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 5, 2018 Agenda

BILLS FOR JF CONSIDERATION

1. H.B. No. 5046 AN ACT CONCERNING THE SUSTAINABILITY OF TRANSPORTATION PROJECTS. (TRA,FIN) JF

SUMMARY: This bill authorizes the Department of Transportation (DOT) to build, maintain, and operate electronic tolls on state highways as it determines. It allows DOT to set toll rates and requires it to adopt implementing regulations, which must cover, among other things, variable toll rates (e.g., peak/off-peak rates, rates by vehicle classification); toll discounts; and exemptions for certain vehicles (e.g., emergency and transit vehicles). The bill also includes provisions related to toll implementation and administration, including contracting and procurement, toll collection and enforcement, user data privacy, and system interoperability.

Under the bill, DOT must set toll rates so that the revenue generated covers (1) tolled highway operating, maintenance, and improvement costs and (2) debt service on obligations related to such highways. DOT must deposit all toll revenue it collects into the Special Transportation Fund and spend it as allowed under federal law.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

State Impact:

Agency Affected	Fund - Effect	FY 19 $	FY 20 $	Out Years
Department of Transportation	Transportation Fund - Cost	See Below	See Below	See Below
Department of Transportation	Transportation Fund – Revenue Gain	None	None	$600-$800 million

Explanation

The bill may result in an initial cost to the Special Transportation Fund through Special Tax Obligation (STO) bond debt service for the construction of the electronic tolling system, although the state may be eligible to use Federal Funds if available. As the bill does not specify the state highways that electronic tolling will be placed on, it is estimated that once established the annual toll revenue may be between $600-$800 million which is dependent on several factors relating to toll rates and how many miles will be tolled. The bill specifies that the toll revenue will be used according to federal law and be used for any debt service payments on the STO bonds.

2. S.B. No. 11 AN ACT CONCERNING CONNECTICUT'S RESPONSE TO FEDERAL TAX REFORM. (FIN) JFS

§	*Summary and Fiscal Impact*
1-9	***Pass-Through Entity Tax*** Imposes a new income tax on most pass-through businesses (e.g., S corporations and limited liability partnerships) at the entity level. The tax is (1) levied at the top personal income tax rate of 6.99% and (2) offset by a credit at the personal or corporate income tax level. The bill incorporates revenue from the new tax into the volatility cap. EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2018 ***Fiscal Impact:*** This does not result in any net revenue impact, but does result in a significant cost to the Department of Revenue Services to implement.
10	***Local Option Property Tax Credit Program*** Allows municipalities to provide a property tax credit to taxpayers who make voluntary donations to a "community supporting organization" approved by the municipality. Municipalities may (1) set the amount of credit, up 85% of the donation amount, and (2) include residency or other requirements it deems necessary in the ordinance establishing the tax credit. To claim the credit, taxpayers must, within the required timeframes, file a credit application, provide proof of the donation to the tax collector, and sign an OPM-prescribed affidavit. EFFECTIVE DATE: Upon passage, and applicable to assessment years beginning on or after October 1, 2017 ***Fiscal Impact:*** It is assumed that the net budgetary impact of any town choosing to utilize this option would be neutral.
11-12	***Bonus Depreciation and Asset Expensing Deductions*** The bill requires individuals receiving income from pass-through businesses (e.g., limited liability partnerships and limited liability corporations) to add back the federal bonus depreciation deduction for property placed in service after September 27, 2017, when calculating their Connecticut adjusted gross income for the state personal income tax. But it allows them to deduct 25% of the required add-back amount for each of the four succeeding tax years. The bill also requires businesses, for both state personal income and corporation tax purposes, to apportion the federal asset expensing deduction over a five-year period. Under the bill, individuals and corporations (1) must add back 80% of the federal deduction in the first year and (2) may

	deduct 25% of the disallowed portion of the deduction in each of the four succeeding tax years. EFFECTIVE DATE: Upon passage; the personal income tax provisions are applicable to tax years beginning on or after January 1, 2017 ***Fiscal Impact:*** This precludes a deferral of revenue that would have reduced revenue in the early years and increased revenue in later years due to the accelerated depreciation of capital assets.
13	***Dividends Received Deduction*** Existing law generally allows corporations to deduct from their gross income the dividends they receive from other corporations in which they have an ownership stake. But the law disallows any deduction for expenses related to those dividends. The bill provides that expenses related to dividends equal 10% of all dividends received by a company during an income year, except as described below. For multi-state companies or financial service companies, the bill requires the net income associated with the disallowed expenses to be apportioned according to the existing statutory requirements for doing so. The bill allows companies to petition the DRS commissioner for a different percentage if the company believes that its dividend-related expenses that were incurred during the income year and prior income years are less than 10% of such dividends. EFFECTIVE DATE: Upon passage and applicable to income years beginning on or after January 1, 2017 ***Fiscal Impact:*** The revenue impact of this provision is uncertain as affected companies would have had to add back related expenses in the absence of this provision and it is unclear how those amounts would compare to the 10% provided under the bill.
14-16	***Gift and Estate Tax*** The bill extends, by three years, the phase-in of the estate and gift tax threshold to the federal threshold. Under current law, the estate and gift tax threshold increases over three years, from $2.6 million in 2018, to $3.6 million in 2019, and to the federal basic exclusion amount in 2020 and thereafter. The bill extends the phase-in to 2023. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** This results in a revenue gain of $28.3 million in FY 21 and $15.1 million in FY 22, and a diminishing revenue gain through FY 24 (at which point the federal exemption level is matched).
17	***Connecticut Green Bank*** The bill authorizes the Connecticut Bank to secure its obligations to make basic rental payments under a lease-purchase agreement it entered into in December 2017 with a special capital reserve fund even though it did not follow the statutory procedure for doing so prior to entering into the

	agreement EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** There is no impact as this change validates an existing contract.
18	***Opportunity Zones Study*** The bill requires the Department of Economic and Community Development commissioner to study the best practices for marketing the benefits of federal qualified opportunity zones to increase investment in distressed census tracts and municipalities and (2) report, by January 1, 2019, her findings to the Commerce, Planning and Development, and Finance committees. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None

3. S.B. No. 10 AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET. (FIN) JFS

SUMMARY: This bill:

- delays by one year, from June 30, 2019, to June 30, 2020, the date by which MMCT Venture, LLC must provide a $30 million advance to the state, which will be credited against required future monthly casino gross gaming revenue payments to the state;

- repeals provisions requiring (1) agency heads to determine whether the fees their agencies charge cover program administration costs and (2) the Office of Policy and Management (OPM) to recommend fee increases to the legislature by February 7, 2018, of up to $20 million total;

- repeals a requirement that the OPM secretary evaluate state tax expenditures, and, by February 1, 2018, report his findings and recommendations to the Finance Committee;

- prohibits the OPM secretary from transferring funds from the Community Investment Account for FY 19 as part of his authority to transfer up to $20 million to the General Fund from non-appropriated accounts;

- authorizes a personal income tax deduction of up to $40,000 for businesses that donate fruit, vegetables, poultry, and other agricultural food commodities they grew or produced to nonprofit food banks, food pantries, or soup kitchens located in Connecticut and recognized by the Department of Revenue Services; and

- exempts certain distributors that own tangible personal property located on the premises of a fulfillment services center from the tobacco products tax on cigars exported from Connecticut.

FISCAL IMPACT:

State Impact: The bill reduces FY 19 General Fund revenue by the following:

- Delays by 1 year the $30 million advanced payment required from MMCT Venture LLC (a company jointly owned and operated by the Mashantucket Pequot and Mohegan tribes) for the right to conduct authorized games at a new off-reservation commercial casino.

- Repeals the $20 million fee revenues target in Section 659 of the Budget Act; and

- Repeals the $10 million tax expenditure target in Section 658 of the Budget Act.

- Establishes a tax credit for certain food donations, which results in a General Fund revenue loss of less than $30,000 annually beginning in FY 19.

The bill also results one-time cost of less than $5,000 to the Department of Revenue Services (DRS) in FY 19 only for updates to the DRS' online Taxpayer Service Center and the agency's internal Integrated Tax Administration System.

The bill also prohibits the Secretary of the Office of Policy and Management from making a transfer or transfers of fund balance or revenue from the non-appropriated Community Investment Account, established under CGS 4-6aa, as part of the $20 million in additional FY 19 fund sweeps target that Section 657 of the Budget requires the Secretary to meet.

There is no net fiscal impact resulting from the exemption related to the tobacco products provisions.

4. S.B. No. 12 AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS AND OTHER PURPOSES. (FIN) JFS

FISCAL IMPACT: The bill has a net cancellation of $32 million of General Obligation bond authorizations. To the extent that the reduced funding otherwise would have been allocated and spent, the bill has the potential to slightly lower debt service costs after the biennium. See the attached document for further details. The bill has various impacts to municipalities, as highlighted in the attached document or described below.

In addition, the bill co-locates the Montessori Magnet school in Hartford at the L.W. Batchelder Elementary School, and maintains the operation of the L.W. Batchelder Elementary School. This could result in foregone savings to the City of Hartford associated with the recommendation to close the school, by the District Model for Excellence Restructuring Recommendations and School Closures approved by the board of education for the Hartford school district. The extent of the savings is unknown. The bill also makes procedural changes to the school choice lottery. This is not anticipated to have a fiscal impact to the State Department of Education (SDE), as Hartford does not receive magnet school grants for the enrollment of Hartford students in Hartford host magnets. Additionally, magnet enrollment plans are approved and capped by SDE, and the magnet school grant is within available appropriations.

5. H.B. No. 5028 (COMM) AN ACT REQUIRING AN ANALYSIS OF THE ADMINISTRATIVE COSTS OF COLLECTING STATE TAXES. (FIN) JFS

SUMMARY: This bill requires OPM to (1) analyze the estimated collection costs of each tax and the revenue it generated in the prior three fiscal years and (2) by March 1, 2019, report to the Finance Committee on its analysis and recommendations for eliminating taxes that cost more to collect than they generate in revenue.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

State Impact

Agency Affected	Fund - Effect	FY 19 $	FY 20 $	Out Years
Office of Policy and Management	GF - Cost	Potential	None	None

Municipal Impact: None.

Explanation

There is a potential cost to the Office of Policy and Management associated with completing the study required by the bill. To the extent that OPM does not have the expertise to complete it, the agency may need to hire an outside consultant for assistance. It is anticipated that any cost would only occur in FY 19.

6. H.B. No. 5133 (COMM) AN ACT ESTABLISHING A TAX CREDIT FOR CERTAIN EMPLOYERS MAKING EDUCATION LOAN PAYMENTS FOR EMPLOYEES. (FIN) JF

SUMMARY: This bill establishes a new personal and corporation income tax credit for eligible employers (those with 50 or fewer employees in Connecticut) that make student loan payments on behalf of qualifying employees. The credit equals 50% of the amount of the qualifying loan payments the employer made directly to the employee's lender during the tax year.

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

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF – Revenue Loss	None	None	Up to 110 million
Department of Revenue Services	GF- Cost	None	Less than 124,660	99,320
State Comptroller - Fringe Benefits	GF - Cost	None	18,041	36,083

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill, which establishes a business tax credit for qualified student loan payments made by employers with fewer than 50 employees, results in: 1) an annualized revenue loss of up to $110 million beginning in FY 20, 2) a one-time cost to the Department of Revenue Services (DRS) of less than $75,000 in FY 19, and 3) an annual cost to the DRS of $135,402 ($99,320 for salary and $36,083 for fringe costs) associated with two Revenue Examiners.

The revenue estimate is based on data from the Society for Human Resource Management's 2017 Employee Benefits survey report indicating that approximately 4% of employers provide loan repayment assistance. The estimate assumes approximately 35% of employees have student loans outstanding and an average repayment amount of $5,000 per employee annually (based on amounts from companies that currently offer the benefit, such as Aetna, PwC, and Fidelity).

Based on Statistics of U.S. Businesses data from the United States Census Bureau, it is assumed there are approximately 2,500 firms employing fewer than 50 employees in Connecticut.

7. S.B. No. 415 (RAISED) AN ACT CONCERNING GRANTS FOR COMBINED SEWER PROJECTS. (FIN) JFS

SUMMARY: This bill allows municipal combined sewer projects to receive an increased Clean Water Fund grant of up to 80% if (1) the aggregate amount of general obligation bonds authorized for the Clean Water Fund program is increased on or after July 1, 2018, and (2) no other project grant slated for a municipality is reduced or eliminated to provide the increased grant amount.

Under current law, combined sewer projects are eligible for a 50% grant. By law, project costs that are not covered by a grant are eligible for a Clean Water Fund loan, not to exceed 100% of eligible costs. The interest rate on loans is 2% per year.

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT: The proposed substitute bill permits certain Clean Water Fund projects to receive state grants up to 80% of project costs if additional General Obligation bonds are authorized for the program. The program generally provides a 50% grant. No fiscal impact is anticipated until/unless additional bonds are authorized for the program and are awarded to the projects made eligible for additional funding.

8. S.B. No. 417 (RAISED) AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS REGARDING STATE TAXATION AND COLLECTION. (FIN) JF

SUMMARY: State law requires retailers to collect Connecticut sales tax if they are engaged in the business of making retail sales in the state. Under current law, out-of-state retailers that regularly solicit sales in Connecticut by various means must collect and remit state sales tax if they had at least 100 transactions during a twelve-month period. The bill instead requires them to do so if they had at least 200 transactions or gross receipts of $250,000 or more during the twelve-month period. It also expands the means by which such retailers are considered to be soliciting sales in Connecticut to include internet websites, software, or other forms of electronic delivery.

The bill authorizes the Department of Revenue Services (DRS) commissioner to charge fees of up to $100 that are sufficient to cover the reasonable expenses the agency incurs in performing an administrative function, including preparing an account reconstruction and certifying a software program or provider. It authorizes (1) anyone subject to such a fee to request a waiver and (2) the commissioner to waive it if he finds that it would result in undue hardship.

The bill also decreases, from $5,000 to $2,000, the value of lottery prize claims above which the Connecticut Lottery Corporation must deduct and withhold delinquent taxes.

EFFECTIVE DATE: July 1, 2018, except that a provision expanding the definition of a retailer is effective upon passage.

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF –Revenue Gain	None	See Below	See Below
Connecticut Lottery Corporation	GF- Net Revenue Gain	None	300,000	300,000

Note: GF=General Fund

Municipal Impact: None.

Explanation

Section 1 authorizes the Commissioner of Revenue Services to charge a fee of up to $100 to cover reasonable expenses incurred in the performance of various agency functions. This is anticipated to result in a revenue gain of less than $50,000 annually.

Sections 2 & 3 amend various definitions related to Sales and Use Tax collections. To the extent this increases sales tax compliance, this results in a revenue gain.

Section 4 lowers the threshold for CT Lottery Corporation offsets from $5,000 in winnings to $2,000. This is anticipated to result in a net (after accounting for increased agency costs) revenue gain of $300,000 annually.

9. H.B. No. 5427 (RAISED) AN ACT CONCERNING THE ADMISSIONS TAX. (FIN) JFS

SUMMARY: This bill limits the state admissions tax to the 6% tax on movie tickets costing more than $5, thus eliminating the 10% tax on admission charges to other places offering amusement, entertainment, or recreation in the state. As under current law, the bill exempts from the tax movie showings (1) from which all proceeds go exclusively to a federally tax-exempt organization, provided the organization actively engages in presenting the event and assumes the financial risk of presenting it, and (2) that the revenue services commissioner determines are held primarily to raise money for a nonprofit organization, provided the amount raised is greater than the tax that would otherwise be due.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2018

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF –Revenue Loss	None	9.0 million	12.0 million

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill, which eliminates the Admissions Tax for events at venues other than movie theaters, results in a revenue loss of $9.0 million in FY 19 (partial year) and $12.0 million annually thereafter.

10. H.B. No. 5429 (RAISED) AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR INCREASED PENALTIES FOR CERTAIN CIGARETTE AND TOBACCO TAX VIOLATIONS. (FIN) JFS

SUMMARY: This bill increases the criminal penalties and fines for various cigarette tax and tobacco tax violations. The bill's changes include:

1. increasing the following from a class D to a class C felony: (a) willfully evading taxes on 20,000 or more cigarettes, (b) willfully disclosing to DRS any reports or documents known to be false, (c) selling tobacco products on which $2,500 or more in taxes would be due or willfully evading taxes on such products, and (d) second or subsequent violations of cigarette shipping and transporting laws;

2. basing the penalty for knowingly possessing, transporting, or selling unstamped cigarettes on the number of cigarettes involved in the violation (i.e., $1 or $1.50 per cigarette, depending on the total number of cigarettes involved) rather than imposing a flat $1,000 fine; and

3. deeming improperly packaged cigarettes contraband and subjecting them to confiscation.

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF- Potential Revenue Gain	None	Minimal	Minimal
Resources of the General Fund	GF- Potential Revenue Gain	None	Less than 10,000	Less than 10,000

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill, which increases penalties for cigarette and tobacco sales violations, results in: 1) a revenue gain of less than $10,000 from increased fines, and 2) a potential minimal cigarette and tobacco tax revenue gain to the extent that the increased penalties results in a reduction in illegal cigarette and tobacco sales.

11. H.B. No. 5430 (RAISED) AN ACT CONCERNING TEACHERS' RETIREMENT SYSTEM CONTRIBUTIONS. (FIN) JF

SUMMARY: Starting July 1, 2018, this bill decreases teachers' regular contribution rate to the Teachers' Retirement System (TRS) from 7% to 6% of their annual salary. By law, teachers' mandatory contributions to TRS consist of their regular contribution rate plus a 1.25% health contribution for retiree health insurance.

The bill requires the Teachers' Retirement Board (TRB), by June 1, 2018, to (1) request a revised actuarial valuation for FY 19 based on the mandatory contribution percentage for the fiscal year and (2) based on the revised valuation, certify to the legislature the amount needed to maintain TRS on an actuarial reserve basis in FY 19.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

State Impact:

Agency Affected	Effect	FY 19	FY 20	FY 21
Teachers' Retirement Board	Cost	None	$40 Million	See Below

Explanation

The bill reduces members ' regular contributions to the Teachers 'Retirement System (TRS) from 7% to 6%, effective July 1, 2018 and requires a corresponding revised actuarial valuation to set the state's FY 19 Annual Required Contribution (ARC). It is anticipated that this will result in a $40 million increase in the state's ARC in FY 19.

In addition, current law requires that the state's contribution in FY 20 and annually thereafter be based on a 6% regular contribution instead on the current 7%. Members' additional 1% contributions are to be deposited to the Teachers Retirement Fund (TRF) in addition to (rather than offsetting) the state's ARC. The bill eliminates the additional 1% contribution to the TRF, which precludes future savings through reduced state ARC payments which would have resulted from the additional contributions.

12. H.B. No. 5432 (RAISED) AN ACT CONCERNING A PROPOSED STATEMENT OF ESTIMATED REVENUE. (FIN) JFS

SUMMARY: This bill requires the General Assembly to adopt joint rules for the 2019 and 2020 legislative sessions that set the Finance, Revenue and Bonding Committee's JF deadline earlier than the

Appropriations Committee's deadline.

EFFECTIVE DATE: Upon passage.

FISCAL IMPACT: The bill, which makes a procedural change, has no fiscal impact.

13. H.B. No. 5433 (RAISED) AN ACT CONCERNING MINOR AND TECHNICAL CHANGES TO THE TAX AND RELATED STATUTES. (FIN) JFS

§§	*Summary and Fiscal Impact*
1	***Electronic Signatures for Certain DRS Filings*** Explicitly authorizes the DRS commissioner to use electronic signatures for any filing authorized under the law concerning liens on personal property for delinquent state taxes (i.e., Uniform Commercial Code filings) EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None
2	***Green Building Tax Credits*** PA 17-2, JSS (§ 647) sunset the Green Building tax credit beginning December 1, 2017; the bill clarifies that no initial credit voucher may be issued under the program after November 30, 2017, thus allowing existing credit holders to continue to claim credits issued prior to the sunset date EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None
3	***Insurance Premiums Tax Return Examinations*** Eliminates a requirement that the DRS commissioner notify the comptroller of any errors in insurance premiums tax returns that are disclosed during its examination of the returns EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None
4	***Succession Tax*** Limits succession tax filing requirements to the estates of decedents dying on or before January 1, 2005, that filed a succession tax return or were assessed succession tax before October 1, 2018; existing law eliminates the tax for the estates of decedents dying on or after January 1, 2005 EFFECTIVE DATE: Upon passage

	Fiscal Impact: None
5 & 6	***Abusive Tax Shelter Penalty*** Under current law, a separate penalty applies to personal income tax underpayments attributable to a taxpayer's failure to disclose transactions that the IRS has determined are potentially abusive tax shelters (i.e., listed transactions). The penalty is 75% of the underpayment. The bill expands the transactions subject to this penalty to include additional categories of potentially abusive tax avoidance transactions. EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** None
7	***Income Tax Withholding for Pension and Annuity Payments*** Modifies the method used to determine the amount withheld from pension and annuity payments; provides that the withholding requirements must not result in nonpayment of any distribution to a Connecticut resident; prohibits the commissioner from imposing interest on a payer based solely on the payer's failure to comply with the withholding requirements EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** Non
8-26 & 28-32	***Technical Changes*** Makes various technical changes and corrections EFFECTIVE DATE: October 1, 2018 ***Fiscal Impact:*** None
27	***Income Tax Exemption for Pension and Annuity Income*** Makes permanent the income tax exemption for pension and annuity currently scheduled to phase out from the 2019 through 2025 tax years EFFECTIVE DATE: October 1, 2018 ***Fiscal Impact:*** None

14. H.B. No. 5574 (RAISED) AN ACT CONCERNING THE FAILURE TO FILE FOR CERTAIN GRAND LIST EXEMPTIONS. (FIN) JFS

SUMMARY: This bill allows taxpayers in three towns (New Britain, Bristol, and Wallingford) to receive specified property tax exemptions for certain assessment years even though they missed the filing deadlines for the exemptions.

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT:

State Impact: None

Municipal Impact:

Municipalities Affected	Effect	FY 19 $	FY 20 $	Out Years
New Britain, Bristol, Wallingford	Cost	Potential	None	None

Explanation

The bill allows taxpayers in New Britain, Bristol, and Wallingford 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. The bill results in a cost to reimburse taxpayers for taxes they have paid. It is anticipated that such cost would only occur in FY 19.

15. H.B. No. 5581 (RAISED) AN ACT CONCERNING FEDERAL TAX BENEFITS AND THE CAPITAL STOCK TAX RATE. (FIN) JF

SUMMARY: This bill phases out the capital base tax on corporations over three years, reducing the rate to (1) 2.1 mills in 2019, (2) 1.1 mills in 2020, and (3) zero mills beginning in 2021. The capital base tax is a component of the state's corporate income tax. Under current law, for most corporations, the tax rate is 7.5% of net income or 3.1 mills per dollar of capital base, whichever produces the larger tax, but no less than $250.

Federal law allows (1) a first-year bonus depreciation deduction on qualified property businesses place in service after September 27, 2017, and (2) an "asset expensing" deduction for qualifying property that businesses elect to treat as an expense rather than a capital expenditure. The bill requires businesses to apportion these deductions, for state personal income and corporation tax purposes (as applicable), over a two-year period (50% in each year). (Existing law, unchanged by the bill, disallows the bonus deprecation deduction for state corporate tax purposes.)

EFFECTIVE DATE: Upon passage, except that the personal income tax provisions are applicable to tax years beginning on or after January 1, 2017

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF- Revenue Loss	None	11.4 million	29.2 million
Department of Revenue Services	GF- Revenue Loss	None	See Below	See Below

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill phases out the capital base tax calculation method under the Corporation Business Tax, which results in a revenue loss of $11.4 million in FY 19, $29.2 million in FY 20, $46.2 million in FY 21, and $53 million in FY 22 and annually thereafter.

The bill also establishes an alternative schedule for bonus depreciation and asset expensing under the Personal Income Tax and Corporation Business Tax, which precludes a deferral of revenue that would have reduced revenue in the early years and increased revenue in later years.

16. H.B. No. 5583 (RAISED) AN ACT CONCERNING A TAX CREDIT FOR EMPLOYERS THAT EMPLOY INDIVIDUALS CONVICTED OF A FELONY AND ALLOWING ACCESS TO THE NEIGHBORHOOD ASSISTANCE ACT TAX CREDIT BY CERTAIN BUSINESS FIRMS. (FIN) JF

SUMMARY: This bill creates a personal and corporation income tax credit for businesses that employ qualifying individuals who were convicted of a felony. To qualify for the credit, the businesses must hire the employees within one year from the date of their conviction or release. The credit is equal to (1) 25% of the qualifying employee's wages, up to $10,000, for the employee's first year of employment and (2) 10% of his or her wages, up to $5,000, for the second year.

The bill also makes businesses eligible for Neighborhood Assistance Act (NAA) tax credits for cash investments in nonprofits hiring formerly incarcerated individuals. Under the bill, the tax credit is 60% of the total cash amount the business invested during the tax year.

EFFECTIVE DATE: July 1, 2019, and applicable to income or tax years beginning on or after July 1, 2019, except the NAA provision is effective July 1, 2018

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $	FY 21 $	Out Years
Department of Revenue Services	GF –Revenue Loss	None	None	Up to 1.9 million	Up to 3.9 million	1 – 2 million
Department of Revenue Services	GF - Cost	None	None	Up to 30,000	None	None

Note: GF=General Fund

Municipal Impact: None.

Explanation

Section 1, which establishes a tax credit against the Corporation Business or Personal Income Tax for hiring individuals returning to the community, results in a revenue loss of up to $1.9 million in FY 20 and up to $3.9 million in FY 21. The annualized revenue loss in the out years is expected to fluctuate between $1 and $2 million as the credit expires for certain individuals and other individuals become newly eligible.

Section 1 also results in a one-time cost of up to $30,000 to the Department of Revenue Services in FY 20 associated with updates to the online Taxpayer Service Center and the agency's Integrated Tax Administration System.

Section 2 does not result in any fiscal impact as it does not alter the cap on the total amount of credits available under the Neighborhood Assistance Act program.

17. H.B. No. 5585 (RAISED) AN ACT CONCERNING ENTERPRISE ZONES. (FIN) JF

SUMMARY: This bill requires the Department of Economic and Community Development (DECD) commissioner to develop benchmarks (number of jobs created and state and local revenue generated) for assessing whether businesses certified to receive enterprise zone (EZ) benefits should continue to be eligible for them. By January 1, 2019, he must report the benchmarks to the Commerce, Planning and Development, and Finance committees.

The bill also modifies the procedure for accessing EZ property tax breaks. Beginning July 1, 2019, the bill requires (1) businesses intending to build, substantially renovate, or expand a manufacturing or service facility in an EZ to notify the DECD commissioner of their intent to do so and (2) the DECD commissioner to negotiate, with each business and the municipality's chief elected official, the rate and duration of the property tax exemption the business may receive, up to the maximum allowed under existing law (i.e., generally a five-year exemption of up to 80%).

EFFECTIVE DATE: Upon passage, except the EZ property tax exemption provisions are effective July 1, 2019.

FISCAL IMPACT:

State Impact:

Agency Affected	Fund - Effect	FY 19 $	FY 20 $	Out Years
Dept of Economic and Community Development	GF – Cost	None	60,000	60,000
State Comptroller – Fringe Benefits	GF – Cost	None	21,798	21,798
Office of Policy and Management	GF – Cost/Savings	None	Potential	Potential

Municipal Impact:

Municipalities Affected	Effect	FY 19 $	FY 20 $	Out Years
All Distressed Municipalities	Grand List Increase/Decrease	None	Potential	Potential

Explanation

The bill results in the following impacts:

DECD Administration

The bill results in a cost of $81,798 (including $60,000 salary and $21,798 in fringe benefits) for one full-time employee at the Department of Economic and Community Development to (1) develop benchmarks for the enterprise zone program and (2) assess company eligibility with these benchmarks. No such benchmarks currently exist for the enterprise zone program.

Negotiated Enterprise Zone Benefits

The bill also allows the Department of Economic and Community Development and distressed municipalities to negotiate certain property tax benefits for manufacturers located in enterprise zones.

The impact of the bill will depend on the monetary value of the benefits negotiated, relative to the benefits that eligible manufacturers currently receive. An expansion of these benefits results in a grand list reduction in effected municipalities, while a reduction in benefits results in a grand list expansion.

The bill results in a cost, or savings, to the Distressed Municipalities grant program within the Office of Policy and Management. OPM is required to reimburse municipalities for 50% of the tax loss related to the benefits provided to manufacturers located in enterprise zones. Any increase or decrease in the cost to fully fund the program will vary based on the value of the negotiated benefits.

18. H.B. No. 5586 (RAISED) AN ACT WAVING CERTAIN INITIAL OCCUPATIONAL LICENSING FEES FOR CERTAIN INDIVIDUALS. (FIN) JFS

SUMMARY: This bill requires the Department of Consumer Protection to waive occupational licensing fees for barbers, hairdressers and cosmeticians, interior designers, and pharmacy technicians for applicants who are (1) low-income individuals (i.e., those receiving public assistance or having a household gross income of less than 130% of the federal poverty level); (2) veterans, armed forces members, or their spouses or surviving spouses; and (3) ages 18 to 25.

It also requires the Department of Economic and Community Development (DECD) commissioner to (1) conduct a study comparing the occupational licensing fees charged by Connecticut and surrounding states and (2) by January 1, 2019, report his findings to the Commerce and Finance committees. In conducting the study, the DECD commissioner must consult with the public health and consumer protection commissioners, and any other applicable state agency, and include recommendations for specific fee changes that would enhance the state's economic competitiveness.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

State Impact:

Agency Affected	Effect	FY 19	FY 19	FY 20
Dept of Public Health	GF – Revenue Loss	Potential	Potential	Potential
Dept of Economic and Community Development	GF –Cost	Up to $15,000	None	None

Explanation

The bill is anticipated to result in a potential annual revenue loss to the General Fund as it waives the initial licensure/certificate of registration fees for the following professions for certain individuals: barbers ($100), hairdressers/cosmeticians ($100), interior designers ($190), and pharmacy technicians ($100). It is unknown how many low-income individuals, military family members, or young workers will be exempted from these initial fees under the bill. The Department of Public Health generated $36,678,917 for the General Fund from licenses, permits, and fees in FY 17.

The bill results in a one-time cost of up to $15,000 to the Department of Economic and Community Development to conduct an interstate comparison of various occupational licenses. DECD does not administer occupational licenses so would require consulting services to complete this requirement.

19. H.B. No. 5587 (RAISED) AN ACT CONCERNING THE COMMISSION ON FISCAL STABILITY AND ECONOMIC GROWTH. (FIN) JFS

SUMMARY: This bill requires the chairs of the Appropriations, Commerce, Finance, and Planning and Development committees to (1) analyze the Commission on Fiscal Stability and Economic Growth recommendations that fall within their committee's cognizance and (2) report their findings to the legislature by January 1, 2019.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: This will not have a fiscal impact.

20. H.B. No. 5588 (RAISED) AN ACT CONCERNING AN ANALYSIS OF THE REVENUE STREAMS OF THE STATE. (FIN) JF

SUMMARY: This bill requires the Department of Revenue Services commissioner to analyze the state's revenue streams to identify legislative changes that may be made to incentivize economic development and business competitiveness and, by January 1, 2019, report his findings to the Finance Committee.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: The requirements in the bill can be accommodated without any fiscal impact.

21. H.B. No. 5589 **(RAISED) AN ACT CONCERNING A STUDY OF FINANCE POLICIES TO IMPROVE THE ECONOMIC COMPETITIVENESS OF THE STATE. (FIN) JF**

SUMMARY: This bill requires the Department of Economic and Community Development to (1) study surrounding states' finance policies to identify legislative and programmatic changes that would improve Connecticut's economic competitiveness and (2) report its findings to the Commerce and Finance, Revenue and Bonding committees by January 1, 2019.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: The requirements in the bill can be accommodated without any fiscal impact.

22. H.B. No. 5590 **(RAISED) AN ACT CONCERNING BOND COVENANTS AND THE BOND ISSUANCE CAP. (FIN) JFS**

SUMMARY: Current law requires certain state bonds to include a pledge to bondholders that the state will comply with specified state laws as long as the bonds are outstanding. This bill delays, from May 15, 2018, to July 1, 2019, the application of the bond covenant to the state spending cap and the caps on general obligation and credit revenue bond authorizations, allocations, issuances, and expenditures. Under the bill, the bond pledge continues to apply, beginning May 15, 2018, to the Budget Reserve Fund law and the cap on General Fund and Special Transportation Fund expenditures.

The bill requires the Office of Policy and Management (OPM) secretary, attorney general, comptroller, and treasurer (or their designees) to study the use of bond covenants as a mechanism to control state spending and bonding. By January 1, 2019, they must report their findings to the Finance Committee.

The bill also excludes from the caps on general obligation issuances and expenditures (1) refunding bonds, notes, and other evidences of indebtedness and (2) obligations issued in anticipation of bond issuances.

EFFECTIVE DATE: Upon passage, except that the bond pledge provisions are effective May 15, 2018 and July 1, 2019

FISCAL IMPACT: The bill delays the bond covenant which requires the state to follow the cap on appropriations to bonds issued between July 1, 2019 and prior to July 1, 2021 from May 15, 2018, and prior to July 1, 2020. The cap on appropriations limits General Fund and Special Transportation Fund appropriations at a specified percentage of estimated revenues beginning in FY 20 at 99.5% of revenue and increasing gradually to 98% of revenue by FY 26.

The bill excludes from the cap on bond issuances bonds which are issued for; 1) refunding outstanding bonds or other indebtedness or 2) for temporary obligations in anticipation of revenue to be received within the next 12 months. This could result in savings in debt service payments to the extent the state is able to refinance outstanding debt at a lower cost.

23. H.B. No. 5591 (RAISED) AN ACT CONCERNING MUNICIPAL REVENUE. (FIN) JFS

§§	*Summary and Fiscal Impact*
1	***Rental Surcharge for Machinery*** Increases, from 1.5% to 2.75%, the surcharge on machinery rented for a period of less than 365 days EFFECTIVE DATE: July 1, 2018, and applicable to machinery rented on or after that date ***Fiscal Impact:*** Results in a General Fund revenue gain of less than $700,000 annually.
2	***Cost and Benefit Analysis of Property Tax Exemptions*** Requires the Office of Policy and Management secretary to (1) study existing property tax exemptions and analyze them on a cost-benefit and community-benefit basis and (2) report his findings, by January 1, 2019, to the Finance and Planning and Development committees EFFECTIVE DATE: Upon passage ***Fiscal Impact:*** Results in a potential cost to the Office of Policy and Management to conduct a cost-benefit analysis of existing property tax exemptions. To the extent that OPM does not have the resources to conduct this analysis, OPM may incur costs to hire a consultant.
3	***Property Tax Exemption for Paint Equipment*** Requires taxpayers claiming a property tax exemption for machinery and equipment used to color or mix paint to apply to local assessors, on a form they prescribe, by November 1 annually EFFECTIVE DATE: July 1, 2018 ***Fiscal Impact:*** This section is a technical change and has no fiscal impact.
4-7	***Municipal Fees*** Increases the fees municipalities must charge for various permits and filings, including liquor permit filings (from $2 to $20), marriage licenses (from $30 to $50), and document filings (from $5 to $10) EFFECTIVE DATE: July 1, 2018 ***Fiscal Impact:*** Result in a revenue gain to the state and municipalities by increasing filing fees for a variety of documents. The revenue gain to the state is estimated to be about $300,000 associated with an increase in the marriage license surcharge. This revenue gain is split between the Department of Public Health ($116,304) and the Department of Social Services ($174,456).

	The revenue gain to municipalities is expected to be minimal, and will vary based on the number of documents filed in each town.
8	***Hartford Property Tax Assessment Ratio*** Prohibits certain common interest community and condominium units from being taxed as residential property, thus increasing the assessment ratio on such property from the residential rate (currently 33.82%) to 70%; it applies to units in common interest communities and condominiums if four or more of those units are under common ownership EFFECTIVE DATE: July 1, 2018, and applicable to assessment years beginning on or after October 1, 2017 ***Fiscal Impact:*** Results in a grand list expansion, which results in a revenue gain to the City, given a constant mill rate.

24. S.B. No. 527 (RAISED) AN ACT ESTABLISHING THE TRANSPORTATION CENTER IMPROVEMENT DISTRICT WITHIN THE CITY OF STAMFORD. (FIN) JF

SUMMARY: This bill provides a process through which voters in a specified section of Stamford may establish a "Transportation Center Improvement District." Among other things, the bill allows the district to (1) plan, construct, maintain, and finance transportation, utility, and other infrastructure improvements; (2) levy assessments and taxes on property benefitting from the improvements; and (3) issue up to $250 million in bonds, subject to specified conditions and requirements.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT:

State Impact: None

Municipal Impact:

Municipalities Affected	**Fund - Effect**	**FY 19 $**	**FY 20 $**	**Out Years**
Stamford	Cost	Minimal	None	None

Explanation

The bill allows for the establishment of the Transportation Center Improvement District in Stamford. There is a minimal, one-time cost to the City of Stamford associated with holding any public meetings or referenda, and with publishing associated public notices necessary to establish the district.

The bill allows the District to issue revenue bonds to support its duties. This has no impact to the City or the State, as the language specifies that such revenue bonds are not the responsibility of the City of Stamford or the State of Connecticut.

Depending on the extent of services provided by the District, there could be a savings to the City of Stamford as the costs of providing public services shifts from the City to the District.

25. S.B. No. 528 (RAISED) AN ACT CONCERNING A STUDY OF STATE TAX POLICIES. (FIN) JF

SUMMARY: This bill requires the Department of Revenue Services (DRS) commissioner to study the state's revenue policies and identify legislative changes that may be made to improve the state's business climate and economic opportunities. It requires him to report his findings, by January 1, 2019, to the Finance Committee.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: The requirements in the bill can be accommodated without any fiscal impact.

26. S.B. No. 532 (RAISED) AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS MAKING EDUCATION LOAN PAYMENTS FOR COMPUTER PROGRAMMER AND SOFTWARE DEVELOPER EMPLOYEES. (FIN) JF

SUMMARY: This bill establishes a new personal and corporation income tax credit for employers that make student loan payments on behalf of their employees who work at least part time as computer programmers or software developers in Connecticut. The credit equals the amount of the qualifying loan payments the employer made directly to the employee's lender during the tax year.

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

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF – Revenue Loss	None	None	Up to 25 million
Department of Revenue Services	GF- Cost	None	Less than 75,000	None

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill, which establishes a business tax credit for qualified student loan payments made by employers on behalf of a computer programmer or software developer, results in: 1) an annualized revenue loss of up to $25 million beginning in FY 20, and 2) a one-time cost to the Department of Revenue Services (DRS) of less than $75,000 in FY 19.

The estimate assumes approximately 35% of 14,030 software developers in Connecticut have student loans outstanding and an average repayment amount of $5,000 per employee annually (based on amounts from companies that currently offer the benefit, such as Aetna, PwC, and Fidelity).

27. S.B. No. 533 (RAISED) AN ACT CONCERNING A STUDY OF STATE REVENUE POLICIES. (FIN) JF

SUMMARY: This bill requires the Department of Revenue Services commissioner to study the state's revenue policies and identify legislative changes that may be made to improve the state's business climate and economic opportunities. It requires him to report his findings, by January 1, 2019, to the Finance Committee.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: The requirements in the bill can be accommodated without any fiscal impact.

28. S.B. No. 534 (RAISED) AN ACT CONCERNING WINE SALES AND SHIPMENTS. (FIN) JF

SUMMARY: This bill establishes a permit, subject to an annual $250 permit fee, to allow the sale and shipment of wine by out-of-state retailers directly to consumers in the state. Under the bill, such permittees (1) are subject to the same requirements as the existing out-of-state winery shipper permittees and (2) must affirm to the Department of Consumer Protection that they operate within another state that imposes a distribution system for alcohol that substantially conforms to Connecticut's requirements.

The bill also (1) eliminates requirements that in-state transporters ensure that shipping labels on all containers of wine shipped to state residents conspicuously state "CONTAINS ALCOHOLIC LIQUOR: SIGNATURE OF A PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY," and (2) allows them to ship to an address where liquor sales are prohibited by local option.

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Consumer Protection	GF – Potential Revenue Gain	None	See Below	See Below

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill establishes an out-of-state retailer shipper's permit (an annual fee of $250) for wine and results in a potential General Fund revenue gain to the extent that out-of-state retailer's apply for the permit. Should any permits be allowed and shipments made, there is a potential minimal revenue gain from Sales Tax and Alcoholic Beverage Tax revenue.

The bill also allows the Department of Consumer Protection to adopt regulations which results in no fiscal impact because the agency currently has the expertise to do so.

29. [S.B. No. 535] (RAISED) AN ACT ESTABLISHING THE APPRENTICESHIP CONNECTICUT INITIATIVE. (FIN) JF

SUMMARY: This bill authorizes up to $50 million in general obligation (GO) bonds and requires the Department of Labor to use the proceeds to fund a new Apprenticeship Connecticut initiative that develops workforce pipeline programs to train qualified entry-level workers for jobs with manufacturers and employers in sectors experiencing workforce shortages. It requires the labor commissioner, by January 1, 2019, to issue a request for qualifications (RFQ) to solicit proposals from regional industry partnerships for the program. The bill establishes the RFQ's required components and, among other things, requires the commissioner to select proposals to achieve a goal of at least 10,000 individuals placed in new jobs over the program's first four years.

The bill also earmarks $100 million in existing Manufacturing Assistance Act (MAA) bonds and requires the Department of Economic and Community Development to use the proceeds to provide grants to an eligible submarine production company. It requires the company to use the grants to (1) acquire land, buildings, machinery, and equipment (2) make site and infrastructure improvements; and (3) pay planning costs.

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT: The bill authorizes $50 million of General Obligation bonds within the Department of Labor for work force pipeline programs. The bill obligates $100 million of bonds that were previously authorized for the Economic Development and Manufacturing Assistance Act to a specified recipient. To the extent the increased or redirected bond funds are allocated and spent, debt service costs are expected to increase.

30. [S.B. No. 536] (RAISED) AN ACT CONCERNING ENTREPRENEURSHIP INITIATIVES AT THE UNIVERSITY OF CONNECTICUT. (FIN) JFS

SUMMARY: This bill makes numerous changes related to UConn and entrepreneurship. Among other things, the bill:

1. revises UConn's statutory objective to include (a) providing education with an eye toward current economic and labor trends and (b) facilitating the transfer of academic knowledge into business ventures to grow the state's economy;

2. requires that certain future gubernatorial Board of Trustees appointees have experience in entrepreneurship or university-driven economic growth;

3. requires UConn to (a) create a Vice President for Innovation and Entrepreneurship position and hire someone to oversee the Innovation Partnership building at the Tech Park, both of whom must have entrepreneurship or venture investment experience and (b) develop and implement a plan, by November 15, 2018, for recruiting faculty with entrepreneurship or research commercialization experience;

4. requires UConn faculty to develop and issue an annual economic report on the state's economic dynamics and emerging labor force trends;

5. requires UConn to release for open, public use and freely license all patents it holds that have not been used for commercialization for 10 years or more;

6. requires UConn's foundation to create and solicit donations for a fund to support faculty and student ventures;

7. requires CTNext and the UConn board to jointly select a consultant to, among other things, (a) study, in collaboration with UConn representatives, UConn's tech transfer policies and entrepreneurship support and (b) recommend actionable measures to, among other things, maximize business creation from UConn research and make such creation a primary consideration in all UConn School of Business activities; and

8. requires that UConn amend its Next Generation Connecticut plan to (a) conform to its revised objectives and the consultant's recommendations and (b) construct or renovate a facility on each campus, in close proximity to the student center, to be a gathering place for student entrepreneurs.

EFFECTIVE DATE: Most provisions are effective July 1, 2018

FISCAL IMPACT:

STATE IMPACT:

Agency Affected	Effect	FY 19	FY 20
University of Connecticut	Various Funds – Cost	374,000	374,000

The bill, which adds various requirements related to entrepreneurship, results in a cost to the University of Connecticut (UConn) of approximately $374,000 in each of FY 19 and FY 20.

Section 5 requires one new UConn vice president position to be established, at an estimated total cost of $374,000, based on the average vice president salary at the university and the fringe rate for new state employee positions. The cost of the fringe benefits may fall either to the UConn operating funds or to the Office of the State Comptroller's fringe benefits account, depending on whether the employee's salary costs are paid out of UConn operating funds or the university's block grant.

Section 9 contains requirements regarding patents held by UConn, which has an indeterminate fiscal impact.

Section 11 is anticipated to result in the redistribution of UConn bond funds associated with, at minimum, the renovation or construction of specified student entrepreneurship spaces at each of the University's six campuses.

The other sections of the bill are anticipated to have minimal or no fiscal impact.

31. S.B. No. 537 (RAISED) AN ACT CONCERNING ECONOMIC DEVELOPMENT BONDING AND A STUDY OF ECONOMIC DEVELOPMENT AND WORKFORCE TRAINING NEEDS OF THE STATE. (FIN) JF

SUMMARY: This bill requires the Office of Policy and Management (OPM) secretary, in consultation with the Department of Economic and Community Development commissioner, to conduct a study identifying the state's economic development and technical workforce training needs and, by January 1, 2019, report its findings to the Commerce and Finance committees.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: The requirements in the bill can be accommodated without any fiscal impact.

32. S.B. No. 538 (RAISED) AN ACT ESTABLISHING AN OFFICE OF REGIONAL EFFICIENCY DEVELOPMENT. (FIN) JF

SUMMARY: This bill establishes an Office of Regional Efficiency Development to identify municipal services that would be more efficiently delivered at the regional level and oversee and coordinate their delivery. A service's regional delivery must measurably improve it and reduce local property taxes.

The bill places the office within the Office of Policy and Management (OPM) for administrative purposes and requires secretary to hire or assign enough staff to serve each state region. It funds the office through the existing regional planning incentive account, eliminating its funding for regional councils of government and the regional performance incentive program.

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT:

State Impact

Agency Affected	Fund - Effect	FY 19 $	FY 20 $	Out Years
Office of Policy and Management	Regional Performance Incentive Account - Cost	Potential	Potential	Potential

Municipal Impact: None.

Explanation

There is a potential cost to the Office of Policy and Management associated with administering and staffing the Office of Regional Efficiency Development. The cost will vary based on the number of people hired to staff the office and their salaries.

As the bill specifies that the Regional Performance Incentive Account (RPIA) shall fund the Office of Regional Efficiency Development, there is no impact to the General Fund. Any RPIA funding used for the new Office reduces the amount of money available for grants to regional councils of government. As of March 1, the balance of the RPIA is about $$3.6 million.

33. S.B. No. 539 (RAISED) AN ACT CONCERNING A WORKING GROUP TO DEVELOP A PLAN TO FOSTER THE MICROBIOME SECTOR IN THE STATE. (FIN) JF

SUMMARY: This bill pushes back by one year Microbiome Working Group's deadlines for submitting and presenting a report on its roadmap for making Connecticut a national leader in the microbiome industry. Under current law, the deadline for submitting the report to the Commerce; Finance, Revenue and Bonding; and Public Health committees is January 1, 2018, and the deadline for presenting it to the governor and these committees is February 1, 2018.

The 16-member working group consists of state officials, leaders of state higher education institutions, and gubernatorially appointed academic, bioscience, and venture capital industry representatives.

The bill also repeals SA 17-16, which creates a microbiome working group with identical members and reporting requirements, but different charges.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: This bill has no fiscal impact as PA 17-236 prohibits transportation allowances for task force members.

34. S.B. No. 540 (RAISED) AN ACT AUTHORIZING SPORTS WAGERING AND ONLINE LOTTERY DRAW GAMES IN THE STATE. (FIN) JF

SUMMARY: This bill establishes a regulatory framework for sports wagering in the state. It authorizes certain entities ("gaming entities"), to the extent allowed under federal law, to offer sports wagering in the state, either at specified facilities or through an interactive online platform. Under the bill, the authorized gaming entities include (1) the state's casino gaming facilities, (2) the Connecticut Lottery Corporation (CLC); (2) licensed race tracks and jai alai frontons; (3) licensed off-track betting facilities; and (4) any other Connecticut residents, entities, or facilities licensed by the Department of Consumer Protection (DCP) to offer wagering.

The bill imposes on sports wagering operators a (1) 15% tax on sports wagering gross revenue and (2) 0.25% sports betting right and integrity fee on all wagers placed. It directs the revenue from the fee to a new account to fund disbursements to sports governing bodies, based on the percentage of wagers attributable to each body's sporting events. The bill also subjects sports wager amounts to state sales and use tax.

The bill also requires CLC to establish a program to sell lottery tickets through its website, an online service, or a mobile application, provided the online lottery does not violate any compact or agreement between the state and the Mashantucket Pequot or Mohegan tribes. It establishes requirements CLC must meet in designing and operating the online lottery program.

EFFECTIVE DATE: July 1, 2018 for the sports wagering provisions and upon passage for the internet lottery provisions, except for the DMHAS provision which is effective October 1, 2018.

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Connecticut Lottery Corporation	GF –Net Revenue Gain	None	Up to 700,000	Up to 2.2 million
Department of Revenue Services	GF- Potential Revenue Gain	None	See Below	See Below
Department of Revenue Services	GF- Sports Betting Right and Integrity Fee Account- Potential Revenue Gain	None	See Below	See Below
Department of Mental Health and Addiction Services	GF- Chronic Gamblers Account- Revenue Gain	None	100,000	100,000

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill requires Connecticut Lottery Corporation (CLC) to establish a program to sell lottery tickets online. This results in a net revenue gain to the General Fund of up to $700,000 in FY 19 and up $2.2 million in FY 20. It is anticipated that net General Fund revenue gain could reach up to $8 million by FY 23.

The bill also increases by $100,000 the required transfer of funds from the CLC to the Chronic Gamblers Account beginning in FY 19.

The bill also establishes a tax and regulatory framework for sports wagering in the state. To the extent such betting becomes legal under federal law and does not interfere with the current tribal compact agreement, this results in a significant revenue gain at that time.

35. S.B. No. 541 (RAISED) AN ACT PROMOTING INNOVATION, ENTREPRENEURSHIP AND INTRAPRENEURSHIP IN THE STATE. (FIN) JF

SUMMARY: This bill reverses the relationship between Connecticut Innovations (CI) and its subsidiary CTNext, making CTNext the parent corporation and CI the subsidiary, and, in doing so, elevates and expands CTNext's statutory mission. Under current law, CI, the state's venture capital quasi-public agency, provides focuses on early stage companies, providing the investment capital need to develop commercially viable products and techniques. CTNext focuses on stimulating the conditions that foster innovation and entrepreneurship,

The bill expands CTNext's mission to include overseeing the growth and improvement of the institutions, practices, and programs that support the state's innovators and entrepreneurs (i.e., entrepreneurial ecosystem). This and the bill's other changes do not alter the composition of CTNext's and CI's boards or CI's statutory mission and programs.

The bill expands CTNext's administrative capacity, authorizing $5 million in bonds from the existing Manufacturing Assistance Act bond authorization for this purpose. It also (1) requires CTNext to establish programs that provide grants to demonstrate the commercial value of university-based research and funds to encourage the formation of at least five new Connecticut-based venture capital funds and (2) authorizes up $55 million in bonds for these programs.

The bill requires CTNext to submit several venture capital and entrepreneurial development related recommendations and studies, including recommendations for establishing programs that support innovation within established businesses (i.e., intrapreneurship). It also requires the nonprofit Connecticut Technology Council, in collaboration with other specified entities, to recommend how emerging industries and emerging transitions can be identified and supported.

Lastly, the bill requires the insurance commissioner, in consultation with CTNext's board, to facilitate the development of new technologies and types of insurance for start-up insurance companies that lack the capital and resources to comply with the state's requirements (i.e., Insurtech Regulatory Sandbox Initiative).

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT:

State Impact:

Agency Affected	Effect	FY 19	FY 20
Treasurer, Debt Serv.	GF - Cost	See Below	See below
Treasurer, Debt Serv.	GF - Acceleration of Debt Service Costs	See below	See below
Insurance Dept.	IF - Cost	84,712	169,423

Note: GF=General Fund; IF=Insurance Fund

Explanation

The bill authorizes $55 million of General Obligation bonds to CTNext for various activities. Specifically the bill provides: (1) $15 million for a proof of concept fund that provides grants up to $50,000 for commercialization activities and (2) $40 million for a program to incentives the formation of at least five new venture capital funds.

Additionally, the bill obligates $5 million of bonds that were previously authorized for the Economic Development and Manufacturing Assistance Act to CTNext for the hire five employees. To the extent the increased or redirected bond funds are allocated and spent, debt service costs are expected to increase.

Section 9 requires the Insurance Commissioner, in consultation with the CTNext board of directors, to establish an Insurtech Regulatory Sandbox initiative by January 1, 2019, designate an employee to exclusively oversee and manage the administration of the Sandbox, and submit a report summarizing the results of the initiative annually. The Insurance Department will likely need to hire an Insurance Program

Manager with a full year cost to the Insurance Fund of $169,423 for salary and fringe benefits. The FY 19 costs reflect a half year of salary and fringe benefits.

36. Substitute for S.B. No. 51 (COMM) AN ACT CONCERNING THE FUNDING AND EXPANSION OF CERTAIN MANUFACTURING PROGRAM PIPELINES. (HED,FIN) JF

SUMMARY: This bill requires the Board of Regents for Higher Education (BOR) to establish a supplemental grant program to support and expand certain advanced manufacturing certificate programs offered by public higher education institutions. Beginning with the 2019 tax year, it requires the Department of Revenue Services (DRS) commissioner to segregate a portion of personal income tax revenue (25% of the average annual income tax liability from the program's graduates, multiplied by total number of graduates for the prior fiscal year) and deposit it into a dedicated account to fund the grant program.

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF –Revenue Loss	None	None	225,000
Board of Regents of Higher Education	Various Funds-Revenue Gain	None	None	225,000

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill, which requires the Commissioner of Revenue Services to segregate and transfer a portion of income tax revenues generated by graduates of certain advanced manufacturing certificate programs, results in a General Fund revenue loss (and commensurate revenue gain to the Board of Regents of Higher Education) of $225,000 annually beginning in FY 20.

37. Substitute for S.B. No. 263 (RAISED) AN ACT ELIMINATING CERTAIN UNCLAIMED AND SELDOM CLAIMED TAX CREDITS. (CE,FIN) JF

SUMMARY: This bill eliminates the business tax credits for constructing or acquiring facilities and creating jobs in enterprise zones.

EFFECTIVE DATE: July 1, 2018

FISCAL IMPACT:

State Impact:

Agency Affected	Effect	FY 19	FY 20	FY 21
Dept of Revenue Services	GF –Revenue Gain	$1.8 million	$1.8 million	$1.8 million

Explanation

The bill results in a revenue gain of $1.8 million annually by eliminating various unclaimed and seldom claimed tax credits.

38. Substitute for S.B. No. 266 (RAISED) AN ACT CONCERNING INCENTIVES TO ENCOURAGE THE GROWTH OF BIOSCIENCE VENTURE CAPITAL IN CONNECTICUT. (CE,FIN) JF

SUMMARY: This bill exempts from the personal income tax certain income received by a manager (i.e., a general partner) of certain venture capital funds that invest in Connecticut bioscience businesses. The exemption applies to income received by a general partner (1) from a sale or transfer of the fund's equity interests in such businesses and (2) for his or her management of the fund, adjusted according to the ratio of the fund's investments in such businesses.

EFFECTIVE DATE: July 1, 2018, and applicable to tax years beginning on or after January 1, 2018.

FISCAL IMPACT:

State Impact:

Agency Affected	Effect	FY 18	FY 19	FY 21
Dept of Revenue Services	GF –Revenue Loss	None	Minimal	See Below
Dept of Revenue Services	GF – Cost	None	$30,000	None

Explanation

The bill, which exempts income derived from managing venture capital invested in Connecticut bioscience, is anticipated to result in a minimal revenue loss in FY 19. It also results in a one-time cost of $30,000 to the Department of Revenue Services in FY 19 associated with updates to the online Taxpayer Service Center and the agency's Integrated Tax Administration System.

The revenue impact is anticipated to be minimal due to the limited nature of the exemption. In order to receive the exemption the income must be from the management of a venture capital fund derived from an investment that meets the following criteria:

- Biomedical investment;
- Invested in Connecticut;
- Made on or after January 1, 2018.

In addition, the exemption would not apply to any venture capital investments that are managed outside of Connecticut.

The potential revenue loss associated with this exemption is anticipated to grow annually from FY 20 forward as more investments are made and carried interest income associated with management of these investments becomes eligible for the exemption. Based on current venture capital trends this could result in a revenue loss of approximately $250,000 by FY 2026.

39. S.B. No. 261 (RAISED) AN ACT EXTENDING THE MANUFACTURING APPRENTICESHIP TAX CREDIT TO PASS-THROUGH ENTITIES. (CE,FIN) JF

SUMMARY: This bill allows partnerships, S corporations, and other pass-through entities to claim the manufacturing apprenticeship tax credit against the personal income tax. Because current law limits the credit application to the corporation business tax, only businesses established as corporations may claim it. Pass-through entities may only transfer the credit to other taxpayers liable for corporation business, utility company, or petroleum products gross earnings taxes.

EFFECTIVE DATE: July 1, 2018, and applicable to income and taxable years beginning on or after January 1, 2018

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF – Revenue Loss	None	650,000	650,000
Department of Revenue Services	GF– Cost	None	Less than 100,000	None

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill, which allows pass-through entities to claim manufacturing apprenticeship tax credits against the Personal Income Tax, results in a revenue loss of $650,000 annually beginning in FY 19. This also results in a one-time cost of less than $100,000 in FY 19 to the Department of Revenue Services associated with updates to the online Taxpayer Service Center to allow pass-through entities to claim the credit on their tax forms.

40. H.B. No. 5584 (RAISED) AN ACT ESTABLISHING A TAX CREDIT FOR EMPLOYERS THAT PROVIDE PAID FAMILY AND MEDICAL LEAVE BENEFITS AND CONCERNING FAMILY AND MEDICAL LEAVE ACCOUNTS. (FIN) JF

SUMMARY: This bill establishes a Family Medical Leave Act (FMLA) account program and the Connecticut Family and Medical Benefit Trust, administered by the state treasurer, in order to help individuals save private funds to provide financial support during periods of a job leave allowed under the FMLA. It exempts money deposited in the trust and interest earnings on it from state and local taxation.

The bill requires the treasurer to establish the terms for FMLA account program participation, including and penalties for withdrawals used for ineligible purposes. It excludes FMLA account funds in determining eligibility for specified means-tested assistance programs (e.g., the Temporary Family Assistance program.)

The bill also establishes a personal and corporate income tax credit for small employers (50 or fewer employees) that provide paid family and medical leave benefits to their employees. The credit is (1) equal to 50% of the gross wages or compensation the employer paid to employees for approved leave during the income or tax year, as applicable and (2) capped at $2.5 million in the aggregate in each fiscal year.

EFFECTIVE DATE: October 1, 2018, except the tax credit provisions are effective January 1, 2019, and applicable to income or tax years beginning on or after January 1, 2019.

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Department of Revenue Services	GF –Revenue Loss	None	None	Up to $2.5 million
Treasurer	GF- Cost	None	Up to 75,000	None
Department of Revenue Services	GF- Cost	None	Less than 30,000	None

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill, which establishes a business tax credit for small employers that provide paid family and medical leave benefits, results in a revenue loss of up to $2.5 million annually beginning in FY 20. This also results in a one-time cost of less than $30,000 to the Department of Revenue Services in FY 19 associated with updates to the online Taxpayer Service Center and the agency's Integrated Tax Administration System.

The bill also results in one-time costs of up to $75,000 associated with the establishment of the Family Medical Leave Act (FMLA) account program and the Connecticut Family and Medical Benefit Trust, which includes funding for legal fees and asset allocation consultation.

41. H.B. No. 5009 (COMM) AN ACT EXEMPTING CAR WASH SERVICES FROM THE SALES TAX. (FIN) JF

SUMMARY: This bill eliminates the sales tax on car wash services, including coin-operated car wash services.

EFFECTIVE DATE: July 1, 2018, and applicable to sales occurring on or after that date

FISCAL IMPACT:

State Impact:

Agency Affected	Effect	FY 19	FY 20	FY 21
Dept of Revenue Services	Various Funds – Revenue Loss	6.8 million	6.8 million	6.8 million

Explanation

The bill results in a revenue loss of $6.8 million annually to various funds by exempting all car wash services from the sales and use tax.

As current law requires a diversion of a portion of the sales tax generated into (1) the Special Transportation Fund and (2) the Municipal Revenue Sharing Account beginning in FY 20, these funds will be impacted as well as the General Fund.

42. S.B. No. 414 (RAISED) AN ACT ESTABLISHING A TAX DEDUCTION FOR CONTRIBUTIONS TO A CITIZENS IN NEED ACCOUNT. (FIN) JFS

SUMMARY: This bill allows a 200% personal income tax deduction for taxpayers who contribute to an account the bill establishes to help state residents whose social service benefits have been reduced due to budget constraints (i.e., the "citizens in need account"). Account funds must be used for benefits provided through Department of Social Services (DSS) programs and cannot be used for administrative purposes. The DSS commissioner may adopt regulations, in consultation with the comptroller, establishing standards for determining which programs to fund from the account, among other things.

EFFECTIVE DATE: July 1, 2018, and applicable to tax years beginning on or after January 1, 2018

FISCAL IMPACT:

State Impact:

Agency Affected	Fund-Effect	FY 18 $	FY 19 $	FY 20 $
Comptroller	GF –Citizens In Need Account-Revenue Gain	None	300,000	300,000
Comptroller	GF - Cost	None	55,800	55,800
State Comptroller - Fringe Benefits	GF - Cost	None	20,272	20,272
Department of Revenue Services	GF - Cost	None	40,000	None
Department of Revenue Services	GF - Revenue Loss	None	31,500	31,500

Note: GF=General Fund

Municipal Impact: None.

Explanation

The bill, which establishes a "citizens in need account" that is funded through voluntary contributions for which a 200% state income tax deduction is available, is estimated to result in: 1) a $300,000 annual revenue gain to the "citizens in need account" within the General Fund beginning in FY 19, 2) a $31,500 annual General Fund revenue loss beginning in FY 19, 3) an annual cost to the Office of the State Comptroller (OSC) of approximately $77,049 beginning in FY 19, and 4) a one-time cost to the Department of Revenue Services (DRS) in FY 19 only.

The estimated $300,000 revenue gain to the "citizens in need account" is based on the average annual amount of voluntary contributions currently made to various charitable programs via state income tax refunds. The estimated revenue loss assumes an average effective income tax rate of 5.2% applied to the estimated $300,000 in voluntary contributions, the product of which is doubled to estimate the impact of the 200% deduction provision.

It is anticipated that the OSC would require one Assistant Accountant to administer the "citizens in need account" at an annual cost of $76,072 ($55,800 for salary and $20,272 for fringe benefits). Additionally, the bill results in a one-time cost of $40,000 in FY 19 for the DRS to establish a new subtraction modification and accompanying schedule on the income tax, as well as changes to the online Taxpayer Service Center and internal Integrated Tax Administration System.

43. S.B. No. 476 (RAISED) AN ACT CONCERNING CERTAIN TAXES ON VESSELS, VESSEL MOTORS, VESSEL TRAILERS AND MARINE DYED DIESEL FUEL. (FIN) JF

SUMMARY: This bill exempts (1) from the sales and use tax boats, boat motors, and trailers used for transporting boats and (2) certain dyed diesel fuel used in boats from the motor fuels tax. Under the bill, the exemption applies when it is sold to marine fuel dock owners or operators exclusively for marine purposes, provided (1) it is delivered to a tank in which fuel is kept exclusively for marine purposes and (2) the owner or operator submits to the fuel distributor a statement that the fuel is used as such. Under the bill, the DRS commissioner may license marine fuel dock owners and operators to purchase tax-exempt dyed diesel fuel.

EFFECTIVE DATE: July 1, 2018, except the sales and use tax provisions are applicable to sales occurring on or after that date.

FISCAL IMPACT:

State Impact:

Agency Affected	Effect	FY 19	FY 20	FY 21
Dept of Revenue Services	Various Funds – Revenue Loss	5 million	5 million	5 million

Explanation

The bill results in a revenue loss of $5 million annually to various funds by exempting boat related sales from the sales and use tax. As current law requires a diversion of a portion of the sales tax generated into (1) the Special Transportation Fund and (2) the Municipal Revenue Sharing Account beginning in FY 20, these funds will be impacted as well as the General Fund.

Additionally, the fuel excise tax exemption of dyed diesel fuel is not anticipated to result in a fiscal impact, as it is assumed the affected individual currently redeems a refund under current law.

44. Substitute for S.B. No. 424 (RAISED) AN ACT AUTHORIZING BONDING FOR BIKEWAYS, GREENWAYS AND RECREATIONAL TRAILS, CREATING A TAX MODIFICATION FOR CERTAIN FOOD DONATIONS BY FARMERS AND DESIGNATING CERTAIN PARCELS OF LAND IN GRISWOLD FOR INCLUSION IN PACHAUG STATE FOREST. (ENV,FIN) JFS

SUMMARY: This bill requires the Department of Administrative Services, once it acquires any interest in or ownership of certain land in Griswold, to immediately transfer its care, custody, and control to the Department of Energy and Environmental Protection for incorporation into the Pachaug State Forest.

The bill applies to land located at 100 and 101 Lee Road.

EFFECTIVE DATE: Upon passage

FISCAL IMPACT: No fiscal impact. The bill transfers care and custody of state property between state agencies.