance committees on the program's net rate of return and recommends that the program should continue, and (2) both committees approve DECD's recommendation. Under the bill, DECD's recommendation is deemed approved by a committee if it does not meet to vote on it within 30 days after its submission.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

Agency Affected	Effect	FY 17	FY 18	FY 19
Department of Revenue Services	GF – Potential Preclusion of Revenue Loss	None	None	None
Treasurer, Debt. Service	GF – Deceleration of Debt Service Costs	Potential	Potential	Potential

The bill may potentially preclude a revenue loss in the outyears by requiring actions from the Finance, Revenue, and Bonding Committee and the Commerce Committee on proposed First Five project. Any revenue impact would occur in the outyears as URA tax credits are dispersed to a recipient over a ten-year period with the first disbursement occurring in year four.

The bill may also avoid future General Fund debt service costs to the degree that the bill restricts the funding of loans/grants by authorized GO bond funds on projects that otherwise would have been approved under current law for the First Five program.

The impacts listed above would only occur to the extent that both committees do not approve a project within the thirty day timeframe.