CONNECTICUT TAX EXPENDITURE REPORT

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OFFICE OF FISCAL ANALYSIS
CONNECTICUT GENERAL ASSEMBLY

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INTRODUCTION

Statutory Requirements

Connecticut law (CGS Sec. 12-7b(e)) requires the Office of Fiscal Analysis, on or before January 1st of every other year, to report on tax expenditures, which the law defines as any exemption, exclusion, deduction or credit created under the general statutes or a public act which result in less tax revenue to the state or municipalities than they would otherwise receive.

Such report shall contain: (1) a description of each expenditure; (2) the year in which the expenditure was enacted; (3) the purpose for its enactment; (4) a summary of any amendments to the expenditure since its enactment; (5) the estimated state and municipal fiscal impact of the expenditure during each fiscal year of the current biennium; (6) an estimate of the revenue that would result from repeal of the expenditure; and (7) an estimate of the number of taxpayers receiving benefit from the expenditure.
This report is submitted to satisfy the January 2012 requirement. It is arranged as follows:

I. Introduction
II. Summary table of major expenditures
III. Details of each expenditure by tax type
IV. Appendix A: Comprehensive table of expenditures, revenue estimates
V. Appendix B: Compilation of tax credits not expected to be used in the current biennium

Methodology

Overview
The term "tax expenditure" may appear to be a contradiction. "Tax" denotes money coming into the government; "expenditure" denotes money going out. How can money be coming in and going out at the same time?

With tax expenditures, the money does not come in and go out again; rather, it does not come in at all. This is because the law has provided for an exemption, exclusion, deduction or credit that lowers the amount of tax revenue that would otherwise be collected.

A tax expenditure can be used to accomplish public policy goals. It may be enacted either to encourage a certain activity or to limit the tax burden on certain taxpayers. For example, government can attempt to encourage economic development directly by providing financial assistance to businesses through grants or indirectly through tax expenditures such as Corporation Tax credits or Sales Tax exemptions.

A tax expenditure does not need to be re-enacted. Unless a sunset date is placed on a tax expenditure provision, it continues until amended or repealed.

Criteria
We have developed six criteria to evaluate tax expenditure provisions for this report. Some are concepts used in the preparation of federal tax expenditure reports and others are based on a logical application of the tax expenditure concept.

A provision can generally be considered a tax expenditure if it:

1. Impacts a statewide tax;
2. Results in reduced tax revenue;
3. Is not an appropriation;
4. Is included in the definition of the tax base;
5. Is not subject to an alternative tax; and

6. Can be amended or repealed by a change in state law alone.

This report lists exemptions and exclusions from each state tax. **Exemptions** would otherwise be taxed but are exempted by specific legislative action. **Exclusions** are not taxed simply because they are not part of the base defined by the tax law.

Rationales
We used the following categories to classify the rationale behind each exemption or exclusion.

1. **Perceived Equity** - The tax expenditure was created to remedy a perceived inequity or unfairness in tax burden. It is often used as a rationale for reducing taxes on the consumption of basic necessities because the tax burden is viewed as excessive relative to the income of poor or disadvantaged (such as the handicapped or elderly) persons. The Sales Tax exemptions on food, clothing and medicine are examples of this rationale.

2. **Efficiency** - The cost of adequately collecting and administering the tax is high in comparison to the potential revenue that could be gained from taxation. For example, an exemption from the Real Estate Conveyance Tax was created for property conveyances of less than $2,000 because the amount of revenue that would be collected was considered too small to justify the administrative cost of collecting it.

3. **Incentive** - The expenditure is intended to encourage the performance of certain desirable activities such as economic growth and development, charitable or nonprofit work, or conservation of resources. The Corporation Business Tax credits for expenditures on research and development, hiring displaced workers, donation of open space land and rehabilitation of historic homes are examples of this rationale.

4. **Redundancy** - The entry is included in the base of one tax and excluded from the base of another to avoid over taxation. For example, redundancy is avoided on sales of gasoline because they are only subject to the Motor Fuels Excise Tax and exempt from the Sales and Use Tax

5. **Cascading** - Cascading (or pyramiding) occurs when a tax is imposed on a good or service at more than one stage of the production process so that the total tax incorporated into the final price of the good or service is greater than the legislated tax rate. For example, Sales Tax exemptions are provided for business inputs like raw materials, tools, machinery and equipment so that the taxes are not incorporated into the cost of making the final product and passed along to consumers in the form of higher prices.

6. **Clarification** - The entry clarifies the definition of what is taxable. For example, the Sales Tax exemption for property tax payments under motor vehicle leases clarifies that the tax is levied only on the portion of the lease payment that covers the use of the motor vehicle.

7. **Conformity** - The entry conforms the state statute to one of the following: (1) US constitutional or other federal requirements (for instance, the US Constitution prohibits the state from levying taxes on the federal government); (2) the federal taxation policy (for instance, the state has chosen to adopt the same tax exemptions or exclusions for certain types of businesses or business activities as the federal government); or (3) a general policy of taxation adopted by the state (for instance, the state has chosen not to tax itself or its political subdivisions).

8. **Expediency** - Expenditures of this type violate one or more of the principles of a high-quality revenue system without any apparent counterbalancing or compensating precept. (<u>Principles of a High-Quality State Revenue System</u>, Second Edition, National Conference of State Legislatures, 1992). The Sales Tax exemption for puzzle magazines provided by PA 94-4 (May Special Session) is an example of this rationale.

Caveats
This report estimates each tax expenditure provision in isolation, with other provisions in that tax and in other taxes held constant. The secondary impact of one provision over another provision is not taken into account. Because estimates measure the impact of the provision as it exists and not what would happen if it were repealed, no change in taxpayer behavior is assumed.

The precision of the estimates varies with the source of the data and with the applicability of the data to the tax expenditure provision. Data from Connecticut tax returns were used whenever possible. Other sources included federal tax expenditure estimates, data from federal tax returns, and other data for Connecticut and the nation. In some cases, because data was not available or were too indirect, an estimate of the amount could not be determined.

Please note that in the case of tax credits, information is provided by tax type only for credits that are estimated to be taken[1]. This is because data indicates that not all tax credits eligible to be taken against a given tax type are actually utilized. Consequently, there may be instances in which certain credits that are eligible to be taken against a certain tax type are not listed for that tax type.

Unless otherwise noted, all revenue estimates presented in this report are effective for FY 12 and FY 13. Differences between figures provided in this document and in previous versions of this document and other documents are generally due to revised data becoming available.

For certain tax expenditures, the FY 13 estimated revenue loss does not equate to the estimated FY 13 revenue gain from the repeal of the policy. In such cases, it is assumed that the application of a tax would partially decrease the current level of consumption or payment by an individual or entity on a certain good or service and therefore partially decrease the potential revenue gain. That is, the inclusion of a tax would increase the overall cost to the individual or entity. The individual or entity may elect to purchase less of such a good or service if the overall cost increased. A lower consumption of the good or service results in a lower revenue gain. See Appendix A for a comparison of estimated revenue losses/gains.

Taxpayers benefitting are defined as those persons who receive a direct, monetary benefit as a result of the tax expenditure.

Any questions or suggestions concerning the information contained in this document are welcome and can be sent to **ofa@cga.ct.gov.**

[1] Please see Appendix B for a compilation of credits not anticipated to be utilized during the current biennium.

The table on the following page summarizes state tax expenditures over $100,000 and provides estimates for the value of each. Please refer to the text for further information on each item.

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
	Personal Income Tax		
	Exemptions and Deductions		
22	Interest on US Obligations	34.0	34.0
23	Dividends from Mutual Funds Derived from US Govt Obligations	1.5	1.5
23	Tier I Railroad Retirement Benefits	0.4	0.4
23	Beneficiary's share of Connecticut fiduciary adjustment	0.3	0.3
23	Gain on sale of Connecticut Bonds	1.0	1.0
24	Social Security Benefits	79.0	79.0
25	Military Retirement Income	3.4	3.4
25	Contributions to CHET	5.6	5.6
25	Other Deductions	6.2	6.2
	Credits		
26	Credit for Property Taxes Paid	150.5	150.9
28	Earned Income Tax Credit	110.2	116.5
28	Angel Investor Tax Credit	6.0	6.0
29	Job Expansion Tax Credit	-	5.0
	Total Personal Income Tax	**398.1**	**409.8**
	Sales and Use Tax		
	Consumer Goods		
30	Sales of Food Products for Human Consumption	410.0	426.0
31	Items Purchased with Food Stamps	37.0	38.0
31	Meals Delivered to Homes of Elderly Disabled or Otherwise Confined	0.1	0.1
31	Oxygen, Blood Plasma, Prostheses, Wigs, Hearing Aids, Crutches, Walkers, Wheel Chairs, Life Support Equipment, Apnea Monitors, Chairlifts, Relate Repair Services, Reading Aids, Canes, and Support Hoses	16.0	17.0
32	Prescription Medicines, Syringes and Needles	328.0	341.0
32	Disposable Pads for Incontinence	0.9	1.0

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
33	Test Strips and Tablets, Lancets and Glucose Monitoring Equipment for Diabetics	1.9	2.0
34	Sales Tax "Free Week"	3.4	3.5
34	Fuel for Heating Purposes	60.0	62.0
35	Certain Utilities Sales	215.0	224.0
35	Water Companies Purchases	4.0	4.2
36	Motor Vehicle Fuel	526.0	547.0
36	Newspapers and Magazines	23.0	24.0
38	The First $2,500 of Burial or Cremation Services; Caskets	5.6	5.8
39	Bicycle Helmets	0.2	0.2
39	Campground Rentals	0.6	0.6
40	Weatherization Products and Fluorescent Light Bulbs	8.2	8.5
40	Child Car Seats	0.1	0.1
40	College Text Books	2.6	2.7
41	Solar Energy, Geothermal, and Ice Storage Systems	2.5	2.6
	Subtotal Consumer Goods	*1,645.1*	*1,710.3*
	Business and Agricultural Exemptions		
41	Machinery Used in Manufacturing and Component Parts for Assembly of Manufacturing Machinery and Production Materials	115.0	120.0
42	Partial Exemption for Materials, Tools, Fuels, Machinery and Equipment used in Manufacturing	1.0	1.0
43	Replacement Parts in Enterprise Zones	2.0	2.1
43	Agriculture Production	5.2	5.4
44	Commercial Fishing	25.0	26.0
44	Fuel Cell Manufacturing Facility	0.2	0.2
45	Aircraft Repair, Replacement Parts; Aircraft Repair Services; Materials, Tools, Fuel, Machinery and Equipment used in an Aircraft Manufacturing Facility	13.0	14.0
46	Certain Aircraft	0.2	0.2

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
46	Commercial Trucks, Trailers and Combination, and Commercial Vehicles used in Inter-State Business	6.8	7.1
47	Motor Buses used in Inter-State Business	5.0	5.2
48	Aviation Fuel	9.0	9.4
48	Marine Fuel	13.0	14.0
50	Printed Material Sent Out of State	2.1	2.2
50	Machinery, Equipment, etc. used in Commercial Printing	3.6	3.7
51	Personal Property re: Waste Treatment and Air Pollution Facilities	2.1	2.2
52	Motion Picture, Video, TV and Radio Production & Broadcast Equipment	2.0	2.1
52	Lease of Rental of Motion Pictures by Theater Owners	6.0	6.2
53	Optical Lens Equipment	0.2	0.2
54	Safety Apparel	3.2	3.3
54	Machinery, Equipment, Tools, Materials, Supplies, Fuel Used in Biotechnology Industry	1.7	1.8
55	Services or tangible personal property for the operation of projects of the Connecticut Resources Recovery Authority	0.6	0.6
55	Solid Waste to Energy Facilities	0.7	0.8
	Subtotal Business and Agricultural Exemptions	*217.6*	*227.7*
	Service Exemptions		
58	Computer and Data Processing	113.0	118.0
60	Calibration Services and ISO Services	13.0	14.0
60	Sale of Repair or Maintenance on Vessels	2.8	2.9
61	Renovation & Repair for Residential Property	20.0	21.0
61	Patient Care Services	295.0	307.0
62	Motor Vehicle Parking	5.3	5.5
63	Car Washes	6.0	6.2
63	Amusement and Recreation Services	72.0	75.0
63	Health and Athletic Club Services	10.0	10.0

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
64	Massage Therapist and Electrology Services	2.2	2.3
65	Advertising	40.0	42.0
65	Tax Preparation	4.0	4.2
65	Winter Boat Storage	2.4	2.5
66	Environmental Consulting Services	7.4	7.7
66	World Wide Web	53.0	55.0
67	Media Payroll Services	1.2	1.2
	Subtotal Service Exemptions	*647.3*	*674.5*
	Non-Profit Organization Exemptions		
68	Sales to Government organizations (combined lease, labor, and goods)	746.0	776.0
69	Children's Hospital and the John Dempsey Hospital	14.6	15.0
70	Sales to Nonprofit organizations (combined lease, labor, and goods)	189.0	197.0
74	Pilot Property Tax Credit for Computer Equipment	1.0	1.0
	Subtotal Government and Charitable Organizations	*950.6*	*989.0*
	Miscellaneous Exemptions		
75	Motor Vehicles & Vessels Purchased by Non-Residents to use Out of State	38.0	40.0
76	Vessels Brought in to the State for Storage, Maintenance or Repair	1.3	1.4
	Subtotal Miscellaneous Exemptions	*39.3*	*41.4*
	Items Subject to a Lower Sales Tax Rate or Basis		
79	Trade-In of Motor Vehicles, Snowmobiles, Vessels or Farm Tractors, Certain Construction Equipment	49.0	51.0
80	Coupons and Discounts and Battery Deposits and Trade-Ins of Like Kind and Core Parts	16.2	17.0
	Subtotal of Items Subject to a Lower Sales Tax Rate or Basis	*65.2*	*68.0*
	Total of Sales and Use Tax	**3,565.1**	**3,710.9**
	Corporate Business Tax		
	Exemptions and Deductions		

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
91	Net Operating Loss Carry-Over	155.0	164.3
91	Net Capital Loss Carry-Over	0.7	0.7
	Subtotal Exemptions and Deductions	*155.7*	*165.0*
	Credits		
92	Apprenticeship	0.6	0.6
93	Digital Animation Production	1.0	1.0
94	Electronic Data Processing	9.4	10.0
95	Film Production	4.5	5.5
96	Film Production Infrastructure	0.6	1.0
97	Fixed Capital	80.0	70.0
98	Historic Home Rehabilitation, Historic Structure and Mixed Use Historic Rehabilitaiton	0.5	0.5
99	Housing Program Contribution	1.6	1.6
100	Human Capital	1.7	1.7
100	Insurance Reinvestment	0.5	0.5
101	Machinery and Equipment	1.8	1.7
101	Mfg Facilities/Service Facilities/Enterprise Zones	1.2	1.2
102	Neighborhood Assistance	3.5	3.5
103	Research & Development	5.0	5.8
104	Research & Experimentation	17.0	17.5
104	Sale of Certain Credits	9.0	9.5
104	Urban and Industrial Reinvestment Credit	3.7	4.0
105	New Jobs Creation Tax Credit	0.6	2.3
105	Qualified Small Business Job Creation Tax Credit	0.1	0.1
105	Job Expansion Tax Credit	-	10.0
	Subtotal Credits	*142.3*	*148.0*
	Total Corporate Income Tax	**298.0**	**313.0**

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
	Insurance Premiums Tax		
	Exemptions and Deductions		
107	Ocean Marine Insurance	0.8	0.8
108	State Employee Health Plans	10.4	10.4
109	Medicaid, HUSKY and General Assistance	5.5	5.5
109	Municipal, Non-profit and Teachers Retirement System	0.1	0.1
	Sub Total Credits	*16.8*	*16.8*
	Credits		
110	Insurance Department Assessment Credit	0.8	0.8
110	Housing Program Contribution	0.3	0.3
111	Neighborhood Assistance	1.5	1.5
111	Historic Home Rehabilitation	0.5	0.5
112	Insurance Reinvestment	1.0	0.8
112	Urban And Industrial Site Reinvestment	3.1	3.1
113	Electronic Data Processing	12.8	13.0
113	Film Production	30.1	23.3
114	Film Production Infrastructure	13.6	4.6
115	Digital Animation Production	14.0	14.0
116	New Jobs Creation Tax Credit	0.1	0.1
	Subtotal Credits	*77.8*	*61.9*
	Total Insurance Premiums Tax	**94.6**	**78.7**
	Real Estate Conveyance Tax		
	General Exemptions and Exclusions		
117	Conveyances Of Less Than $2,000	0.2	0.2
118	Transfer of Burial Rights For A Cemetery Lot	0.8	0.8
	Subtotal General Exemptions and Exlusions	*1.0*	*1.0*

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
	Total Real Estate Conveyance Tax	**1.0**	**1.0**
	Unified Estate and Gift Tax		
	Credits		
129	Certain Inheritance Taxes Paid to Other Jurisdictions	-	-
	Total Unified Estate and Gift Tax	**-**	**-**
	Public Service Companies Gross Earnings Tax		
	Exemptions and Deductions		
131	Sales for Resale	3.8	3.8
132	Gas and Electricity Used by Industrial Consumers (SIC 2000-3999)	25.0	25.0
132	Gas Sold to Facility with 775 MW of Capacity	9.8	10.0
133	Railroad Companies When Certified by DOT	0.7	0.7
	Subtotal Exemptions and Deductions	*39.3*	*39.5*
	Rate Reductions		
133	Lowered Rate for Residential Utilities	25.0	25.0
	Total Public Service Companies Gross Earnings Tax	**64.3**	**64.5**
	Petroleum Companies Gross Earnings Tax		
	Exemptions, Deductions and Exclusions		
135	#2 Heating Oil used for Heating Purposes	201.7	207.3
136	#2 Heating Oil used in Commercial Fishing	1.0	1.0
136	Propane Used for Residential Heating	11.9	12.2
136	Kerosene Used for Residential Heating	2.3	2.3
137	Fuel Used By Vessels Engaged In Interstate Commerce	2.7	2.8
137	Fuel Used by Industrial Consumers (SIC 2000-3999)	0.1	0.1
138	Commercial Heating Oil Blend	1.8	1.8
138	Diesel Fuel First Sale	81.2	83.4
	Subtotal Exemptions and Deductions	*302.7*	*310.9*

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
	Credits		
139	Credit for Sale to Resellers Located Outside the State	58.3	59.8
	Total Petroleum Companies Gross Earnings Tax	**361.0**	**370.7**
	Cigarette and Tobacco Products Taxes		
	Exemptions		
141	Exempt/Exported Tobacco Products	13.9	13.3
	Total Cigarette and Tobacco Products Taxes	**13.9**	**13.3**
	Alcoholic Beverages Tax		
	Exclusions		
	Total Alcoholic Beverages Tax	**-**	**-**
	Admissions and Dues Taxes		
	Admission Tax Exemptions and Exclusions		
145	Nonprofit Charities	9.7	9.7
	Admission to events held at:		
145	Hartford Civic Center, New Haven Coliseum, New Britain Beehive Stadium, New Britain Veterans Memorial Stadium, Tennis Foundation, O'Neill Convocation Center, Stafford Motor Speedway, Thompson Speedway, Waterford Speedbowl, Lime Rock Park, Bridgeport Harbor Yard Stadium	4.0	-
146	Centers For Elderly Persons	1.4	1.4
146	Carnival or Amusement Rides	1.6	1.6
147	Health Club Charges	1.2	1.2
147	Charges For Instruction	0.8	0.8
	Subtotal Admissions Tax	*18.7*	*14.7*
	Dues Tax Exemptions		
148	Clubs, Lodges, or Fraternal Organizations Sponsored By Charitable Or Religious Organization, Governmental Agency, Nonprofit Educational Institution, Or At A College/University	3.7	3.7
148	Charges For Athletic Instruction	2.7	2.7
149	Lawn Bowling Clubs		

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
		0.4	0.4
	Subtotal Dues Tax	*6.8*	*6.8*
	Total Admissions and Dues Taxes	**25.5**	**21.5**
	Electric Generation Tax		
	Exemptions		
151	Fuel Cell and Alternative Energy Systems	1.3	1.3
151	Generation By A Resource Recovery Facility	1.9	1.9
151	Generation By Customer-Side Distributed Resources	1.0	1.0
	Total Electric Generation Tax	**4.2**	**4.2**
	Tax on Hospital Net Revenue		
	Exemptions		
153	Financially Distressed Hospitals	5.7	5.7
	Total Tax on Hospital Net Revenue	**5.7**	**5.7**
	Motor Fuels and Motor Carrier Road Taxes		
	Exemptions to Motor Fuels Tax		
154	US Government	1.0	1.0
155	Municipal Contractors, Municipalities, Transit Districts and the State	18.7	18.7
155	Fuel Distributors	666.6	666.6
156	Fuel Transferred Out Exported Out of State	317.1	317.1
156	Farmers and Other Exempt Purchasers, Aviation Fuel	685.1	685.1
	Subtotal Motor Fuels Tax Exemptions	*1,688.5*	*1,688.5*
	Refunds of Motor Fuels Tax		
160	Vehicles not Operated on Public Highways	1.2	1.2
160	CT Motor Bus Companies and Other Livery Services	0.6	0.6
162	Fuel Used In High-Occupancy Motor Vehicles	0.1	0.1
	Subtotal Refunds of Motor Fuels Tax	*1.9*	*1.9*

Summary of Major Identifiable State Tax Expenditures
(millions)

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates
162	Credit for Motor Carrier Road Tax on Motor Fuels Tax Paid in State	80.0	80.0
	Total Motor Fuels and Motor Carrier Road Taxes	**1,770.4**	**1,770.4**
	Miscellaneous Taxes		
	Exemptions and Exclusions		
164	Occupational Tax	5.5	5.5
	Total Miscellaneous Taxes	**5.5**	**5.5**
	Grand Total—Major Identifiable State Tax Expenditures	**6,607.3**	**6,769.2**

PERSONAL INCOME TAX

During the legislature's 1991 June Special Session the General Assembly enacted Public Act 91-3, which imposed a tax on the income of resident individuals, trusts and estates, and on the income of nonresident individuals, trusts and estates derived from sources within the state, at a rate of 4.5% for the 1992 income year. (The tax rate for the 1991 income year was set at 1.5% because the tax was not levied for 12 months.) PA 95-160 created a two tier tax rate structure by lowering the tax rate from 4.5% to 3% for taxable income below certain levels. PA 03-2 increased the 4.5% rate to 5.0% for the 2003 income year and thereafter. Beginning with the 2009 income year PA 09-3 JSS increases the 5.0% tax rate to 6.5% for income above certain levels.

PA 11-06 increased marginal income tax rates and phased out the lowest (3%) income tax bracket for filers at certain taxable income levels by subjecting more taxable income to the 5% bracket. In addition, PA 11-06: (1) imposed a "recapture" provision to eliminate the benefits that certain filers receive from having a portion of their taxable income taxed at lower marginal rates; and (2) altered the property tax credit against the personal income tax by reducing, from $500 to $300, the maximum property tax credit and phasing out the credit at a steeper rate than prior law. Lastly, PA 11-06 established a refundable state earned income tax credit equal to 30% of the federal credit.

The tax is levied on Connecticut taxable income, which is defined as adjusted gross income for federal income tax purposes with certain modifications and exemptions.

Computation of Tax

<u>Tax Basis</u> - The tax is levied on Connecticut adjusted gross income (AGI) above basic personal exemption levels that vary according to taxpayer status and which phase out at higher income levels. Income below the personal exemption threshold is excluded from the tax base based on the rationale that income needed for bare sustenance should be free from tax. Thus, for the purpose of this document, personal exemptions are not listed as tax expenditures.

Connecticut adjusted gross income (AGI) is defined as adjusted gross income for federal income tax purposes, subject to certain additions and deletions. Additions include such things as interest and dividends from obligations (such as bonds) from other states or subdivisions of other states unless federal law exempts them from state income taxes. Subtractions include items such as: (1) income included in adjusted gross income that federal law exempts from state taxation; (2) refunds or credits for overpayments of income tax; (3) exempt dividends paid by a regulated investment company; and (4) Tier One railroad retirement benefits. PA 94-4 MSS eliminated the subtraction of moving expenses, effective with the 1994 income year.

For income years 1994 through 1997 the percentage of social security benefits that is included in state AGI is limited to the percentage that was taxable under the 1993 federal income tax rules (PA 94-4 MSS). For the 1998 income year, the amount is reduced by one-half of the 50% (i.e., 25% of benefits) (PA 97-309; PA 97-322). For the 1999 income year and thereafter, the remaining 25% of benefits is exempted for Joint Filers with AGI under $60,000 and Single Filers with AGI under $50,000 (PA 99-173.)

Beginning with the 2000 income year, any restitution payments to survivors of various human rights abuses during World War II are exempted from the tax (PA 00-82).

Special rules are established for determining whether the income of the following taxpayer types is derived from sources within the state and how income gains, losses, and deductions are allocated: (1) a non-resident or a part-year resident; (2) a partner's distributive share of partnership income; (3) a shareholder's pro rata share of S corporation or limited liability company (PA 93-267, effective 10/1/93) income; and (3) a beneficiary's share of trust or estate income.

The tax imposed on income earned by resident and nonresident trusts and estates is similar to the one applied to individuals except that the trusts and estates do not receive the exemptions and credits that individuals receive. The tax must be paid by the fiduciary. Special rules are established for determining what income is derived from sources within the state for nonresident and part-year resident estates, trusts and beneficiaries and how income, gains, losses, and deductions are allocated.

Tax Rate – PA 91-3 JSS imposes the tax on the income of individuals, trusts and estates derived from sources within the state at 1.5% for the 1991 income year and 4.5% for the 1992 income year and thereafter. PA 95-160 reduces the rate for certain income levels from 4.5% to 3.0% (see below). PA 97-309 and PA 97-322 increases the income levels to which the 3% rate applies for the 1997, 1998 and 1999 income years and thereafter (see below). The rate for income above these levels is 4.5% for income years from 1992 to 2002. For the 2003 income year, the rate on the additional income is increased to 5.0% (PA 03-2).

Amount of Taxable Income Taxed at 3%

Income Year	Effective Date	Type of Filer		
		Joint	Head of Household	Single
1996	7/1/96	$ 9,000	$ 7,000	$ 4,500
1997	1/1/97	12,500	10,000	6,250
1998	1/1/98	15,000	12,000	7,500
1999	1/1/99	20,000	16,000	10,000
2011*	1/1/11	20,000	16,000	10,000

*PA 11-6 established a 3.0% Tax Rate Phase-Out Add-Back which effectively reduces or eliminates the amount of income to which the 3.0% rate applies.

For the 2009 and 2010 income years, the 5.0% tax rate was increased to 6.5% above certain income levels (PA 09-3 JSS) as follows:

Tax Rates and Taxable Income For the 2009 through 2010 Income Years

Tax Rate	Type of Filer		
	Joint	Head of Household	Single
3.0%	$0 - 20,000	$0 -16,000	$0 - 10,000
5.0%	$20,001 - $1 million	$16,001 - $800,000	$10,001 - $500,000
6.5%	Over $1 million	Over $800,000	Over $500,000

Beginning with the 2011 income year, the 6.5% rate was increased to 6.7% above certain income levels (PA 11-6), and additional marginal rates were added between the 5.0% and 6.5% rates for certain income levels. The following table compares marginal rates prior to and following the passage of the income tax changes included in PA 11-6:

CT TAXABLE INCOME				*TAX RATES*	
Married Filing Jointly		*Single*			
Over	*But Not Over*	*Over*	*But Not Over*	*Before PA 11-6*	*PA 11-6*
$0	$20,000	$0	$10,000	3. 00%	3. 00%
20,000	100,000	10,000	50,000		5. 00%
100,000	200,000	50,000	100,000		5. 50%
200,000	400,000	100,000	200,000		6. 00%
400,000	500,000	200,000	250,000		6. 50%
500,000	1,000,000	250,000	500,000	5. 00%	
Over $1,000,000		Over $500,000		6. 50%	6. 70%
CT TAXABLE INCOME				*TAX RATES*	

Head of Household		*Married Filing Separately*			
Over	***But Not Over***	***Over***	***But Not Over***	***Before PA 11-6***	***PA 11-6***
$0	$16,000	$0	$10,000	3. 00%	3. 00%
16,000	80,000	10,000	50,000		5. 00%
80,000	160,000	50,000	100,000		5. 50%
160,000	320,000	100,000	200,000		6. 00%
320,000	400,000	200,000	250,000		6. 50%
400,000	800,000	250,000	500,000	5. 00%	
Over $800,000		Over $500,000		6. 50%	6. 70%

PA 11-6 also established a Tax Rate Phase-Out Add-Back that phases out the lowest (3.0%) marginal rate for taxpayers starting with Connecticut adjusted gross income over $100,500 for joint filers, $56,500 for singles, $78,500 for heads of household, and $50,250 for married couples filing separately. It does so by subjecting less taxable income to the 3.0% income tax rate as adjusted gross income increases, thus subjecting more taxable income to the 5.0% bracket.

The following table illustrates the degree to which the Tax Rate Phase-Out Add-Back decreases the amount of income to which the 3.0% rate applies as adjusted gross income levels increase:

SINGLE			*MARRIED FILING JOINTLY*		
CT AGI		**3% Rate Applies to Taxable Income Up to**	**CT AGI**		**3% Rate Applies to Taxable Income Up to**
Over	*But Not Over*		*Over*	*But Not Over*	
0	56,500	$10,000	0	$100,500	$20,000
56,500	61,500	9,000	100,500	105,500	18,000
61,500	66,500	8,000	105,500	110,500	16,000
66,500	71,500	7,000	110,500	115,500	14,000
71,500	76,500	6,000	115,500	120,500	12,000
76,500	81,500	5,000	120,500	125,500	10,000
81,500	86,500	4,000	125,500	130,500	8,000
86,500	91,500	3,000	130,500	135,500	6,000
91,500	96,500	2,000	135,500	140,500	4,000
96,500	101,500	1,000	140,500	145,500	2,000
Over $ 101,500		None	Over $ 145,500		None
HEAD OF HOUSEHOLD			*MARRIED FILING SEPARATELY*		
CT AGI		**3% Rate Applies to Taxable Income Up to**	**CT AGI**		**3% Rate Applies to Taxable Income Up to**
Over	*But Not Over*		*Over*	*But Not Over*	
0	$78,500	$16,000	0	$50,250	$10,000
78,500	82,500	14,400	50,250	52,750	9,000
82,500	86,500	12,800	52,750	55,250	8,000
86,500	90,500	11,200	55,250	57,750	7,000
90,500	94,500	9,600	57,750	60,250	6,000
94,500	98,500	8,000	60,250	62,750	5,000

98,500	102,500	6,400	62,750	65,250	4,000
102,500	106,500	4,800	65,250	67,750	3,000
106,500	110,500	3,200	67,750	70,250	2,000
110,500	114,500	1,600	70,250	72,750	1,000
	Over $ 114,500	None		Over $ 72,250	None

In addition to the Tax Rate Phase-Out Add-Back, PA 11-6 included a Marginal Rate Benefit Recapture provision for taxpayers whose annual Connecticut AGI exceeds specified thresholds. This provision eliminates the benefits affected taxpayers receive from having a portion of their taxable icome taxed at lower marginal rates. It does so by requiring taxpayers with higher incomes to add specified amounts to their tax liability. These "recapture" amounts phase in as CT AGI increases, until a taxpayer's income is effectively taxed at the highest marginal rate (6.7%).

The following table shows the recapture amounts by filing status and income level:

Single or Filing Seperately			Filing Jointly or Qualified Widow(er)			Head of Household		
Connecticut AGI		Recapture Amount	Connecticut AGI		Recapture Amount	Connecticut AGI		Recapture Amount
More Than	Less Than or Equal To		More Than	Less Than or Equal To		More Than	Less Than or Equal To	
$ 0	$200,000	$ 0	$ 0	$400,000	$ 0	$ 0	$320,000	$ 0
$200,000	$205,000	$ 75	$400,000	$410,000	$ 150	$320,000	$328,000	$ 120
$205,000	$210,000	$ 150	$410,000	$420,000	$ 300	$328,000	$336,000	$ 240
$210,000	$215,000	$ 225	$420,000	$430,000	$ 450	$336,000	$344,000	$ 360
$215,000	$220,000	$ 300	$430,000	$440,000	$ 600	$344,000	$352,000	$ 480
$220,000	$225,000	$ 375	$440,000	$450,000	$ 750	$352,000	$360,000	$ 600
$225,000	$230,000	$ 450	$450,000	$460,000	$ 900	$360,000	$368,000	$ 720
$230,000	$235,000	$ 525	$460,000	$470,000	$1,050	$368,000	$376,000	$ 840
$235,000	$240,000	$ 600	$470,000	$480,000	$1,200	$376,000	$384,000	$ 960
$240,000	$245,000	$ 675	$480,000	$490,000	$1,350	$384,000	$392,000	$1,080
$245,000	$250,000	$ 750	$490,000	$500,000	$1,500	$392,000	$400,000	$1,200
$250,000	$255,000	$ 825	$500,000	$510,000	$1,650	$400,000	$408,000	$1,320
$255,000	$260,000	$ 900	$510,000	$520,000	$1,800	$408,000	$416,000	$1,440
$260,000	$265,000	$ 975	$520,000	$530,000	$1,950	$416,000	$424,000	$1,560
$265,000	$270,000	$1,050	$530,000	$540,000	$2,100	$424,000	$432,000	$1,680
$270,000	$275,000	$1,125	$540,000	$550,000	$2,250	$432,000	$440,000	$1,800
$275,000	$280,000	$1,200	$550,000	$560,000	$2,400	$440,000	$448,000	$1,920
$280,000	$285,000	$1,275	$560,000	$570,000	$2,550	$448,000	$456,000	$2,040
$285,000	$290,000	$1,350	$570,000	$580,000	$2,700	$456,000	$464,000	$2,160
$290,000	$295,000	$1,425	$580,000	$590,000	$2,850	$464,000	$472,000	$2,280
$295,000	$300,000	$1,500	$590,000	$600,000	$3,000	$472,000	$480,000	$2,400
$300,000	$305,000	$1,575	$600,000	$610,000	$3,150	$480,000	$488,000	$2,520
$305,000	$310,000	$1,650	$610,000	$620,000	$3,300	$488,000	$496,000	$2,640
$310,000	$315,000	$1,725	$620,000	$630,000	$3,450	$496,000	$504,000	$2,760
$315,000	$320,000	$1,800	$630,000	$640,000	$3,600	$504,000	$512,000	$2,880
$320,000	$325,000	$1,875	$640,000	$650,000	$3,750	$512,000	$520,000	$3,000
$325,000	$330,000	$1,950	$650,000	$660,000	$3,900	$520,000	$528,000	$3,120
$330,000	$335,000	$2,025	$660,000	$670,000	$4,050	$528,000	$536,000	$3,240
$335,000	$340,000	$2,100	$670,000	$680,000	$4,200	$536,000	$544,000	$3,360
$340,000	$345,000	$2,175	$680,000	$690,000	$4,350	$544,000	$552,000	$3,480
$345,000	and up	$2,250	$690,000	and up	$4,500	$552,000	and up	$3,600

Minimum Tax - Taxpayers are required to pay the higher of their liability under the state Personal Income Tax or the Connecticut Minimum Tax, effective 1/1/93 (PA 94-4 MSS). The Connecticut Minimum Tax is the lesser amount of 19% of adjusted federal tentative minimum tax or 5% of adjusted federal alternative minimum taxable income.

Exemptions – Taxpayers are eligible for two exemptions, depending on their income level: (1) a personal exemption and (2) a personal tax credit. Personal credits and exemptions are used to determine the basis of taxation for the income tax, and therefore are not considered to be tax expenditures for purposes of this report.

The table below presents the personal exemption for the 2011 income year based on filing status:

Single			Filing Jointly or Qualified Widow(er)			Filing Separately			Head of Household		
Connecticut AGI			Connecticut AGI			Connecticut AGI			Connecticut AGI		
More Than	Less Than or Equal To	Exemption	More Than	Less Than or Equal To	Exemption	More Than	Less Than or Equal To	Exemption	More Than	Less Than or Equal To	Exemption
$ 0	$26,000	$13,000	$ 0	$48,000	$24,000	$ 0	$24,000	$12,000	$ 0	$38,000	$19,000
$26,000	$27,000	$12,000	$48,000	$49,000	$23,000	$24,000	$25,000	$11,000	$38,000	$39,000	$18,000
$27,000	$28,000	$11,000	$49,000	$50,000	$22,000	$25,000	$26,000	$10,000	$39,000	$40,000	$17,000
$28,000	$29,000	$10,000	$50,000	$51,000	$21,000	$26,000	$27,000	$ 9,000	$40,000	$41,000	$16,000
$29,000	$30,000	$ 9,000	$51,000	$52,000	$20,000	$27,000	$28,000	$ 8,000	$41,000	$42,000	$15,000
$30,000	$31,000	$ 8,000	$52,000	$53,000	$19,000	$28,000	$29,000	$ 7,000	$42,000	$43,000	$14,000
$31,000	$32,000	$ 7,000	$53,000	$54,000	$18,000	$29,000	$30,000	$ 6,000	$43,000	$44,000	$13,000
$32,000	$33,000	$ 6,000	$54,000	$55,000	$17,000	$30,000	$31,000	$ 5,000	$44,000	$45,000	$12,000
$33,000	$34,000	$ 5,000	$55,000	$56,000	$16,000	$31,000	$32,000	$ 4,000	$45,000	$46,000	$11,000
$34,000	$35,000	$ 4,000	$56,000	$57,000	$15,000	$32,000	$33,000	$ 3,000	$46,000	$47,000	$10,000
$35,000	$36,000	$ 3,000	$57,000	$58,000	$14,000	$33,000	$34,000	$ 2,000	$47,000	$48,000	$ 9,000
$36,000	$37,000	$ 2,000	$58,000	$59,000	$13,000	$34,000	$35,000	$ 1,000	$48,000	$49,000	$ 8,000
$37,000	$38,000	$ 1, 000	$59,000	$60,000	$12,000	$35,000	and up	$ 0	$49,000	$50,000	$ 7,000
$38,000	and up	$ 0	$60,000	$61,000	$11,000				$50,000	$51,000	$ 6,000
			$61,000	$62,000	$10,000				$51,000	$52,000	$ 5,000
			$62,000	$63,000	$ 9,000				$52,000	$53,000	$ 4,000
			$63,000	$64,000	$ 8,000				$53,000	$54,000	$ 3,000
			$64,000	$65,000	$ 7,000				$54,000	$55,000	$ 2,000
			$65,000	$66,000	$ 6,000				$55,000	$56,000	$ 1,000
			$66,000	$67,000	$ 5,000				$56,000	and up	$ 0
			$67,000	$68,000	$ 4,000						
			$68,000	$69,000	$ 3,000						
			$69,000	$70,000	$ 2,000						
			$70,000	$71,000	$ 1,000						
			$71,000	and up	$ 0						

The table below presents the personal tax credit for the 2011 income year based on filing status:

Single			Filing Jointly or Qualified Widow(er)			Filing Separately			Head of Household		
Connecticut AGI		Decimal Amount	Connecticut AGI		Decimal Amount	Connecticut AGI		Decimal Amount	Connecticut AGI		Decimal Amount
More Than	Less Than or Equal To		More Than	Less Than or Equal To		More Than	Less Than or Equal To		More Than	Less Than or Equal To	
$13,000	$16,300	.75	$24,000	$30,000	.75	$12,000	$15,000	.75	$19,000	$24,000	.75
$16,300	$16,800	.70	$30,000	$30,500	.70	$15,000	$15,500	.70	$24,000	$24,500	.70
$16,800	$17,300	.65	$30,500	$31,000	.65	$15,500	$16,000	.65	$24,500	$25,000	.65
$17,300	$17,800	.60	$31,000	$31,500	.60	$16,000	$16,500	.60	$25,000	$25,500	.60
$17,800	$18,300	.55	$31,500	$32,000	.55	$16,500	$17,000	.55	$25,500	$26,000	.55
$18,300	$18,800	.50	$32,000	$32,500	.50	$17,000	$17,500	.50	$26,000	$26,500	.50
$18,800	$19,300	.45	$32,500	$33,000	.45	$17,500	$18,000	.45	$26,500	$27,000	.45
$19,300	$19,800	.40	$33,000	$33,500	.40	$18,000	$18,500	.40	$27,000	$27,500	.40
$19,800	$21,700	.35	$33,500	$40,000	.35	$18,500	$20,000	.35	$27,500	$34,000	.35
$21,700	$22,200	.30	$40,000	$40,500	.30	$20,000	$20,500	.30	$34,000	$34,500	.30
$22,200	$22,700	.25	$40,500	$41,000	.25	$20,500	$21,000	.25	$34,500	$35,000	.25
$22,700	$23,200	.20	$41,000	$41,500	.20	$21,000	$21,500	.20	$35,000	$35,500	.20
$23,200	$27,100	.15	$41,500	$50,000	.15	$21,500	$25,000	.15	$35,500	$44,000	.15
$27,100	$27,600	.14	$50,000	$50,500	.14	$25,000	$25,500	.14	$44,000	$44,500	.14
$27,600	$28,100	.13	$50,500	$51,000	.13	$25,500	$26,000	.13	$44,500	$45,000	.13
$28,100	$28,600	.12	$51,000	$51,500	.12	$26,000	$26,500	.12	$45,000	$45,500	.12
$28,600	$29,100	.11	$51,500	$52,000	.11	$26,500	$27,000	.11	$45,500	$46,000	.11
$29,100	$52,000	.10	$52,000	$96,000	.10	$27,000	$48,000	.10	$46,000	$74,000	.10
$52,000	$52,500	.09	$96,000	$96,500	.09	$48,000	$48,500	.09	$74,000	$74,500	.09
$52,500	$53,000	.08	$96,500	$97,000	.08	$48,500	$49,000	.08	$74,500	$75,000	.08
$53,000	$53,500	.07	$97,000	$97,500	.07	$49,000	$49,500	.07	$75,000	$75,500	.07
$53,500	$54,000	.06	$97,500	$98,000	.06	$49,500	$50,000	.06	$75,500	$76,000	.06
$54,000	$54,500	.05	$98,000	$98,500	.05	$50,000	$50,500	.05	$76,000	$76,500	.05
$54,500	$55,000	.04	$98,500	$99,000	.04	$50,500	$51,000	.04	$76,500	$77,000	.04
$55,000	$55,500	.03	$99,000	$99,500	.03	$51,000	$51,500	.03	$77,000	$77,500	.03
$55,500	$56,000	.02	$99,500	$100,000	.02	$51,500	$52,000	.02	$77,500	$78,000	.02
$56,000	$56,500	.01	$100,000	$100,500	.01	$52,000	$52,500	.01	$78,000	$78,500	.01
$56,500	and up	.00	$100,500	and up	.00	$52,500	and up	.00	$78,500	and up	.00

Exclusions--Connecticut Modifications

The Connecticut adjusted gross income (AGI) of a resident, nonresident, and estate is defined as federal adjusted gross income with modifications as specified by CT General Statutes, including:

1. Interest on U. S obligations

Citation: Federal Law & CGS § 12-701 (20)(B)(i)

Description: Interest income derived from U.S. government obligations that federal law prohibits states from taxing. For example: U.S. government bonds such as Savings Bonds Series EE and Series HH, U.S. Treasury bills and notes. Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) securities interest income is taxable for Connecticut income tax purposes.

History: Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, § 52 (B)(i), effective for tax years 1991 and after.

Fiscal Estimates: $34.0 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 1.7 million.

Rationale: Conformity.

2. Dividends from mutual funds derived from U.S. government obligations

Citation: Federal Law & CGS §§ 12-701 (20)(B)(ii) and 12-718.

Description: Dividends from certain mutual funds consisting of US obligations are exempt. The mutual fund must have at least 50% of the value of its assets consisting of U.S. government obligations at the close of each quarter.

History: Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, §§ 52 (B)(ii) & 69, effective for tax years 1991 and after.

Fiscal Estimates: $1.5 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 1.7 million.

Rationale: Conformity.

3. Tier I Railroad Retirement Benefits

Citation: Title 45 Section 231(m) of the United States Code & CGS § 12-701 (20)(B)(iv)

Description: Tier I Railroad Retirement Benefits included in federal adjusted gross income in amounts greater than $25,000 for single taxpayers and greater than $32,000 for married taxpayers are deducted from Connecticut taxable income.

History: Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, § 52 (B)(v), effective for tax years 1991 and after.

Fiscal Estimates: $400,000 in FY 12 and FY 13

Taxpayers Benefitting: Fewer than 1.7 million.

Rationale: Conformity.

4. Beneficiary's share of Connecticut fiduciary adjustment

Citation: CGS § 12-701 (20)(C)

Description: Any income from an estate or trust, or any Connecticut fiduciary adjustment that applies to such income.

History: Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, § 52, effective for tax years 1991 and after.

Fiscal Estimates: $300,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 1.7 million.

Rationale: Conformity.

5. Gain on sale of Connecticut bonds

Citation: CGS § 12-701 (20)(B)(vii)

Description: Gains from the sale or exchange of notes, bonds or other obligations of the state or its municipalities used in determining gain for federal income tax purposes.

History: PA 92-5, May Special Session, § 2 (B)(vii), effective for tax years 1992 and after.

Fiscal Estimates: $1.0 million in FY 12 and FY 13.

Taxpayers benefitting: Fewer than 1.7 million.

Rationale: Conformity.

6. Social security benefits

Citation: CGS § 12-701 (20)(B)(ix).

Description: In 1993 the federal government increased the amount of social security benefits that are taxable for federal income tax purposes. This deduction limits state taxation of social security benefits to the amount that was taxable for federal purposes prior to the 1993 change, effective with the 1994 income year.

History: For income years 1994 through 1997 the percentage of social security benefits that is included in state adjusted gross income is limited to the percentage that was taxable under the 1993 federal income tax rules (PA 94-4 MSS). For the 1998 income year, the amount is reduced by one-half of the 50% (i.e., 25% of benefits) (PA 97-309 and PA 97-322). For the 1999 income year and thereafter, the remaining 25% of benefits is exempted for Joint Filers with AGI under $60,000 and Single Filers with AGI under $50,000 (PA 99-173).

Fiscal Estimates: $79.0 million in FY 12 and FY 13.

Taxpayers Benefitting: Approximately 320,000.

Rationale: Expediency.

7. Holocaust payments

Citation: CGS 12-701(a)(20)(B)(xiv)

Description: Any restitution payments to survivors of various human rights abuses during World War II are exempted from the income tax.

History: Beginning with the 2000 income year (PA 00-82).

Fiscal Estimates: Less than $100,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 100.

Rationale: Expediency.

Estimates: Less than $100,000.

9. Individual Development Accounts

Citation: CGS § 12-701 (20)(B)(xv)

Description: Interest earned on funds deposited in the Individual Development Account is exempt from the tax.

History: The Individual Development Account was created by PA 00-192 to allow certain low-income and qualified disable taxpayers to open savings accounts and receive matching funds as an incentive for saving for specific purposes. Effective for tax years 2000 and after.

Fiscal Estimates: Less than $100,000 in FY 12 and FY 13.

Taxpayers Benefitting: Between 100 and 200.

Rationale: Incentive.

10. Military retirement income

Citation: CGS § 12-701 (20)(B)(xvii)

Description: 50% of federally taxable military retirement pay is exempt from the state income tax. The exemption applies to federal retirement pay to retired members of the U. S. Army, Navy, Air Force, Marines, Coast Guard, and Army and Air National Guard.

History: PA 05-251, effective for tax years 2008 and after.

Fiscal Estimates: $3.4 million in FY 12 and FY 13.

Taxpayers Benefitting: Approximately 11,000.

Rationale: Expediency.

***11.* Contributions to CHET**

Citation: CGS § 12-701 (20)(B)(xiii)

Description: Taxpayers may deduct contributions to the Connecticut Higher Education Trust (CHET), which is Connecticut's state-sponsored college savings plan, from their Connecticut AGI for state income tax purposes. It limits annual deductions to $5,000 for individual taxpayers and $10,000 for Joint Filers. It allows taxpayers to carry forward any unused deductions for contributions on or after January 1, 2006 for the five following years as long as each deduction does not exceed the annual maximum.

History: PA 06-186, effective for tax years 2006 and after.

Fiscal Estimates: $5.6 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 100,000.

Rationale: Incentive.

12. Other deductions

Citations: For items (a)-(c): CGS § 12-701 (20)(B)(v)-(ix)

Description: The following items are deductible in determining Connecticut adjusted gross income but not deductible in determining federal adjusted gross income:

(a) Interest paid on indebtedness incurred to acquire investments that provide income that is taxable in Connecticut but not taxable for federal purposes, that is not deductible in determining federal adjusted gross income, and is attributable to a trade or business of that individual;

(b) Expenses paid or incurred for the production (including management, conservation, and maintenance of property held for production) or collection of income taxable in Connecticut but exempt from federal income tax, which were not deductible in determining federal adjusted gross income;

(c) Amortizable bond premium on bonds that provide interest income taxable in Connecticut but are exempt from federal income tax, which premiums were not deductible in determining adjusted gross income; and

(d) Any subtractions from federal adjusted gross income not listed. For instance, a deduction from Connecticut taxable income for any interest income from notes, bonds or other obligations of the State of Connecticut, interest income from which is included in federal adjusted gross income.

History: Items (a)-(c) PA 92-5, May Special Session, effective for tax years 1992 and after. No citation or history is available for Item (d).

Fiscal Estimates: $6.2 million in FY 12 and FY 13.

Taxpayers Benefitting: Estimated to be between 600,000 and 900,000 returns filed. Data for number of taxpayers applying various subtractions from CT AGI is not available by category.

Rationale: Conformity.

Credits Claimed Against the Personal Income Tax

Credit for property taxes paid A history of legislative changes is detailed previously in the tax description section. The income year 2008 maximum credit is $500.

Citation: CGS Sec. 12-704c.

Description: The credit is for Personal and Real Property Taxes paid on the taxpayer's primary residence or a motor vehicle. The credit is limited to two motor vehicles for Joint Filers and one motor vehicle for Single, Head of Household, and Married Filing Separate Filers. The table below compares the maximum property tax credit at given income levels for income years 2010 and 2011:

CT Adjusted Gross Income		MAXIMUM PROPERTY TAX CREDIT	
Married Filing Jointly	*Single*	*2010*	*2011*

Over	*But Not Over*	*Over*	*But Not Over*		
0	$100,500	0	$56,500	$500	$300
100,500	110,500	56,500	66,500	450	255
110,500	120,500	66,500	76,500	400	210
120,500	130,500	76,500	86,500	350	165
130,500	140,500	86,500	96,500	300	120
140,500	150,500	96,500	106,500	250	75
150,500	160,500	106,500	116,500	200	30
160,500	170,500	116,500	126,500	150	
170,500	180,500	126,500	136,500	100	
180,500	190,500	136,500	146,500	50	
Over $ 190,500		Over $ 146,500		0	0

CT Adjusted Gross Income				**MAXIMUM PROPERTY TAX CREDIT**	
Head of Household		***Married Filing Separately***			
Over	*But Not Over*	*Over*	*But Not Over*	***2010***	***2011***
0	$78,500	0	50,250	$500	$300
78,500	88,500	50,250	55,250	450	255
88,500	98,500	55,250	60,250	400	210
98,500	108,500	60,250	65,250	350	165
108,500	118,500	65,250	70,250	300	120
118,500	128,500	70,250	75,250	250	75
128,500	138,500	75,250	80,250	200	30
138,500	148,500	80,250	85,250	150	
148,500	158,500	85,250	90,250	100	
158,500	168,500	90,250	95,250	50	
Over $ 168,500		Over $ 95,250		0	0

History: The table below presents a history of the credit since enacted:

Maximum Property Tax Credit

Act	**Income Year**	**Maximum Credit**(1)
PA 95-160	1996	100
PA 97-309	1997	215(1)
PA 97-310 and PA 98-110	1998	350(2)
PA 99-173	1999	425
"	2000	500
"	2001	500
"	2002	500
PA 03-1 JSS	2003	350 (3)
"	2004	350
PA 04-216 and PA 05-251	2005	350 (4)

PA 06-186	2006	500 [5]
"	2007	500
PA 11-6	2011 and after	300 [6]

[1]The credit phases out above certain income levels. Beginning with the 1997 income year the portion above $100 phases out between $55,500 and $145,500 for Singles, $50,250 and $95,250 for Married Filing Separate, $100,500 and $190,500 for Joint, and $78,500 and $168,500 for Head of Household Filers.
[2]PA 97-310 increased the maximum credit from $215 to $285 beginning with the 1998 income year.
[3]PA 03-1 JSS applied the phase-out to the full amount of the credit and reduced the credit from $500 to $350 beginning with income year 2004.
[4]PA 05-251 delayed the increase enacted by PA 04-216.
[5]PA 06-186 increased the tax credit for income year 2006 and thereafter from $400 to $500.
[6]PA 11-6 decreased the tax credit for income year 2011 and thereafter from $500 to $300, and phased out the credit at a steeper rate than prior law.

Fiscal Estimates: $150.5 million in FY 12 and $150.9 million in FY 13.

Taxpayers Benefitting: Approximately 1.0 million.

Rationale: Expediency.

Earned Income Tax Credit

Citation: PA 11-6.

Description: A refundable state earned income tax credit (equal to 30% of the federal credit) available to taxpayers who work and earn incomes below certain levels. Credit amounts vary according to a taxpayer's income, filing status, the number of children he or she has.

History: PA 11-6 established the credit at 30% of the federal credit. PA 11-1(JSS) later reduced the state credit to 25% of the federal credit, but specified that it would be restored to 30% in the event the SEBAC agreement with the state was approved. The SEBAC agreement was approved on August 22, 2011, thus the credit reverted back to 30%.

Fiscal Estimates: $110.2 million in FY 12 and $116.5 million in FY 13.

Taxpayers Benefitting: Approximately 200,000.

Rationale: Perceived Equity/Incentive.

Angel Investor Tax Credit

Citation: CGS Sec. 12-704d.

Description: The angel investor tax credit is available to taxpayers who invest in start-up, technology-based businesses in Connecticut. Each credit equals 25% of the cash investment, up to maximum of $ 250,000 in total credits for any investor.

History: PA 10-75 established the credit for a minimum qualifying cash investment of $100,000; PA 11-1 OSS reduced the minimum cash investment to $25,000.

Fiscal Estimates: $6.0 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 100.

Rationale: Incentive.

Job Expansion Tax Credit

Citation: PA 11-1 (OSS).

Description: A 3-year tax credit for businesses that create new jobs and hire certain Connecticut residents to fill them. The credit is $500 per month per new employee or $900 per month if the employee meets certain criteria. It applies to jobs created from January 1, 2012 to January 1, 2014. Small businesses (those with up to 50 full-time employees in Connecticut) qualify for a credit if they create at least one new job. Businesses that employ between 50 and 100 full-time employees in Connecticut must create at least five new jobs and those that employ more than 100 full-time employees must create at least 10.

History: PA 11-1 (OSS) phases out three pre-existing tax credit programs for business that create jobs (Jobs Creation, Qualified Small Business Job Creation, and Vocational Rehabilitation Job Creation tax credits) and replaces them with this credit.

Fiscal Estimates: None in FY 12 and $5.0 million in FY 13.

Taxpayers Benefitting: Data not yet available.

Rationale: Incentive.

SALES AND USE TAXES

The trend toward states enacting general sales taxes began in the 1930s and Connecticut became a sales tax state in 1947. As in other states, the relatively simple policy goal of the tax was to restore solvency to the state's treasury with a minimum of administrative problems and expense. To accomplish this, the tax was imposed on retail sales of tangible goods, which could be collected with relative ease. Since then, the tax has evolved into a complex structure with a lengthy list of taxable goods and services, and an even lengthier list of items that are exempt. Since 2011, a certain percentage of the sales tax directly funds accounts supporting municipal and regional performance grants.

Computation of Tax

Rate & Basis - Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property and on the gross receipts from the rendering of certain business services. The treatment of services under the Sales and Use Tax differs fundamentally from the treatment of tangible personal property because sales of the latter are taxable unless specifically exempted, while sales of services are excluded unless enumerated under CGS Section 12-407(a)(37). The list of service exemptions under Item C are those that were explicitly subject to the tax and then repealed or were thought to be subject to the tax and it was clarified that they were not. On gross receipts from the sale, rental or leasing of tangible personal property, and rendering of certain business services the tax rate is 6.35%. On the rental of hotel rooms in a hotel or lodging house the tax rate is 15.0%. On motor vehicles, boats, jewelry, clothing, and footwear costing more than a certain amount, the luxury tax rate is 7.0%. On car rentals of thirty days or less the tax rate is 9.35%. A percentage of each tax is allocated towards accounts supporting municipal and regional entities. Those percentages are:

1. 0.1 percentage point of the 6.35% sales tax on all taxable goods and services,
2. 0.1 percentage point of the 7.0% luxury tax,
3. 1.0 percentage point of the 15.0% hotel tax,
4. 1.0 percentage point of the 9.35% charged to short-term rental cars.

The following six sections list exemptions and exclusions to the Sales and Use Tax, with the rationale and a brief legislative history for each. Estimates are for FY 11 unless otherwise indicated. Due to the nature of the Sales and Use Tax being a broad based tax as well as the fact that the seller collects and files the tax and not the ultimate consumer therefore the number of taxpayers benefiting is not included for this section.

A. Consumer Goods Exemptions

Food

1. Sales of food products for human consumption

Citation: CGS Sec. 12-412(13)

Description: "Food products" include cereals and cereal products, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products other than candy and confectionery; coffee and coffee substitutes, tea, cocoa and cocoa products other than candy and confectionery. "Food products" do not include spirituous, malt or vinous liquors, soft drinks, sodas or beverages such as are ordinarily dispensed at bars and soda fountains, or in connection therewith, medicines except by prescription, tonics and preparations in liquid powdered, granular, tablet, capsule, lozenge and pill form sold as dietary supplements or adjuncts. "Food products" also do not include meals sold by an eating establishment or caterer.

History: Separate exemptions for food products and meals under $1 were provided when the tax was first imposed. In 1971, take-out meals were excluded from the food products exemption and included in the meals under $1 exemption. PA 83-18 repealed the exemption for meals under $1. PA 84-415 clarified that meals served at eating establishments are not exempt from the tax. PA 86-397 added an exemption for meals under $2. PA 87-177 amended the food products exemption to provide that a meal under $2 may include a nonalcoholic beverage that is not a food product. It also clarified the definition of a taxable meal. PA 89-251 repealed the exemption for meals under $2. PA 98-262 made at technical change.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$410.0 million	$6.6 million
FY 13	$426.0 million	$6.8 million

Taxpayers Benefitting: At least 1.0 million.

Rationale: Perceived Equity.

2. Items purchased with federal food stamp coupons

Citation: CGS Sec. 12-412(57) and 12-412e

Description: Sales of any items purchased with federal food stamp coupons.

History: The exemption was created by PA 86-397n to comply with the provisions of the federal Food Stamp Act of 1985. PA 09-9 made a technical change to conform with a federal law that changed the food stamps program's name to the "supplemental nutrition assistance program."

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$37.0 million	$590,000
FY 13	$38.0 million	$610,000

Taxpayers Benefitting: Approximately 190,000 households.

Rationale: Conformity.

3. Meals delivered to homes of persons who are elderly, disabled or otherwise confined

Citation: CGS Sec. 12-412(46)

Description: Sales of home delivered meals to elderly, disabled and other homebound persons.

History: The exemption was created by PA 84-415.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$100,000	Less than $2,000
FY 13	$100,000	Less than $2,000

Taxpayers Benefitting: Less than 5,000.

Rationale: Perceived Equity.

Medical

1. Oxygen, blood plasma, prostheses, custom-made wigs or hairpieces, hearing aids, crutches, walkers and wheel chairs, vital life support equipment, apnea monitors, inclined stairway chairlifts and related repair services, reading aids for the visually impaired, canes, and support hoses

Citation: CGS Sec. 12-412(19)

Description: Sales of and the storage, use or other consumption of (A) oxygen, blood or blood plasma when sold for medical use in humans or animals; (B) artificial devices individually designed, constructed or altered solely for the use of a particular handicapped person so as to become a brace, support, supplement, correction or substitute for the bodily structure and repair or replacement parts and repair services; (C) artificial limbs, artificial eyes and other equipment worn as a correction or substitute for any functioning portion of the body, custom-made wigs or hairpieces for persons with medically diagnosed total and permanent hair loss, and artificial hearing aids, and repair or replacement parts and repair services; (D) crutches, walkers, wheel chairs and inclined stairway chairlifts for the use of invalids and handicapped persons, and repair or replacement parts and repair services; and (E) any equipment used in support of or to supply vital life functions, and repair or replacement parts and repair services. Repair or replacement parts are exempt whether purchased separately or in conjunction with the item for which they are intended, and whether such parts continue the original function or enhance the functionality of such item.

History: The exemption has been in effect since the imposition of the tax. PA 76-390 added vital life support equipment. PA 77-46 replaced the word "crippled" with "handicapped." PA 79-33 added walkers. PA 93-74 added custom-made wigs, repairs to hearing aids and apnea monitors. PA 95-160 added repair services. PA 95-359 extended the exemption for oxygen, blood and blood plasma to animals as well as humans. PA 97-316 exempted oxygen supply equipment used for animals from the tax. PA 99-173 added inclined stairway chairlifts and repair and replacement parts of equipment for persons with disabilities. PA 00-170 exempted equipment used as a reading aid by persons visually impaired, canes, and support hoses specially designed to aid circulation. PA 02-103 made technical changes.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$16.0 million	$260,000
FY 13	$17.0 million	$270,000

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

2. Prescription medicines, syringes and needles

Citation: CGS Sec. 12-412(4)

Description: Sales of and the storage, use or other consumption of medicine only by prescription as defined by federal or state law, including such medicine provided for no consideration and the sales of syringes and needles only by prescription. Sales of and the storage, use or other consumption of materials, including materials used in packaging, which become an ingredient or component part of medicine only by prescription, as defined by federal or state law.

History: Prescription medication has been exempt since the imposition of the tax. Syringes and needles were added in 1971. PA 93-360 clarified the exemption of prescription medicine and applied the exemption to medicine provided for no consideration and materials which become an ingredient or component part of medicine.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$328.0 million	$5.3 million
FY 13	$341.0 million	$5.5 million

Taxpayers Benefitting: Approximately 1.5 million.

Rationale: Perceived Equity.

3. Disposable pads used for incontinence

Citation: CGS Sec. 12-412(53)

Description: Sales of certain disposable pads prepared for use in the manner of a diaper or as an under-pad, and commonly used by persons who are incontinent.

History: The exemption was created by PA 86-397.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$0.9 million	Less than $20,000
FY 13	$1.0 million	Less than $20,000

Taxpayers Benefitting: Less than 300,000.

Rationale: Perceived Equity.

4. Test strips and tablets, lancets and glucose monitoring equipment used in care of diabetes

Citation: CGS Sec. 12-412(54)

Description: Sales of test strips and tablets, lancets and glucose monitoring equipment for purposes of certain tests and monitoring required in the care of diabetes and repair or replacement parts for such equipment.

History: The exemption was created by PA 86-397 and amended by PA 88-364. PA 99-173 added repair and replacement parts of equipment.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$1.9 million	Less than $35,000
FY 13	$2.0 million	Less than $35,000

Taxpayers Benefitting: Less than 300,000.

Rationale: Perceived Equity.

5. Telephone equipment designed exclusively for deaf or blind persons

Citation: CGS Sec. 12-412(38)

Description: Sales of and the storage, use or other consumption of any equipment designed exclusively for use by persons who are deaf or blind for purposes of communication by telephone.

History: The exemption was created by PA 80-98.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $50,000	Less than $1,000
FY 13	Less than $50,000	Less than $1,000

Taxpayers Benefitting: Under 20,000 per year.

Rationale: Perceived Equity.

6. Equipment for persons with physical disabilities installed in motor vehicles

Citation: CGS Sec. 12-412(80)

Description: Sales and the storage, use or other consumption of special equipment installed in a motor vehicle for the exclusive use of a person with physical disabilities and repair or replacement parts for such equipment.

History: The exemption was created by PA 92-17. PA 99-173 added replacement parts of equipment for persons with disabilities.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

7. Sales of eligible benefits under Title XVIII or XIX of Social Security Act or CHAMPUS

Citation: CGS Sec 12-412(87)

Description: Sales of items that are eligible benefits and that are made to an eligible beneficiary pursuant to Title XVIII, 42 USC Section 1395 et seq., or Title XIX, 42 USC Section 1396 et seq., of the Social Security Act or pursuant to the federal Civilian Health and Medical Program of the Uniformed Services, 10 USC Section 1071 et seq.

History: States are not permitted to levy taxes on the federal government under the US Constitution. The exemption was created by PA 94-175, which levied the Sales Tax on hospital services.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Approximately 1.0 million.

Rationale: Conformity.

Clothing

1. Sales Tax "Free Week"

Citation: CGS Sec. 12-407d

Description: Establishes a sales tax 'free week' on items of clothing and footwear costing less than $300 beginning on the third Sunday in August until the next succeeding Saturday.

History: The exemption was created by PA 00-170. PA 03-1 of the June Special Session repealed it but was reinstated by PA 04-218.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$3.4 million	Less than $60,000
FY 13	$3.5 million	Less than $60,000

Taxpayers Benefitting: At least 500,000.

Rationale: Perceived Equity and Incentive.

Utilities

1. Fuel for heating purposes

Citation: CGS Sec. 12-412(16) and 12-412h

Description: Sales of fuel used for heating purposes (i) in any residential dwelling or (ii) in any building, location or premise utilized directly in agricultural production, fabrication of a finished product to be sold or an industrial manufacturing plant in which not less than seventy-five percent of the fuel used in such building, location or premise is used for the purpose of such production, fabrication or manufacturing.

History: The residential utilities portion has been in effect since the imposition of the tax. The 1971 acts amended the exemption to include gas and electricity sold for domestic purposes. PA 74-4 amended the exemption to refer simply to fuel for heating purposes rather than to list specific fuel sources. The manufacturing and agriculture provision was added by PA 89-251.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$60.0 million	$960,000
FY 13	$62.0 million	$990,000

Taxpayers Benefitting: At least 1.0 million.

Rationale: Perceived Equity as it relates to residential utilities. Incentive as it relates to manufacturing and agriculture, since the exemption is intended to reduce cascading.

2. Certain utilities sales

Citation: CGS Sec. 12-412(3) and 12-412h

Description: The exemption applies to the following:

(1) Gas and electricity for residential use and certain manufacturing or agricultural production.

(2) Water, steam and telegraph.

(3) Monthly charges of one hundred fifty dollars or less for electricity not otherwise exempt.

(4) Gas, water, steam or electricity used in furnishing same to consumers.

History: An exemption for consumer sales of gas, water, electricity, telephone and telegraph services has been in effect since the imposition of the tax. The 1971 acts included specific provisions for each type of utility service. The 1972 acts exempted utility services to first $10 a month rather than to first $20. PA 74-4 added bottled gas and community antenna television and cable services. PA 75-495 clarified that bottled gas is propane gas. PA 77-395 added sales of steam. PA 89-251 created the exemption in its present form.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$215.0 million	$3.4 million
FY 13	$224.0 million	$3.6 million

Taxpayers Benefitting: At least 1.0 million.

Rationale: Redundancy as it relates to residential utilities and water, steam and telegraph. Utility company gross receipts are taxable under the Utility Companies Tax at the rate of 4.0% for residential utilities, 5.0% for water and steam service and 4.5% for telegraph service. Incentive as it relates to businesses. The manufacturing and agriculture exemption is intended to reduce cascading. The portion exempting charges under $150/month is intended to reduce the cost of doing business for small firms.

3. Water company purchases

Citation: CGS Sec. 12-412(90)

Description: Sales of and the storage, use or other consumption of any personal property or any services to a water company employed for the purpose of supplying water to fifty or more customers.

History: Municipal water companies are exempt from the Sales Tax. The exemption was created by PA 94-4 of the May Special Session. PA 95-160 changed the effective date.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$4.0 million	Less than $70,000
FY 13	$4.2 million	Less than $70,000

Taxpayers Benefitting: Under 50 water companies.

Rationale: Perceived Equity.

<u>Other Consumer Good Exemptions</u>

1. Motor vehicle fuel

Citation: CGS Sec. 12-412(15)

Description: Gross receipts from the distribution of and the storage, use or other consumption in the state of motor vehicle fuel that is subject to the motor fuels tax.

History: The exemption has been in effect since the imposition of the tax. PA 00-174 specified that the exemption for motor vehicle fuels is for fuel sold for use in motor vehicles licensed to operate in Connecticut, whether or not the motor vehicle fuel tax has been paid or for any other use if the motor vehicle fuel tax has been paid on it and not refunded.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$526.0 million	$8.4 million
FY 13	$547.0 million	$8.8 million

Taxpayers Benefitting: At least 1.0 million.

Rationale: Redundancy. Motor vehicle fuel sales are subject to the Motor Fuels Excise Tax. Firms that sell petroleum products are subject to the Petroleum Companies Gross Receipts Tax, which includes sales of motor vehicle fuel. The exemption has been in effect since the imposition of the tax.

2. Fuel for use in certain high-occupancy commuter vehicles

Citation: CGS Sec. 12-412(37)

Description: Sales of and the storage, use or other consumption of any fuel for use in certain high-occupancy commuter vehicles.

History: PA 79-627 created this exemption. PA 82-25 made a technical change.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive, the exemption is intended to encourage the use of multiple-occupancy commuter vehicles. Taxpayers who qualify for a Motor Fuels Excise Tax exemption and who apply for a refund, are subject to Sales Tax on the amount exempted from the excise tax. This exemption prevents taxpayers who qualify for the Motor Fuels Excise Tax exemption on high-occupancy commuter vehicle fuel from paying Sales Tax on their excise tax refund.

3. Newspapers and magazines

Citation: CGS Sec. 12-412(B)

Description: Sales of magazines, including publications which only contain puzzles, by subscription; sales of newspapers.

History: The exemption also clarifies that puzzle magazines are nontaxable. Magazine subscriptions have been exempt since the imposition of the tax, previously under CGS Sec. 12-412(6) which has since been repealed. At that time all newspaper sales were exempt. PA 78-172 clarified the exemption with regard to newspapers and PA 91-3 imposed the tax on newspapers sold over the counter. PA 94-4 of the May Special Session added the language regarding puzzle magazines. PA 98-110 extended the exemption to all sales of newspapers not just by subscription only. PA 03-2 repealed CGS Sec. 12-412(6) imposed the tax on newspapers. The exemption was re-instated under CGS Sec. 412(114) by PA 03-1 of the June Special Session.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$23.0 million	$370,000
FY 13	$24.0 million	$380,000

Taxpayers Benefitting: At least 100,000.

Rationale: Efficiency/Clarification. It would be costly and difficult to collect revenue and audit tax records for out-of-state companies selling magazines and newspapers by subscription.

4. One cent vending machines. Vending machine sales of food products and certain items

Citation: CGS Sec. 12-412(27)

Description: Sales of any items from one-cent vending machines or sales of food products-sold through coin-operated vending machines and items costing 50 cents or less.

History: The exemption was created by PA 74-263. PA 95-160 added food sold through coin-operated vending machines. PA 00-170 extended the exemption to items sold through vending machines costing 50 cents or less. PA 01-6 of the June Special Session made a technical change. PA 07-4 of the June Special Session replacing provision re sales of food products through vending machines with provision re meals sold through vending machines or "honor boxes.”

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Efficiency. The amount of revenue that could be collected is considered too small to justify the administrative costs.

5. Property purchased from the United States

Citation: CGS Sec. 12-413(2)

Description: The storage, use or other consumption in this state of property purchased from any incorporated agency or instrumentality of the United States, except (a) any property reported to the Surplus Property Board of the United States or any successor thereto, as surplus property by any owning agency; and (b) any property included in any contractor inventory, is exempted from the use tax.

History: The exemption has been in effect since the imposition of the tax. PA 75-213 included references to "services."

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Conformity. States are not permitted to levy taxes on the federal government under the US Constitution.

6. Purchase brought into state by resident

Citation: CGS Sec. 12-413(3)

Description: The use tax shall not apply to the purchase of any articles of tangible personal property which have been brought into this state on the person of a resident of this state when the purchase price of the same does not exceed twenty-five dollars.

History: The exemption has been in effect since the imposition of the tax.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Efficiency. The amount of revenue that could be collected is considered too small to justify the administrative costs.

7. Personal property used in burial or cremation with value up to two thousand five hundred dollars for any single funeral and caskets

Citation: CGS Sec. 12-412(55)

Description: Sales of tangible personal property by any funeral establishment performing the primary services in preparation for and the conduct of burial or cremation, provided any such property must be used directly in the performance of such services and the total amount of such exempt sales with respect to any single funeral may not exceed two thousand five hundred dollars and caskets or caskets used for burial or cremation.

History: The exemption was created by PA 86-397. PA 00-170 exempted caskets. PA 01-6 of the June Special Session extended exemption to caskets used for cremation.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$5.6 million	Less than $95,000
FY 13	$5.8 million	Less than $95,000

Taxpayers Benefitting: Approximately 30,000 per year.

Rationale: Perceived Equity.

8. Vegetable seeds

Citation: CGS Sec. 12-412(96)

Description: Sales of vegetable seeds suitable for planting to produce food for human consumption.

History: The exemption was created by PA 97-316.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $25,000	Less than $1,000
FY 13	Less than $25,000	Less than $1,000

Taxpayers Benefitting: Approximately 10,000 households.

Rationale: Perceived Equity.

9. **Firearm Safety Devices**

Citation: CGS Sec. 12-412(101)

Description: Sales of and the storage, use or other consumption of firearm safety devices, including safes, lock boxes, trigger and barrel locks and other items designed to enhance home firearm safety.

History: The exemption was created by PA 99-173.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Under 100,000 per year.

Rationale: Incentive.

10. **Bicycle Helmets**

Citation: CGS Sec. 12-412(102)

Description: Sales of and the storage, use or other consumption of bicycle helmets.

History: The exemption was created by PA 99-173.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$200,000	Less than $5,000
FY 13	$200,000	Less than $5,000

Taxpayers Benefitting: Under 150,000 per year.

Rationale: Incentive

11. **Campground rentals**

Citation: Does not appear in statutory language.

Description: Campground rentals.

History: Campground rentals were made taxable by PA 92-184 and were excluded from the tax by PA 93-74 and PA 93-332.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$600,000	Less than $1,000
FY 13	$600,000	Less than $1,000

Taxpayers Benefitting: Approximately 150,000 rentals per year.

Rationale: Incentive. The exclusion is intended to reduce cascading.

12. **Lodging**

Citation: CGS Sec. 12-407(17)

Description: Certain lodging are exempt from sales tax, including (a) Privately owned and operated convalescent homes, residential care homes, homes for the infirm, indigent or chronically ill; (b) religious or charitable homes for the aged, infirm, indigent or chronically ill; (c) privately owned and operated summer camps for children; (d) summer camps for children operated by religious or charitable organizations; (e) lodging accommodations at educational institutions; or (f) lodging accommodations at any facility operated by and in the name of any nonprofit charitable organization.

History: PA 90-186 added lodging accommodations operated by nonprofit organizations. PA 97-112 replaces "homes for the aged" with "residential care homes."

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

13. Residential weatherization products including fluorescent light bulbs

Citation: CGS 12-412k

Description: Fluorescent light bulbs and weatherization products which include programmable thermostats, window film, caulking, window and door weather strips, insulation, water heater blankets, water heaters that meet the federal Energy Star standard, natural gas furnaces that meet the federal Energy Star standard, windows that meet the federal Energy Star standard, and oil furnaces that are not less than eighty-four per cent efficient.

History: PA 05-2 of the October Special Session added residential weatherization products. PA 07-242 makes the exemption permanent and adds compact fluorescent light bulbs.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$8.2 million	$130,000
FY 13	$8.5 million	$140,000

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

15. Child Car Seats

Citation: CGS Sec. 12-412(108)

Description: Child car seats.

History: The exemption was created by PA 00-170.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$100,000	Less than $2,000
FY 13	$100,000	Less than $2,000

Taxpayers Benefitting: Approximately 100,000 purchases per year.

Rationale: Expediency.

16. College Textbooks

Citation: CGS Sec. 12-412(109)

Description: College textbooks purchased by matriculated students.

History: The exemption was created by PA 00-170. PA 05-251 extends the exemption to occupational school textbooks purchased by students. PA 06-150 made a technical change.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$2.6 million	Less than $45,000
FY 13	$2.7 million	Less than $45,000

Taxpayers Benefitting: Approximately 150,000.

Rationale: Expediency.

18. Solar Energy, Geothermal, and Ice Storage Systems

Citation: CGS Sec. 12-412(117,118)

Description: The exemption includes (1) solar electric and space and water heating systems and related equipment and installation services, (2) geothermal systems and related equipment and installation services, and (3) ice storage systems used for cooling and related equipment and installation services for utility customers billed on time-of-use rates.

History: The exemption was created by PA 07-242. PA 10-75 added a provision regarding renewable energy and clean energy technology industries.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$2.5 million	Less than $45,000
FY 13	$2.6 million	Less than $45,000

Taxpayers Benefitting: Indeterminate.

Rationale: Equity.

19. Luxury Tax Exemptions

Citation: CGS 12-408(1)(H) and CGS Sec. 12-411(1)(H)

Description: The luxury tax does not apply to any motor vehicle costing more than $50,000 that (1) is purchased by an active duty U. S. military member stationed in Connecticut, (2) weighs over 12,500 pounds, or (3) weighs 12,500 pounds or less and is designed or used for commercial purposes and for which the Department of Motor Vehicles (DMV) issued a commercial or more specific type of registration.

History: PA 11-6 established the luxury tax for various goods including motor vehicles, boats, jewelry, clothing, and footwear costing above a set price and created the exemptions for the tax listed above.

Fiscal Estimate:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

B. Business and Agricultural Exemptions

<u>**Machinery and Materials**</u>

1. Machinery used in manufacturing

Citation: CGS Sec. 12-412(34)

Description: Sales of and the storage, use or other consumption of machinery used directly in a manufacturing production process. The word "machinery" as used in this subsection means the basic machine itself, and includes all of its component parts and contrivances which are used or required to control, regulate or operate the machinery or to enhance or alter its productivity or functionality.

History: PA 78-71 created the exemption. PA 89-123 removed references to agricultural production which were included in a separate subsection, (63), created by that act. PA 94-4 of the May Special Session specified "machinery" is limited to equipment directly related to manufacturing processes. PA 98-110 added the exclusion of component parts and contrivances whether purchased separately or in conjunction with a machine. PA 09-200 amended the definition of manufacturing to include asphalt manufacturing.

Fiscal Estimates: Combined estimates for Items 1, 2, and 3 are listed below.

Fiscal Year	State	Municipal
FY 12	$115.0 million	$1.8 million
FY 13	$120.0 million	$1.9 million

Taxpayers Benefitting: Indeterminate.

Rationale: Cascading.

2. **Component parts for assembly of manufacturing machinery**

   Citation: CGS Sec. 12-412(73)

   Description: The sale of any part of a machine purchased exclusively for the purpose of assembling a machine for use directly in a manufacturing production process.

   History: PA 91-3 created the exemption.

   Fiscal Estimates: See Fiscal Estimate for Item 1.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Cascading.

3. **Production materials**

   Citation: CGS Sec. 12-412(18)

   Description: Sales of and the storage or use of materials, rope, fishing nets, tools and fuel or any substitute therefore, which (a) become an ingredient or component part of tangible personal property to be sold; or (b) are used directly in the fishing industry or in an industrial plant in the actual fabrication of the finished product to be sold; or (c) are used directly in the furnishing of power to an industrial manufacturing plant or in the furnishing of gas, water, steam or electricity when delivered to consumers through mains, lines or pipes.

   History: The exemption has been in effect since the imposition of the tax and was amended in 1959 to include a definition of "machinery." PA 73-288 deleted references to "consumption." PA 89-123 created a separate subsection (63) for agricultural production. PA 09-200 amended the exemption to include asphalt manufacturers.

   Fiscal Estimates: See Fiscal Estimate for Item 1.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Cascading.

4. **Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing**

   Citation: CGS Sec. 12-412i

Description: The sales and use tax shall not apply to fifty per cent of the gross receipts from the sale of and the storage, use and consumption in this state of the following items: (1) Materials, tools and fuels or any substitute therefore which become an ingredient or component part of tangible personal property to be sold or which are used or consumed in an industrial plant in the manufacturing, processing or fabricating of products to be sold, in any process preparatory or related thereto or in the measuring or testing of such products or (2) machinery and equipment which will be used primarily in the process of manufacturing, processing or fabricating tangible personal property if: (A) The machinery or equipment is used for research and development, measuring or testing with respect to or in furtherance of the manufacturing, processing or fabricating of tangible personal property; (B) the machinery or equipment is used at any stage of the manufacturing, processing or fabricating process from the time any raw materials are received to the time the product is ready for delivery or storage, including over packing and crating; (C) the machinery or equipment is used primarily to maintain or repair any machinery or equipment described in subparagraph (A) or (B) of this subdivision, or (D) the machinery or equipment is used primarily for metal finishing, provided this exemption shall not apply to any materials, tools, fuels, machinery or equipment which is used primarily in administration, general management, sales or any other activity which does not constitute manufacturing, processing or fabricating.

If a purchaser who gives a certificate makes any use of the property other than the purposes set forth in this section, the use shall be deemed a use by the purchaser in accordance with this chapter, as of the time the property is first used by him, and the property shall be taxable to such purchaser in accordance with this chapter.

History: PA 92-193 (Manufacturing Recovery Act of 1992) created the exemption. Various other acts made technical changes and effective date changes. PA 09-200 amended the definition of manufacturing to include asphalt manufacturing.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$1.0 million	Less than $20,000
FY 13	$1.0 million	Less than $20,000

Taxpayers Benefitting: Indeterminate.

Rationale: Cascading.

5. **Replacement parts in enterprise zones**

Citation: CGS Sec. 12-412(43)

Description: Sales of any replacement parts for machinery to any business entity located in any enterprise zone designated pursuant to section 32-70 for use within such zone.

History: PA 81-445 created the exemption.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$2.0 million	Less than $35,000
FY 13	$2.1 million	Less than $35,000

Taxpayers Benefitting: Indeterminate. Available to any business located in one of the designated enterprise zones.

Rationale: Incentive.

6. **Items sold for use in agricultural production by a farmer engaged in such production as a business**

Citation: CGS Sec. 12-412(63)

Description: Sales of and the storage, use or other consumption of tangible personal property by a farmer engaged in agricultural production as a trade or business and to whom the Department of Revenue Services has issued an agricultural sales tax exemption permit.

History: PA 89-123 created this exemption, though machinery and other items used directly in agricultural production were previously exempt. PA 93-122 clarified that fish raising and harvesting were included in the exemption. PA 95-359 added conditions under which department may issue a farmer exemption permit when a farmer's gross income from agricultural production is less than $2,500. PA 00-174 and PA 02-103 made technical changes.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$5.2 million	Less than $90,000
FY 13	$5.4 million	Less than $90,000

Taxpayers Benefitting: Approximately 4,900 farms.

Rationale: Cascading.

7. Commercial fishing vessels and machinery or equipment for use thereon

Citation: CGS Sec. 12-412(40)

Description: Sales of and the storage, use or other consumption of any vessel used exclusively in commercial fishing and any machinery or equipment for use on a commercial fishing vessel.

History: PA 81-323 created the exemption. PA 82-192 applied the exemption to vessels, machinery or equipment used exclusively in commercial fishing rather than designed exclusively for use in commercial fishing. PA 92-133 and PA 92-17 expanded the exemption to include vessels with coast-wide fishery certificates. PA 00-174 extended the exemption to startup fishermen and made technical changes. PA 02-103 made technical changes. PA 03-225 relaxed conditions to qualify for the exemption, required start-up fishermen to obtain exemption permits from the Department of Revenue Services, added provisions regarding regulations and fisherman tax exemption permits and made conforming changes, effective October 1, 2003.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$25.0 million	$400,000
FY 13	$26.0 million	$420,000

Taxpayers Benefitting: Fewer than 625.

Rationale: Cascading.

8. Fuel Cell Manufacturing Facility

Citation: CGS Sec. 12-412(113)

Description: Material, equipment, tools, fuel and machinery used by a fuel cell manufacturing facility.

History: PA 01-6 of the June Special Session created the exemption.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$200,000	Less than $5,000
FY 13	$200,000	Less than $5,000

Taxpayers Benefitting: Over 80 companies that participate in the development of hydrogen and fuel cell technology.

Rationale: Incentive.

Aircraft

1. Flyable aircraft

Citation: CGS Sec. 12-412(20)

Description: Sales of and the storage, use or other consumption, by a manufacturer of aircraft located in this state, of flyable aircraft complete with necessary equipment and modifications sold to persons taking delivery and using such aircraft as certificated or licensed carriers of persons or property in interstate or foreign commerce under authority of the laws of the United States or any foreign government, or sold to any foreign government for use by such government outside of this state, or sold to persons who are not residents of this state and who will not use such aircraft in this state otherwise than in the removal of such aircraft from this state.

History: The exemption has been in effect since the imposition of the tax.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification/Conformity. The exemption clarifies that such transactions are not taxable because they are out-of-state sales. The exemption also conform the statutes to the US Constitution, which prohibits states from violating the interstate commerce clause.

2. Aircraft repair or replacement parts

Citation: CGS Sec. 12-412(76)

Description: Sales of and the storage, use or other consumption of repair or replacement parts exclusively for use (A) in aircraft, or (B) in the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

History: PA 92-17 created the exemption. PA 97-316 extended the exemption to all aircraft with a certified weight of 6,000 pounds or more. PA 06-186 extends the existing sales tax exemptions for aircraft repair or replacement parts to all types of aircraft.

Fiscal Estimates: Combined estimates for Items 2, 3 and 4 are below.

Fiscal Year	State	Municipal
FY 12	$13.0 million	$210,000
FY 13	$14.0 million	$220,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

3. Aircraft repair services

Citation: CGS Sec. 12-412(77)

Description: Sales of aircraft repair services when such services are rendered in connection with (A) aircraft, or (B) the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

History: PA 92-17 of the May Special Session created the exemption. PA 97-316 extended the exemption to all aircraft with a certified weight of 6,000 pounds or more. PA 06-186 extends the existing sales tax exemptions for aircraft repair services to all types of aircraft.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

4. Materials, tools, fuel, machinery and equipment in an aircraft manufacturing facility

Citation: CGS Sec. 12-412 (78)

Description: Sales of and the storage, use or other consumption by an aircraft manufacturer operating an aircraft manufacturing facility in this state of materials, tools, fuel, machinery and equipment used in such facility.

History: PA 92-17 of the May Special Session created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: Approximately eight aircraft manufacturers.

Rationale: Incentive. The exemption is intended to reduce cascading.

5. Certain aircraft

Citation: CGS Sec 12-412(99)

Description: Sales of and the storage, use or other consumption of, aircraft having a maximum certificated takeoff weight of six thousand pounds or more. "Certificated takeoff weight" means the maximum such weight contained in the type certificate or airworthiness certificate.

History: PA 97-316 created the exemption.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$200,000	Less than $5,000
FY 13	$200,000	Less than $5,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

6. Aviation Consulting

Citation: CGS Sec 12-407(a)(37)(J)(iii)

Description: Business analysis, management, consultation and public relations services furnished in connection with an aircraft that (1) is leased of owned by a commercial air carrier; or (2) has a maximum take-off weight of at least 6,000 pounds.

History: PA 02-1 of the May Special Session created the exemption.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

Motor Vehicles

1. Commercial trucks, truck tractors, tractors and semi-trailers and vehicles used in combination therewith

Citation: CGS Sec. 12-412(70)

Description: Sales of and the storage, use or other consumption of commercial trucks, truck tractors, tractors and semi-trailers, and vehicles used in combination therewith, which (i) have a gross vehicle weight rating in excess of twenty-six thousand pounds or (ii) are operated actively and exclusively during the period commencing upon its purchase and ending one year after the date of purchase for the carriage of interstate freight pursuant to a certificate or permit issued by the Interstate Commerce Commission or its successor agency

History: PA 91-3 of the June Special Session created this exemption. PA 95-359 requires vehicles purchased under the exemption be operated actively and exclusively for the carriage of interstate freight during the one year period following the purchase. PA 96-222 made a technical change.

Fiscal Estimates: Combined estimates for Items 1, 2, and 3 are listed below.

Fiscal Year	State	Municipal
FY 12	$6.8 million	$110,000
FY 13	$7.1 million	$110,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

2. Sales of commercial motor vehicles where seventy-five per cent of day-in-service revenue derives from trips involving other states

Citation: CGS Sec. 12-412(82)

Description: Sales of commercial motor vehicles where seventy-five per cent of day-in-service revenue derives from trips involving other states. (A) The sale of and the storage, use or other consumption of any commercial motor vehicle as defined in subparagraphs (A) and (B) of subdivision (11) of section 14-1, that is operating pursuant to the provisions of section 13b-88 or 13b-89, during the period commencing upon its purchase and ending one year after the date of purchase provided seventy-five per cent of its revenue from its days in service is derived from out-of-state trips or trips crossing state lines. (B) Each purchaser of a commercial motor vehicle exempt from tax pursuant to the provisions of this subsection shall, in order to qualify for said exemption, present to the retailer a certificate, in such form as the commissioner may prescribe, certifying that seventy-five per cent of such vehicle's revenue from its days in service will be derived from out-of-state trips or trips crossing state lines. The purchaser of the motor vehicle shall be liable for the tax otherwise imposed if, during the period commencing upon its purchase and ending one year after the date of purchase, seventy-five per cent of the vehicle's revenue from its days in service is not derived from out-of-state trips or trips crossing state lines.

History: PA 93-74 created the exemption. PA 95-359 requires that the vehicles purchased under the exemption derived 75% of their revenue from out-of-state trips or trips crossing state lines. PA 04-217, PA 05-288 , and PA 05-150 made technical changes.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

3. Sales of motorbuses where seventy-five per cent of day-in-service revenues derives from trips involving other states

Citation: CGS Sec. 12-412(83)

Description: Sales of motorbuses where seventy-five per cent of day-in-service revenues derives from trips involving other states.

History: PA 93-74 created the exemption. PA 95-359 requires that the vehicles purchased under the exemption derived 75% of their revenue from out-of-state trips or trips crossing state lines. PA 04-217 made a technical change.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

Fuel

1. Aviation fuel used exclusively and directly in the experimental testing of any product

Citation: CGS Sec. 12-412(59)

Description: Sales of and storage, use or other consumption of any aviation fuel used exclusively and directly in the experimental testing of any product.

History: PA 87-119 created the exemption.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Redundancy. The exemption is intended to reduce cascading. Also, the first instate sale of petroleum products, including aviation fuel, is subject to the 5% Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

2. Aviation fuel

Citation: CGS Sec. 12-412(75)

Description: Sales of and storage, use or other consumption of aviation fuel used exclusively for aviation purposes.

History: Formerly, aviation fuel was taxed at 2.5% but was exempted by PA 92-17.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$9.0 million	$140,000
FY 13	$9.4 million	$150,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Redundancy. The exemption is intended to make in-state businesses more competitive with those out of state. Also, the first instate sale of petroleum products, including aviation fuel, is subject to the 5.0% Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

3. Marine fuel

Citation: CGS Sec. 12-412(79)

Description: Sales and the storage, use or other consumption of bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil for use in any vessel having a displacement exceeding four thousand dead weight tons or for use in any vessel primarily engaged in interstate commerce.

History: PA 92-17 of the May Special Session created the exemption. PA 95-160 added vessels primarily used in interstate commerce. PA 97-243 clarified the exemption of fuels for use in vessels primarily engaged in interstate commerce.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$13.0 million	$210,000
FY 13	$14.0 million	$220,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Redundancy. The exemption is intended to make instate businesses more competitive with those out of state. Also, the first instate sale of petroleum products, including marine fuel, is subject to the 5% Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

4. Fuel Used in Portable Power Systems

Citation: CGS Sec. 12-412(107)

Description: Sales of, and the storage, use or other consumption of, diesel fuel to be used exclusively in portable power system generators that are larger than one hundred fifty kilowatts.

History: The exemption was enacted by PA 99-173.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and conformity.

<u>Other Business Purchases</u>

1. Commodities in the form traded on boards of trade and not converted to use by purchaser

Citation: CGS Sec. 12-412(30)

Description: Sales and storage of any commodity in the form traded on any contract market or other board of trade as defined in the Commodity Exchange Act, as amended, provided this exemption shall not apply to any commodity subsequently converted to use by a purchaser and in such event such purchaser shall be liable for the tax under section 12-411 unless otherwise exempt under any of the provisions of this section.

History: The exemption was created by PA 77-266.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading. It applies to items such as agricultural commodities, which are sold in the line of business and not used directly by the purchaser. This is analogous to sale for resale, which is not taxable.

2. Containers

Citation: CGS Sec. 12-412(14)

Description: (A) Non-returnable containers and returnable dairy product containers when sold without the contents to persons who place the contents in the container and sell the contents together with the container; (B) containers when sold with the contents if the sales price of the contents is not required to be included in the measure of the taxes imposed by this chapter; (C) returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling.

History: The exemption has been in effect since the imposition of the tax. PA 87-50 clarified that returnable containers do not include non-refillable beverage containers. The language concerning returnable dairy product containers was added by PA 92-17 of the May Special Session. Please note that the reference to subsection (12) is outdated because that exemption was repealed by PA 91-3 of the June Special Session. PA 02-103 made technical changes.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $100,000	Less than $2,000
FY 13	Less than $100,000	Less than $2,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading. It applies to containers used as packaging for contents which will be sold at retail.

3. Printed material manufactured for purchaser in Connecticut to be delivered for use outside the state

Citation: CGS Sec. 12-412(31)

Description: Sales of any printed material which has been manufactured in Connecticut to the special order of a purchaser and which, within thirty days following delivery to such purchaser, is to be delivered for use outside Connecticut.

History: The exemption was created by PA 77-370.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$2.1 million	Less than $40,000
FY 13	$2.2 million	Less than $40,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to make in-state businesses more competitive with those out of state.

4. Machinery, equipment, tools, materials and supplies used in commercial printing

Citation: CGS Sec. 12-412(71)

Description: Sales of and the storage, use or other consumption of machinery, equipment, tools, materials and supplies used exclusively in the production of printed material by a commercial printer or publisher. The "production of printed material" includes all processes necessary to convert manuscript copy into printed material, including but not limited to, layout, color separation and typesetting.

History: The exemption was created by PA 91-3 of the June Special Session and amended by PA 92-5 of the May Special Session to extend the exemption to publishers. PA 97-243 required that the items be used predominantly, rather than exclusively, to produce printed material.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$3.6 million	Less than $60,000
FY 13	$3.7 million	Less than $60,000

Taxpayers Benefitting: Approximately 435 printing establishments.

Rationale: Incentive. The exemption is also intended to reduce cascading.

5. Machinery, equipment, tools, materials and supplies for typesetting, color separation, finished copy, or similar products

Citation: CGS Sec. 12-412(72)

Description: Sales of and the storage, use or other consumption of machinery, equipment, tools, materials and supplies used exclusively in the production of typesetting, color separation, finished copy with type proofs and artwork or similar content mounted for photomechanical reproduction, or other similar products to be sold for use in the production of printed materials.

History: The exemption was created by PA 91-3 of the June Special Session. PA 97-243 required that the items be used predominantly, rather than exclusively, for printed material.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $50,000	Less than $1,000
FY 13	Less than $50,000	Less than $1,000

Taxpayers Benefitting: Approximately 21 establishments.

Rationale: Incentive. The exemption is intended to reduce cascading.

6. Personal property for incorporation into or used in waste treatment facilities

Citation: CGS Sec. 12-412(21)

Description: Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into or used and consumed in the operation of facilities for the treatment of industrial waste before the discharge thereof into any waters of the state or into any sewerage system emptying into such waters, the primary purpose of which is the reduction, control or elimination of pollution of such waters.

History: The exemption was created in 1967 and amended in 1969 to include property "...used and consumed in the operation of facilities." The 1971 acts made a technical change.

Fiscal Estimates: Combined estimates for Items 6 and 7 are listed below.

Fiscal Year	State	Municipal
FY 12	$2.1 million	Less than $40,000
FY 13	$2.2 million	Less than $40,000

Taxpayers Benefitting: Approximately 35 establishments operating water treatment plants and/or water supply systems.

Rationale: Incentive.

7. Personal property incorporated into or consumed in air pollution control facilities

Citation: CGS Sec. 12-412(22)

Description: Sales of and the storage, use or other consumption of tangible personal property or supplies acquired for incorporation into or used and consumed in the operation of facilities, the primary purpose of which is the reduction, control or elimination of air pollution, certified as approved for such purpose by the commissioner of environmental protection.

History: The exemption was created in 1967 and amended in 1969 to include property "...used and consumed in the operation of facilities." The 1971 acts made a technical change.

Fiscal Estimates: See Fiscal Estimate for Item 6.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

8. Certain motion picture, video, television and radio production and broadcast equipment

Citation: CGS Sec. 12-412(44)

Description: Sales of and the storage, use or other consumption of any filmed and taped television and radio programs and any materials which become an ingredient or component part of films or tapes which are used directly in the production and transmission of finished programs (i) broadcast to the general public by a television or radio station or (ii) for purposes of accredited medical or surgical training, including any equipment used for such purpose; (B) sales of and the storage, use, rental, lease or other consumption of any motion picture or video production equipment or sound recording equipment purchased or leased for use in this state for production activities which become an ingredient or component part of any master tapes, records, video tapes or film produced for commercial entertainment, commercial advertising or commercial educational purposes; or (C) sales of and the storage, use, rental or lease of equipment, including, but not limited to, antennas used directly in the production or broadcast of programs to the general public by a television or radio station.

History: The exemption was created by PA 82-444 and was amended by PA 90-295 to include surgical training, including any equipment used for such purpose. PA 91-3 of the June Special Session narrowed the exemption by excluding equipment for broadcasts to the general public and surgical training productions. PA 93-74 adds equipment used for medical or surgical training. PA 95-160 added equipment for commercials. PA 97-316 added equipment used in production or broadcast of programs for general public.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$2.0 million	Less than $40,000
FY 13	$2.1 million	Less than $40,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

9. Motion Picture Leasing or Rental

Citation: CGS Sec. 12-407(2)(J) and 12-412(50)

Description: The leasing or rental of any motion picture film by the owner or operator of a motion picture theater for purposes of display at such theater.

History: The exemption was created by 85-513.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$6.0 million	$1.0 million
FY 13	$6.2 million	$1.0 million

Taxpayers Benefitting: Approximately 75 theaters.

Rationale: Expediency.

10. Computer-related cleaning equipment

Citation: CGS Sec. 12-412(64)

Description: Sales of and the storage, use or other consumption of equipment used directly in the production and cleaning of computer discs for purposes of creating and maintaining the atmospheric environment necessary in the area immediately surrounding such production and cleaning process, including with respect to such area, climate control, air quality and a positive pressure mode adapted to the particular climate and air quality requirements of such production and cleaning process.

History: The exemption was created by PA 90-262.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

11. Molds, dies, patterns and sand handling equipment for metal casting foundries

Citation: CGS Sec. 12-412(65)

Description: The purchase and sale by metal casting foundries of molds, dies, patterns and sand handling equipment.

History: The exemption was created by PA 90-336.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $100,000	Less than $2,000
FY 13	Less than $100,000	Less than $2,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

12. Molds, dies, patterns for pattern shops and metal casting foundries

Citation: CGS Sec. 12-412(66)

Description: The sale by pattern shops of molds, dies and patterns to metal casting foundries or their customers for use in such foundries, and the purchase and use of such items by pattern shops in connection with any such sales.

History: It was created by PA 90-336.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $100,000	Less than $2,000
FY 13	Less than $100,000	Less than $2,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

13. Optical lens manufacturing equipment

Citation: CGS Sec. 12-412(81)

Description: Sales of and the storage, use or other consumption of machinery, equipment, tools and materials used exclusively in the fabrication of optical lenses.

History: The exemption was created by PA 93-360.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$200,000	Less than $5,000
FY 13	$200,000	Less than $5,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

14. Safety apparel

Citation: CGS Sec. 12-412(91)

Description: Sales of and the storage, use or other consumption of safety apparel. For the purposes of this subsection "safety apparel" means any item of clothing or protective equipment worn by an employee for protection during the course of the employee's employment.

History: The exemption was created by PA 94-4 of the May Special Session. PA 95-160 changed the effective date.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$3.2 million	Less than $60,000
FY 13	$3.3 million	Less than $60,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

15. Commercial photographic film and paper processing materials

Citation: CGS Sec. 12-412(88)

Description: Sales of and the storage, use or other consumption of machinery, equipment, tools and materials used exclusively in the commercial processing of photographic film and paper.

History: The exemption was created by PA 96-172.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

16. Machinery, equipment, tools, materials, supplies and fuel used in the biotechnology industry

Citation: CGS Sec. 12-412(89)

Description: Sales of and the storage, use or other consumption of machinery, equipment, tools, materials, supplies and fuel used directly in the biotechnology industry.

History: The exemption was created by PA 96-252. PA 03-225 made a technical change and deleted "to develop microorganisms for specific uses."

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$1.7 million	Less than $30,000
FY 13	$1.8 million	Less than $30,000

Taxpayers Benefitting: Approximately 50 biotechnology research and development laboratories.

Rationale: Incentive.

17. Services or tangible personal property for the operation of projects of the Connecticut Resources Recovery Authority

Citation: CGS Sec 12-412(92)

Description: The sales and use of any services or tangible personal property to be incorporated into or used or otherwise consumed in the operation of any project of the Connecticut Resources Recovery Authority established pursuant to section 22a-261 whether such purchases are made directly by the authority or are reimbursed by the authority to the lessee or operator of such project.

History: The exemption was created by PA 95-160.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$600,000	Less than $10,000
FY 13	$600,000	Less than $10,000

Taxpayers Benefitting: Connecticut Resources Recovery Authority.

Rationale: Incentive.

18. Tangible personal property or services to tourism districts

Citation: CGS Sec. 12-412(93)

Description: Sales of tangible personal property or services to any tourism district, as defined in CGS Section 10-397.

History: The exemption was created by PA 97-316. PA 03-6 of the June Special Session made a technical change.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Per CGS Sec. 10-397, the state is divided into three regional tourism districts.

Rationale: Conformity. Quasi-public entities are equated to state agencies.

19. Services or tangible personal property used or consumed in operating solid waste-to-energy facilities

Citation: CGS 12-412(95)

Description: The sales or use of any services or tangible personal property to be incorporated into or used or otherwise consumed in the operation of a solid waste-to-energy facility, certified as approved for such purpose by the Commissioner of Environmental Protection, whether such purchases are made directly by an authority or an operating committee, or are reimbursed by an authority or operating committee to the lessee or operator of such facility.

History: The exemption was created by PA 97-316.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$700,000	Less than $20,000
FY 13	$800,000	Less than $20,000

Taxpayers Benefitting: Approximately 9 solid waste combustors and incinerator facilities.

Rationale: Incentive.

20. Machinery and Equipment Used in Maintaining Railroad Right of Ways

Citation: CGS Sec 12-412(103)

Description: Sales of and the storage, use or other consumption of railroad locomotives, track ballasts, ties, rails, machinery and equipment used to maintain the railroad right-of-way which is used or operated exclusively for the carriage of freight.

History: The exemption was created by PA 99-173.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Incentive.

22. Fulfillment Sales Companies

Citation: CGS Sec 12-407(15)(C) and 12-407c

Description: Fulfillment companies are exempt from any requirement to collect and sales tax on items it stores for an unaffiliated out-of-state retailer.

History: The exemption was created by PA 00-227.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Incentive.

23. Data Transmission Equipment Sold to Telecom or CATV Companies

Citation: CGS Sec. 12-412(112)

Description: Exempt the sales of equipment to a telecom company or CATV company that is used to provide high speed data transmission or broadband internet service.

History: The exemption was created by PA 00-170.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Incentive.

C. Service Exemptions

1. Services to determine effect on human health of consumption or use of a product or substance

Citation: CGS Sec. 12-412(41)

Description: Sales of services used to determine the probable consequences in relation to human health of the consumption or other use of any product, substance or element.

History: The exemption was created by PA 81-327.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification. These services were considered to be related to medical services, which were not taxable when the exemption was passed.

2. Motor vehicle driving service performed out of state

Citation: CGS Sec. 12-412(36)

Description: The sale of any motor vehicle driving service to the extent of that proportionate part of gross receipts from such service rendered which is directly related to actual driving performance outside the state.

History: The exemption was created by PA 79-419.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification.

3. Services related to personnel, management or research when company rendering service and recipient are participating in a joint for venture purposes of research and new product development

Citation: CGS Sec. 12-412(58)

Description: Sales of any services rendered for purposes of (A) personnel services, (B) commercial or industrial marketing, development, testing or research services, or (C) business analysis and management services, whenever, pursuant to a joint venture agreement, the recipient of any such services is either a corporation, a partnership, or a limited liability company, and such services are rendered by one or more corporate shareholders, or a corporate partner, or corporate member in such joint venture, and in accordance with which the company rendering such service must have an ownership interest equivalent to not less than twenty-five per cent of total ownership in such joint venture, provided (i) the purpose of such joint venture is directly related to production or development of new or experimental products or systems and the marketing and support thereof, (ii) at least one of the corporations participating in such joint venture shall have been actively engaged in business in this state for not less than ten years, and (iii) exemption for such sales in accordance with this subsection, with respect to any single joint venture, shall not be allowed for a period in excess of twenty consecutive years from the date of such venture's incorporation, formation or organization, or in the case of a joint venture in existence prior to January 1, 1986, within the aircraft industry, for a period in excess of thirty consecutive years, and such exemption shall be applicable to sales of such services rendered on or after January 1, 1986.

History: The exemption was created by PA 86-120. PA 99-173 extended the exemption from 10 years to 30 years for services provided between companies engaged in a joint venture. PA 06-187 extends the exemption to limited liability corporations and extends the exemption's duration from 10 to 20 consecutive years and specifies that it starts from the date the joint venture is formed, incorporated, or organized.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

4. Services rendered between parent companies and wholly-owned subsidiaries

Citation: CGS Sec. 12-412(62) and 12-412f

Description: (A) Sales of any of the services enumerated in subdivisions (2) (i), (2) (k) or (2) (l) of CGS Sec. 12-407 that are rendered for a business entity affiliated with the business entity rendering such service in such manner that (i) either business entity in such transaction owns a controlling interest in the other business entity, or (ii) a controlling interest in each business entity in such transaction is owned by the same person or persons or business entity or business entities.

History: Prior to 1986, the Department of Revenue Services (DRS) did not view these services as taxable even though they were not specifically exempted in statute. DRS's policy changed in 1986, which resulted in passage of PA 87-1. The act exempted the services but this exemption was to sunset on 6/30/88. PA 88-307 deleted the sunset date. PA 97-243 allowed companies to use the exemption for profit purposes and made technical changes. PA 99-173 expands the exemption to include sales between businesses, other than corporations, where the same interest owns 100% of each business. It also exempts telecom services and CATV services rendered between patent companies and wholly owned subsidiaries. PA 01-6 of the June Special Session extends this exemption to include federally recognized Indian tribes. PA 02-103 made technical changes.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Clarification. Incentive because the exemption is intended to reduce cascading. Enumerated services, as defined in CGS 12-407(2), are taxable when provided by one unaffiliated business entity to another, but nontaxable when divisions of a single entity provides these services for internal use. The exemption provides horizontal equity for firms that are organized into a parent company with wholly-owned subsidiaries, rather than divisions. Clarification because it was created in response to efforts by the Department of Revenue Services (DRS) to tax the services.

5. Computer and data processing services

Citation: CGS Sec. 12-407(a)(37)(A)

Description: The statute phases down the tax rate on such services from the Sales and Use Taxes to 1% permanently effective July 1, 2004.

History: The exemption was created by PA 94-4 of the May Special Session. PA 95-160 delayed the effective date of the phase-out of the tax. PA 97-243 added the exemption to the use tax. PA 00-170 accelerated the phase-out on Internet service access charges effective 7/1/01 from 1% to 0%. PA 02-1 of the May Special Session postponed by two years the elimination of the phase-out from 7/1/02 to 7/1/04. PA 03-1 of the June Special Session makes the 1% rate permanent effective 7/1/04.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$113.0 million	$1.8 million
FY 13	$118.0 million	$1.9 million

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The phase-out was intended to reduce cascading.

6. Certain sales of computer and data processing services

Citation: CGS Sec. 12-412(74)

Description: Certain sales of computer and data processing services. (A) Sales of computer and data processing services or equipment rendered to a customer (i) by a retailer which acquired the operations of a data processing facility from the customer, provided such customer operated the facility for its own use.

History: The exemption was created by PA 92-193 and applied to services rendered by a company that, on or after July 1, 1991, acquired the operations of a data processing facility from the customer to which it sells the services. PA 93-332 extended the exemption to sales rendered by another company that acquires the operations of such facility and continues to provide the services to the original customer. PA 95-160 extended the exemption to services rendered to a customer by a retailer that, on or after July 1, 1995, acquired the data procession operations from the customer, if the customer formerly conducted such operations for its own use. PA 97-295 made technical changes. PA 00-170 and PA 00-174 clarified the exemption.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

7. Landscaping, horticulture, window cleaning or maintenance services rendered to certain disabled persons

Citation: CGS Sec. 12-412 (85)

Description: Sales of any landscaping and horticultural services, window cleaning services or maintenance services, as described in subdivision (i) of subsection (2) of section 12-407, on or after July 1, 1994, which are rendered to a person determined to be eligible for, and currently receiving, total disability benefits under the Social Security Act, provided such services are rendered at the residence of such person.

History: The exemption was created by PA 93-74. PA 95-359 made technical changes and added the requirement that recipient is currently receiving disability benefits. PA 97-243 exempted landscaping and horticulture services, window cleaning services and maintenance services and eliminated the exemption for janitorial and exterminating services. PA 02-103 made technical changes.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

8. Shoe Repair Services

Citation: CGS Sec. 12-412(105)

Description: Sales of shoe repair services.

History: The exemption was created by PA 99-173.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $100,000	Less than $2,000
FY 13	Less than $100,000	Less than $2,000

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

9. Calibration Services and ISO Services

Citation: CGS Sec. 12-412(104)

Description: Sales, use or other consumption of (A) calibration services for machinery, equipment or instrumentation used in a manufacturing production process; or (B) other sales, use or other consumption of services or compliance practices associated with registration and compliance of quality management and quality assurance standards as part of standards created by the International Organization of Standards.

History: The exemption was created by PA 99-173.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$13.0 million	$210,000
FY 13	$14.0 million	$220,000

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Incentive.

10. "Call Before You Dig" Services

Citation: CGS Sec. 12-412(106)

Description: Sales of services enumerated in subparagraph (J) of subdivision (2)(i) of section 12-407 ("Call Before You Dig"), on or after July 1, 1999, which services are rendered to the central clearinghouse organized and operated under the direction of the Department of Public Utility Control, by the public utilities of this state for receiving and giving the notices required by section 16-349.

History: The exemption was created by PA 99-173. PA 02-103 made technical changes.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

11. Sale of repair or maintenance on vessels

Citation: CGS Sec. 12-408(1)(E) and 12-411(1)(D)

Description: Sales of repair or maintenance or labor services on vessels as defined in CGS Sec. 15-127 is exempted as of 7/1/99 from the Sales and Use Taxes as follows:

History: The exemption was created by PA 96-232 of the May Special Session. PA 99-173 added labor services to the Sales Tax Exemption.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$2.8 million	Less than $50,000
FY 13	$2.9 million	Less than $50,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

12. Renovation and Repair for Residential Real Property

Citation: Does not appear in statutory language.

Description: Sales of renovation and repair services of paving of any sort, painting or staining, wallpapering, roofing, siding and exterior sheet metal work other than industrial, commercial or income producing real property.

History: PA 99-173 phased out the sales tax on certain renovation and repair services. PA 02-103 deleted the phase out language and any reference to the tax on those specific repair services.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$20.0 million	Less than $50,000
FY 13	$21.0 million	Less than $50,000

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

13. Patient Care Services

Citation: CGS Secs. 12-408(1)(E) and 12-411 (1) (E)

Description: The tax rate on patient care services is 5 3/4% effective with retail sales occurring on or after 7/1/99.

History: PA 99-173 reduced the tax on hospital services from 6.0% to 5.75%. PA 00-174 clarified the term "patient care services." PA 01-6 of the June Special Session suspended the tax from 7/1/01 to 6/30/03. PA 02-3 provides that patient care services are those for which payment is received by the hospital. PA 03-1 of the June Special Session makes the exemption permanent.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$295.0 million	$4.7 million
FY 13	$307.0 million	$4.9 million

Taxpayers Benefitting: Approximately 8 million inpatient and outpatient visits.

Rationale: Expediency.

14. Tangible Property Purchased by For-Profit Hospitals

Citation: CGS Sec. 12-412(5)(C)

Description: Sales of tangible personal property or services to an acute care, for-profit hospital, operating as an acute care, for-profit hospital as of May 12, 2004, for the purposes of such institution in connection with the constructing and equipping of any facility of such hospital for which a certificate of need was filed before, and is pending on, May 12, 2004.

History: The exemption was created by PA 03-1 of the June Special Session. PA 04-2 of the May Special Session made the exemption retroactive to a facility if it filed for a certificate of need prior to July 1, 2004. The Sharon Hospital was the only for-profit hospital operating in Connecticut on the act's effective date (May 12, 2004).

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$0	$0
FY 13	$0	$0

Taxpayers Benefitting: Presumably one hospital (Sharon Hospital).

Rationale: Expediency.

15. Payments for the services of leased or contract employees

Citation: CGS Secs. 12-407(8) and 12-407(9)

Description: Payments for the services of leased or contract employees are excluded from the definition of "sales price" and "gross receipts" for retailers who have contracted to manage a service recipient's property or business premises.

History: PA 91-3 of the June Special Session clarified that the taxable basis for management services is only the amount charged for the service itself and not the salaries or fringe benefits of workers who render the service. PA 92-17 of the May Special Session further clarified the taxable basis of management services. PA 93-332 specified that employee compensation for long-term leasing services, but not temporary employment services, are exempt. PA 00-170 extended the exemption to employees paid under professional employee contracts.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification and Conformity.

16. Motor vehicle parking

Citation: CGS Sec. 12-407(a)(37)(N)

Description: (A) Motor vehicle parking in metered space in a lot having thirty or more spaces, and (B) space in a seasonal parking lot provided by a person who is exempt from taxation under this chapter pursuant to subsection (1), (5) or (8) of section 12-412, (C) space in a parking lot owned or leased under the terms of a lease of not less than ten years' duration and operated by an employer for the exclusive use of its employees, and (D) space in municipally or state owned or operated railroad parking facilities in municipalities located within an area of the state designated as a severe non-attainment area for ozone under the federal Clean Air Act.

History: Motor vehicle parking services were made taxable by PA 89-251. PA 91-3 of the June Special Session clarified the scope of motor vehicle parking. PA 92-17 of the May Special Session added the exclusion for employers to charge their employees for parking spaces without the administrative burden of remitting tax. It was intended to encourage employees to use public transportation or carpool. PA 93-

74 excluded valet parking services at airports. PA 95-160 exempted municipally-owned railroad parking facilities in municipalities located within an area of the state designated as a severe non-attainment area for ozone under the federal Clean Air Act. PA 01-6 of the June Special Session exempted state owned or operated parking at railroad parking faculties. PA 11-6 repealed the exemption on valet parking services at airports.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$5.3 million	Less than $90,000
FY 13	$5.5 million	Less than $90,000

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity/Incentive/Expediency.

17. Car-washes

Citation: Does not appear in statutory language

Description: Car-washes

History: Car-washes were made taxable by PA 89-251. Coin-operated car-washes were excluded by PA 91-3 of the June Special session and all other car-washes were excluded by PA 93-74.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$6.0 million	$100,000
FY 13	$6.2 million	$100,000

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

18. Amusement and recreation services

Citation: Does not appear in statutory language.

Description: Amusement and recreation services.

History: These services were first made taxable by PA 91-3 of the June Special Session. PA 92-17 of the May Special Session excluded services rendered in a facility owned or managed by governmental entity from the definition of amusement and recreation services. The act also make the following changes with regard to amusement and recreation services: (1) Exclude dance lessons, (2) extend the tax to athletic and sporting events, except swimming, that are provided by governmental units, nonprofit charitable hospitals, and charitable or religious organizations and in which people over 19 years old participate, and (3) exclude any service provided without additional charge for which a charge subject to the admissions or dues tax is paid. PA 93-74 excluded these services entirely.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$72.0 million	$1.2 million
FY 13	$75.0 million	$1.2 million

Taxpayers Benefitting: At least 1.0 million

Rationale: Expediency.

19. Health and athletic club services

Citation: CGS 12-407(a)(37)(FF)

Description: Health and athletic club services, where (i) any such services are provided without any additional charge which are included in any dues or initiation fees paid to any such club, which dues or fees are subject to tax under section 12-543, and (ii) any such services are provided by a municipality or an organization that is described in Section 501(c) of the Internal Revenue Code of 1986.

History: These services were first made taxable by PA 89-251. Other amusement and recreation services were excluded by PA 93-74. This exclusion was created by PA 94-4 of the May Special Session. PA 03-2 made it taxable unless services are provided by a non-profit organization or municipality. PA 11-6 repealed the exemption for yoga instruction provided at a yoga studio.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$10.0 million	$160,000
FY 13	$10.0 million	$160,000

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

20. Licensed massage therapist and electrologist services

Citation: CGS Sec. 12-407(a)(37)(BB)(ii)

Description: Services rendered by massage therapists licensed pursuant to chapter 384a, and services rendered by an electrologist licensed pursuant to chapter 388.

History: These services were excluded from the tax by PA 92-17 of the May Special Session, effective 7/1/92. Effective 7/1/93, a licensing program was instituted for massage therapists by PA 92-202, with an initial application fee of $300. PA 95-160 of the May Special Session added hypertrichologist. PA 01-109 changed the term used from hypertrichologists to electrologists.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$2.2 million	Less than $40,000
FY 13	$2.3 million	Less than $40,000

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

21. Sales agent services

Citation: CGS Sec. 12-407(a)(37)(S)

Description: Services of a consignee selling works of art, as defined in subsection (b) of section 12-376c, or articles of clothing or footwear intended to be worn on or about the human body other than (i) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except when used for the athletic activity or protective use for which it was designed and (ii) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption under subdivision (47) of section 12-412, under consignment, exclusive of services provided by an auctioneer.

History: These services were made taxable by PA 89-251. PA 90-148 excluded art work consignments under the incentive rationale and clarified that articles of clothing and footwear are exempt. PA 93-74 excluded wholesale motor vehicle auctioning services under the incentive rationale, to reduce cascading for a wholesale business. The legislature found it expedient to exclude all other auctioning services in PA 94-4 of the May Special Session. PA 95-160 added all services of an auctioneer.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Clarification/Expediency.

22. Advertising agency services, advertising time and space in all media, and cooperative direct mail advertising

Citation: CGS Sec. 12-407(a)(37)(U)

Description: Advertising agency services, advertising time and space in all media, and cooperative direct mail advertising

History: Cooperative direct mail advertising was excluded from taxable advertising services by PA 91-3 of the June Special Session. PA 03-2 repealed the exemption on (a) advertising services for developing media, (b) cooperative direct mail advertising and (c) newspapers and magazines. PA 03-1 of the June Special Session restored said exemptions except for newspaper and magazines sales, which was delayed until July 1, 2004.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$40.0 million	$640,000
FY 13	$42.0 million	$670,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

23. Tax preparation services

Citation: Does not appear in statutory language.

Description: Tax preparation services

History: Tax preparation services were made taxable by PA 91-3 of the June Special Session. An exclusion for businesses was provided by PA 93-74, effective 1/1/95. PA 94-4 of the May Special Session, excluded all other such services, effective 7/1/96.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$4.0 million	Less than $70,000
FY 13	$4.2 million	Less than $70,000

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

24. Winter boat storage

Citation: CGS Sec. 12-407(2)(m)

Description: Dry or wet storage or mooring of noncommercial vessels during the period commencing on the first day of November in any year to and including the thirtieth day of April of the next succeeding year.

History: The exemption was created by PA 93-74.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$2.4 million	Less than $40,000
FY 13	$2.5 million	Less than $40,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

25. Environmental consulting services

Citation: CGS Sec. 12-407(a)(37)(J)(i)

Description: These services were excluded from taxable business analysis, management, management consulting, and public relations services, effective 7/1/89.

History: The exemption was created by PA 94-4 of the May Special Session.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$7.4 million	$120,000
FY 13	$7.7 million	$120,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

26. Police and Firefighters

Citation: CGS Sec. 12-407(a)(37)(D)(i)

Description: Services provided by off-duty police officers and fire fighters.

History: The exemption was created by PA 95-160 and expanded to include all services provided by off-duty police officers and firefighters by PA 97-316. PA 04-136 made a technical change.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

27. World Wide Web

Citation: CGS Sec. 12-407(a)(37)(A)

Description: services rendered in connection with the creation, development hosting or maintenance of all or part of a web site which is part of the graphical, hypertext portion of the Internet, commonly referred to as the World-Wide Web.

History: The exemption was created by PA 97-316.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$53.0 million	$850,000
FY 13	$55.0 million	$880,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

28. Training Services

Citation: CGS Sec. 12-407(a)(37)(J)(ii)

Description: Any training services provided by an institution of higher education licensed or accredited by the Board of Governors of Higher Education pursuant to section 10a-34.

History: The exemption was created by PA 99-173.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

29. Non-Cable Communications Services

Citation: CGS Sec. 12-407(a)(27)

Description: Any non-cable communications services purchased by a cable network from the sales tax on CATV services. Applicable to sales on or after 7/1/02.

History: The exemption was created by PA 02-4 of the May Special Session.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Conformity.

31. Marine Vessel Brokerage Services

Citation: CGS Sec 12-412(116)

Description: Sales of marine vessel brokerage services provided by marine vessel brokers selling such vessels for their owners.

History: The exemption was created by PA 05-251.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

32. Media Payroll Services

Citation: CGS Sec 12-407(a)(8)(B)(x) and 12-407(a)(9)(B)(x) and 12-407(a)(38).

Description: Separately stated charges for compensation, fringe benefits, workers' compensation, and payroll taxes or assessments paid to a media payroll services company. A "media payroll services company" is one whose principal business is managing and paying compensation, benefits, and payroll taxes and assessments to a film or digital media production company eligible for a film production tax credit.

History: The exemption was created by PA 07-236.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$1.2 million	Less than $20,000
FY 13	$1.2 million	Less than $20,000

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

D. Non-Profit Organization Exemptions

<u>Government</u>

1. The United States, the State of Connecticut or political subdivisions

Citation: CGS Sec. 12-412(1)

Description: (A) Sales of tangible personal property or services to the United States, the state of Connecticut or any of the political subdivisions thereof, or its or their respective agencies; (B) sales of tangible personal property or services used to develop property which the state of Connecticut is under contract to purchase through a long-term financing contract; (C) sales and use of any services or tangible personal property to be incorporated into or used or otherwise consumed in (i) the demolition, remediation or preparation of the Adriaen's Landing site and the stadium facility site for purposes of the overall project, each as defined in section 32-651, (ii) the construction of the convention center, the Connecticut Center for Science and Exploration, the stadium facility and the related parking facilities and site preparation and infrastructure improvements, each as defined in section 32-651, or (iii) the construction of any future capital improvement to the convention center, the stadium facility or the related parking facilities.

History: The exemption has been in effect since the imposition of the tax. PA 75-213 added services, PA 93-361 added subdivision (B), and PA 93-1 of the September Special Session added subdivision (C). PA 98-1 of the December 1998 Special Session replaced language in subdivision(C) which was originally added by PA 93-1 of the September Special Session for purposes of relocating an NFL team to Hartford. PA 99-241 deleted stadium facility site and training facility site and add convention center site, sportsplex site and parking facilities site. PA 00-140 deleted references to former convention center site, sportsplex site and parking facilities site and added references to the Adriaen's Landing and the stadium facility site. PA 06-187 extends the exemption to the Connecticut Center for Science and Exploration.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$746.0 million	$11.9 million
FY 13	$776.0 million	$12.4 million

Taxpayer Benefitting: All political subdivisions

Rationale: Conformity, Clarification, and Incentive. States are not permitted to levy taxes on the federal government under the US Constitution. Additionally, state government does not tax itself. The provision regarding the Adriaen’s Landing site is intended to incentivize businesses to relocate to Hartford.

2. Federal exemptions

Citation: CGS Sec. 12-412(2)

Description: Sales of tangible personal property or services which this state is prohibited from taxing under the constitution or laws of the United States.

History: The exemption has been in effect since the imposition of the tax. PA 75-213 added services.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Conformity. States are not permitted to levy taxes on the federal government under the US Constitution.

3. Municipal publications, sales by public libraries or by municipal auction and book sales by library support groups

Citation: CGS Sec. 12-412(24)

Description: Sales of municipal publications such as information booklets and zoning regulations, tangible personal property sold by public libraries, the sale of any property at auction by a municipality, and book sales by library support groups.

History: The exemption was created by PA 73-299. PA 95-160 includes book sales by library support groups.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Efficiency. The amount of revenue which could be collected is considered too small to justify the administrative cost.

4. Connecticut Technology Park

Citation: CGS Sec. 12-412(84)

Description: Sales of tangible personal property and services to The University of Connecticut Educational Properties, Incorporated, with regard to Connecticut Technology Park.

History: The exemption was created by PA 93-74.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

5. Children's Hospital and the John Dempsey Hospital

Citation: CGS Sec. 12-407(a)(28)

Description: Any hospital which, on January 30, 1997, is within the class of hospitals licensed by the department as children's general hospitals. Also any short-term acute hospital operated exclusively by the state other than a short-term acute hospital operated by the state as a receiver pursuant to Chapter 920 (John Dempsey Hospital of the University of Connecticut).

History: The exemption was created by PA 97-2 created. PA 99-173 exempted John Dempsey Hospital from the Sales and Use Tax.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$14.6 million	$230,000
FY 13	$15.0 million	$240,000

Taxpayer Benefitting: Indeterminate.

Rationale: Expediency.

6. Property Removed from Inventory and Donated to Charity or Government

Citation: CGS Sec. 12-413(4)

Description: Exempt from the Sales and Use Tax any property removed by retailers from their inventory and donated to charity or a government agency.

History: The exemption was created by PA 00-174.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Expediency.

<u>Sales to Nonprofit Organizations</u>

1. Charitable and religious organization

Citation: CGS Sec. 12-412(8)

Description: Organizations exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as determined by the U.S. Treasury Department.

History: The exemption for tangible personal property has been in effect since the imposition of the tax. PA 75-567 added services. PA 93-44 added provisions to include sales to nonprofit organizations which receive at least 75% of their funding from the state or municipalities. PA 93-332 added the provision that state and municipal funds are considered as private donations to 501(c)(3) organizations for the purpose of this exemption. PA 95-359 placed the requirement that a letter of determination from the US Treasury on the regarding federal tax status is needed to qualify for the exemption.

Fiscal Estimates: Combined estimates for Items 1 through 5 are listed below.

Fiscal Year	State	Municipal
FY 12	$189.0 million	$3.0 million
FY 13	$197.0 million	$3.2 million

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

2. **Personal property and services used or consumed in development, construction, rehabilitation, renovation, repair or operation of housing facilities for low and moderate income families and persons**

Citation: CGS Sec. 12-412(29)

Description: (A) Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into or used and consumed in the operation of housing facilities for low and moderate income families and persons and sales of and the acceptance, use or other consumption of any service described in subdivision (2) of section 12-407 that is used and consumed in the development, construction, rehabilitation, renovation, repair or operation of housing facilities for low and moderate income families and persons, provided such facilities are constructed under the sponsorship of and owned or operated by nonprofit housing organizations or housing authorities, as defined in subsection (b) of section 8-39.

History: The exemption was created by PA 75-613. PA 97-243 added sales of services used and consumed in development, construction, rehabilitation, renovation, repair and operation of housing for low and moderate income families. PA 97-315 added provisions regarding services described in CGS Sec. 12-407(2). PA 99-173 expands the exemption of certain goods and services used in the development, construction, and rehabilitation of housing for low and moderate income housing organizations to include for profit organizations.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

3. Profit and nonprofit charitable hospitals, nursing homes, rest homes and homes for the aged

Citation: CGS Sec. 12-412(5)

Description: Sales of tangible personal property or services to and by nonprofit charitable hospitals in this state, nonprofit nursing homes, nonprofit rest homes and nonprofit residential care homes licensed by the state pursuant to chapter 368v for the exclusive purposes of such institutions except any such service transaction as described in subparagraph (EE) of subdivision (37) of subsection (a) of section 12-407. See also Item 1 under Sales by Nonprofit Organizations.

History: The exemption for sales of tangible personal property to and by nonprofit charitable hospitals has been in effect since the imposition of the tax. Services were added by PA 75-567. PA 93-44 and 93-332 added nonprofit nursing homes, nonprofit rest homes and nonprofit homes for the aged. PA 94-9 and 94-175 added the reference to section 12-407 to permit the taxation of patient care services provided by hospitals. PA 00-196 and PA 02-103 made technical changes. PA 04-201 exempts items sold on premise of a for-profit hospital by a federally tax-exempt non-profit organization.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive/Expediency. Incentive with regard to sales to such institutions. Expediency with regard to sales by gift shops at such institutions.

4. Centers of service for elderly persons

Citation: CGS Sec. 12-412(35)

Description: Sales of tangible personal property or services to any center of service for elderly persons as described in subdivision (d) of section 17b-425.

History: The exemption was created by PA 79-400. PA 89-190 deleted a requirement that elderly service centers must be approved by the municipal tax assessor to qualify for the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

5. **Services used or consumed in the development, construction, rehabilitation, renovation or repair of housing facilities for low and moderate-income families in Qualified Census Tracts or Difficult Development Areas**

   Citation: CGS Sec. 12-412(100)

   Description: Sales of and the acceptance, use or other consumption of any service described in subsection (2) of section 12-407 that is accepted, used or consumed in the development, construction, rehabilitation, renovation or repair of housing facilities for low and moderate income families and persons, provided such facilities are situated in Qualified Census Tracts or Difficult Development Areas as designated by the Secretary of the United States Department of Housing and Urban Development and provided, further, that the development of such facilities is assisted by an allocation of Low Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code.

   History: The exemption was created by PA 97-4 of Special Session. PA 02-103 made technical changes.

   Fiscal Estimates: See Fiscal Estimate for Item 1.

   Taxpayer Benefitting: Indeterminate.

   Rationale: Incentive.

<u>**Sales by Nonprofit Organizations**</u>

1. **Nonprofit charitable hospitals, nursing homes, rest homes and homes for the aged**

   Citation: CGS Sec. 12-412(5)

   Description: Sales of tangible personal property or services to and by nonprofit charitable hospitals in this state, nonprofit nursing homes, nonprofit rest homes and nonprofit residential care homes licensed by the state pursuant to chapter 368v for the exclusive purposes of such institutions except any such service transaction as described in subparagraph (EE) of subdivision (37) of subsection (a) of section 12-407. See also Item 3 under Sales to Nonprofit Organizations.

   History: The exemption for sales of tangible personal property to and by nonprofit charitable hospitals has been in effect since the imposition of the tax. Services were added by PA 75-567. PA 93-44 and 93-332 added nonprofit nursing homes, nonprofit rest homes and nonprofit homes for the aged. PA 94-9 and 94-175 added the reference to section 12-407 to permit the taxation of patient care services provided by hospitals.

   Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

   Taxpayer Benefitting: Indeterminate.

   Rationale: Incentive/Expediency. Incentive with regard to sales to such institutions. Expediency with regard to sales by gift shops at such institutions.

2. **Items not costing more than twenty dollars each by certain nonprofit organizations and schools**

   Citation: CGS Sec. 12-412(26)

   Description: Sales of items for not more than twenty dollars each by any Connecticut eleemosynary organization, for purposes of youth activities which such organization is formed to sponsor and support, and by any accredited elementary or secondary school for purposes of such school or of organized activities of the students enrolled therein.

   History: PA 73-452 provided a $2 exemption. The threshold was increased by PA 85-462 to $5 and PA 90-255 increased it to $20.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

3. Sales of items for not more than one hundred dollars each by nursing or convalescent homes or adult day care centers

Citation: CGS Sec. 12-412(56)

Description: Sales of items for not more than one hundred dollars each by any nursing home, rest home, residential care home, convalescent home or any adult day care center approved for such purpose by the Commissioner of Social Services, provided (1) such sales are made through a gift shop located in such home or center and (2) any profits from such sales are retained by such home or center for the benefit of the patients, in the case of any such home, or persons using any such adult day care center.

History: The exemption for nursing homes, rest homes, homes for the aged and convalescent homes was created by PA 86-397. PA 87-311 increased the limit to $100 and added adult day care centers. PA 89-123 made a technical change. PA 93-262 made a technical change.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Expediency.

4. Sales by an affiliate participating in certain community economic development programs

Citation: CGS Sec. 12-412(86)

Description: Sales of services by an affiliate participating in implementation of the community economic development program established pursuant to section 8-240k to another affiliate participating in said program.

History: The exemption was created by PA 94-82.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

5. Tangible personal property at bazaars, fairs, picnics, tag sales by nonprofit organizations

Citation: CGS Sec. 12-412(94).

Description: Sales of tangible personal property by nonprofit organizations at bazaars, fairs, picnics, tag sales or similar events to the extent of five such events of a day's duration held during any calendar year.

History: The exemption was created by PA 97-316.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

6. **Tangible personal property by historical societies**

   Citation: CGS Sec. 12-412(98)

   Description: Sales of tangible personal property by historical societies.

   History: The exemption was created by PA 97-316.

   Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $100,000	Less than $2,000
FY 13	Less than $100,000	Less than $2,000

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

7. **Educational institution and certain health and care facility meals**

   Citation: CGS Sec. 12-412(9)

   Description: Sales of food products and meals in a student cafeteria, dining hall, dormitory, fraternity or sorority maintained in a private, public or parochial school, college or university, to members of such institutions or organizations and sales of food products and meals to patients in hospitals, homes for the aged, convalescent homes, nursing homes and rest homes.

   History: Educational institution meals have been exempt since the imposition of the tax. The exemptions for meals provided to patients in hospitals, homes for the aged, etc. were added in 1972. PA 00-174 clarified the exemption of candy and non-alcoholic beverage sold in educational institutions.

   Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

8. **Pilot Property Tax Credit for Computer Equipment**

   Citation: CGS 12-413b

   Description: There is established a pilot program of a credit against the Sales and Use Tax for the purchase of computer equipment to be used in electronic commerce for a business making a qualified investment in higher education for electronic commerce. The credit is capped at $4 million in the aggregate.

   History: PA 00-170 established the program. PA 01-6 of the June Special Session increased the credit to $4 million from $2 million.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Up to $1.0 million	Up to $16,000
FY 13	Up to $1.0 million	Up to $16,000

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

E. Miscellaneous Exemptions

1. United States and Connecticut state flags

Citation: CGS Sec. 12-412(23)

Description: Sales of United States and Connecticut state flags.

History: The exemption was created by PA 73-196.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Less than $100,000	Less than $2,000
FY 13	Less than $100,000	Less than $2,000

Taxpayer Benefitting: Indeterminate.

Rational: Expediency.

2. Gold or silver bullion, legal tender of any nation, rare and antique coins

Citation: CGS Sec. 12-412(45)

Description: Sales of and the storage or use of rare or antique coins, gold or silver bullion and gold or silver legal tender of any nation, traded according to its value as precious metal, provided such exemption shall not be applicable with respect to any such sale, storage or use in which the total value of such bullion or legal tender sold by the retailer is less than one thousand dollars.

History: The exemption was created by PA 83-509. PA 95-160 added rare and antique coins.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

3. A motor vehicle or vessel purchased but not registered in this state by a person who is not a resident of this state

Citation: CGS Sec. 12-412(60)

Description: The sale of any motor vehicle or vessel, as defined in section 15-127, in this state when the purchaser of such motor vehicle or vessel is not a resident of this state and does not maintain a permanent place of abode in this state, provided such motor vehicle or vessel is not presented for registration with the Department of Motor Vehicles in this state and such purchaser submits any affidavit or other evidence as may be requested by the Commissioner of Revenue Services concerning such purchaser's residency or place of abode.

History: The exemption was created by PA 87-238. PA 99-173 added vessels to the exemption. PA 00-174 deletes requirement for an affidavit for certain information required to be submitted and to add provisions regarding declaration.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$38.0 million	$610,000
FY 13	$40.0 million	$640,000

Taxpayer Benefitting: Less than 50,000 purchases.

Rationale: Incentive.

4. Property tax payments under motor vehicle leases

Citation: CGS Sec. 12-412(49)

Description: Any payment made by a lessee of a motor vehicle to a lessor for the purpose of paying the property taxes on any such vehicle under a lease which is otherwise subject to the taxes imposed by this chapter if such lease requires the lessee to pay such property taxes and if a separate statement of the amount of any such property tax payment is contained in such lease or in any bill rendered pursuant to such lease.

History: PA 85-435 created the exemption.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification. The tax applies only to the portion of the payment that covers the lease of the motor vehicle. PA 85-435 created the exemption.

5. Exemption from use tax for vessels brought into the state exclusively for storage, maintenance or repair

Citation: CGS Sec. 12-413a.

Description: Notwithstanding the provisions of section 12-411, the tax imposed there under shall not be applicable, in the period commencing on the first day of October in any year to and including the thirtieth day of April next succeeding, with respect to the use of any vessel within this state exclusively for purposes of (1) delivery of such vessel to a facility in this state for storage, including dry storage and storage in water by means of apparatus preventing ice damage to the hull, maintenance or repair or (2) the actual process of storage, maintenance or repair of such vessel.

History: The exemption was created by PA 83-455.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	$1.3 million	Less than $30,000
FY 13	$1.4 million	Less than $30,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to make in-state businesses more competitive with those out of state.

6. Payment of sales or use tax to another state

Citation: CGS Sec. 12-430(5)

Description:-Any service or tangible personal property that has already been made subject to a sales or use tax by another state or political subdivision at a lesser rate than the tax imposed by Connecticut will incur this state's tax but at a rate measured by the difference between the Connecticut's rate and the rate of the previous tax paid. If the tax paid under the other state or political subdivision is equal to or in excess of the Connecticut rate, then no tax shall be due.

History: The provision was added to the statutes prior to 1961.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Conformity. Double taxation may violate the Interstate Commerce Clause of the US Constitution.

7. Casual or isolated sales

Citation: CGS Sec. 12-426(1).

Description: Casual sales are: (1) Infrequent sales of a nonrecurring nature made by a person not engaged in the business of selling tangible personal property; (2) Sales of articles of tangible personal property acquired for use or consumption by a seller and not sold in the regular course of business engaged in by such seller.

History: The exemption is a regulation adopted by the Department of Revenue Services as authorized by CGS Section 12-426(1).

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Efficiency. The amount of revenue which could be collected is considered too small to justify the administrative cost.

8. Tax on casual sales of motor vehicles, vessels, snowmobiles and aircraft

Citation: CGS Sec. 12-431(a)

Description: No use tax shall be payable in cases of purchase of any motor vehicle, snowmobile, vessel or aircraft other than from a licensed dealer (1) when the purchaser is the spouse, mother, father, brother, sister or child of the seller, (2) when a motor vehicle or vessel is sold in connection with the organization, reorganization or liquidation of an incorporated business, (3) when a motor vehicle is sold in connection with the organization or termination of a partnership or limited liability company (4) when a motor vehicle which has been declared a total loss pursuant to the provisions of section 14-16c is rebuilt for sale or use, provided the purchaser was subjected to the tax imposed by this chapter for the last taxable sale of said vehicle.

History: The section was created prior to 1957 and was subsequently amended several times. The 1959 acts clarified when the use tax is not paid. PA 76-199 included boats. PA 77-614 made a technical change. PA 82-416 provided that transfer of a boat under such conditions be allowed the same exemption from use tax as in the case of a motor vehicle. PA 86-73 required that any property tax applicable to the motor vehicle transferred under subdivision (a) or (b) becoming due prior thereto shall be paid in full before registration of the motor vehicle transferred may be obtained. PA 88-6 changed "airplane" to "aircraft" and provided for payment of use tax by a purchaser of aircraft before obtaining registration. PA 88-7 deleted provisions requiring those eligible for exemption evidence that applicable property tax has been paid in full. PA 88-24 restated certain provisions regarding the transfer of a motor vehicle in connection with the organization or termination of a partnership. PA 89-123 substituted the term "vessel" for the term "boat" wherever it appeared. PA 91-3 of the June Special Session added Subsection (b), concerning the method of valuation of motor vehicles under this section. PA 95-260 extended the exemption to the transfer of a motor vehicle declared a total loss and rebuilt for sale or use. PA 97-243 added "licensed motor vehicle lessor." PA 99-173 expanded the exemption to sales in connection with the organization or termination of limited liability companies. PA 00-174 deleted a provision regarding the federal treatment of casual sales and made technical changes.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency/Clarification. Expediency with regard to transfers to family members. The Clarification is with regard to business-related transfers.

9. Mobile manufactured home, modular or prefabricated home subject to sales tax when sold by manufacturer and subject to tax as a conveyance of realty when sold at its location in a mobile manufactured home park

Citation: CGS Sec. 12-412c.

Description: (a) On or after July 1, 1986, the sale of a new mobile manufactured home, and on or after July 1, 1993, the sale of a new modular or prefabricated home, from a manufacturer shall be subject to sales and use taxes under this chapter, except that for purposes of said taxes the sales price of such new mobile manufactured home or new modular or prefabricated home shall be deemed to be seventy per cent of the manufacturer's sales price applicable with respect to such sale.

(b) On or after July 1, 1986, the resale of any mobile manufactured home located in a mobile manufactured home park licensed pursuant to chapter 412 or located on a single-family lot as a permitted nonconforming use or as otherwise permitted by the zoning regulations of the municipality in which the home is located, and on or after July 1, 1993, the resale of any modular home, shall be exempt from the sales and use taxes imposed by this chapter and shall be taxed as a conveyance of realty in accordance with the provisions of chapter 223.

History: The resale exemption was created by PA 85-512 and the 30% exemption was created by PA 86-310. PA 88-364 made a technical correction. PA 93-332 added new modular or prefabricated homes.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification/Redundancy. Clarification as it relates to 30% of a new unit's price. Sales Tax is due on the tangible personal property used in new home construction but not on the cost of labor. The 30% exemption represents the approximate labor cost for this type of dwelling. Redundancy as it relates to resale of mobile homes. The exemption prevents the double taxation of such transactions since they are subject to the Real Estate Conveyance Tax.

F. Items subject to a lower Sales Tax Rate or Basis

1. **Motor vehicles sold to members of the armed forces**

   Citation: CGS Sec. 12-408(1)(B) and 12-411(1)(B)

   Description: Motor vehicles sold to members of the armed forces on full-time active duty in the state but whose permanent residence is elsewhere (4.5%).

   History: The exemption was created by PA 84-545. PA 97-243 added the requirement that retailer maintain an affidavit or other evidence with respect to sales of motor vehicles to members of the armed forces concerning the buyer's state of residence and made technical and renumbering changes. PA 00-170 eliminated the affidavit requirement for motor vehicle sales to armed forces personnel.

   Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive. The lower rate is intended to encourage military personnel to buy and register their motor vehicles in-state.

2. **Sale of vessels to nonresidents at the lower of CT or resident's home state**

   Citation: CGS Sec. 12-411(1)

   Description: With respect to the sales of vessels to any resident of another state, the rate shall be the lesser of: (i) Six per cent of the gross receipts of any retailer from such sales or (ii) the percentage of such gross receipts that is payable as a sales tax by retailers engaged in business in the purchaser's state of residence provided such retailer requires and maintains an affidavit or other evidence, satisfactory to the commissioner of revenue services, concerning the purchaser's state of residence.

   History: The exemption was created by PA 91-3 of the June Special Session. PA 91-14 of the June Special Session made the provisions relating to vessels effective September 19, 1991. PA 92-17 changed proof of the purchaser's state of residency to a signed affidavit rather than registration of the boat in the purchaser's home state. PA 97-243 provided that the tax rate on vessels sold to nonresidents is the lesser of Connecticut's sales tax rate or the tax rate in the state in which the individual resides. PA 99-173 deleted provisions regarding the sale of a vessel to an individual who does not maintain a permanent place of abode in this state.

   Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

3. **Trade-in of motor vehicles, snowmobiles, vessels or farm tractors**

   Citation: CGS Sec. 12-430(4)

   Description: Where a trade-in of a motor vehicle is received by a motor vehicle dealer, upon the sale of another motor vehicle to a consumer, or where a trade-in of an aircraft, as defined in subdivision (5) of section 15-34, is received by an aircraft dealer, upon the sale of another aircraft to a consumer, or where a trade-in of a farm tractor, snowmobile or any vessel, as defined in section 15-127, is received by a retailer of farm tractors, snowmobiles or such vessels upon the sale of another farm tractor, snowmobile or such vessel to a consumer, the tax is only on the difference between the sale price of the motor vehicle, aircraft, snowmobile, farm tractor or such vessel purchased and the amount allowed on the motor vehicle, aircraft, snowmobile, farm tractor or such vessel traded in on such purchase. When any such motor vehicle, aircraft, snowmobile, farm tractor or such vessel traded in is subsequently sold to a consumer or user, the tax provided for in this chapter applies.

History: The exemption was added to the statutes prior to 1961. In 1961 it was limited to Connecticut motor vehicle dealers. In 1969 snowmobiles were added, references to in-state dealers were deleted, and a special provision for computing the tax between 1969 and 1971 was added. The 1971 acts deleted the special tax computation provision. PA 73-518 added vessels. PA 74-338 made a technical change. PA 94-4 of the May Special Session added the exemption for aircraft trade-ins.

Fiscal Estimates: Combined estimates for Items 3 and 4 are listed below:

Fiscal Year	State	Municipal
FY 12	$49.0 million	$780,000
FY 13	$51.0 million	$820,000

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

4. Determination of sales tax on certain construction equipment or machinery when such equipment or machinery is traded in on purchase

Citation: CGS Sec. 12-430a

Description: In any sale at retail of construction equipment or machinery, the source of power for which is an integral part of any individual unit of such equipment or machinery, which sale is made by a retailer of such equipment or machinery who accepts a trade-in of such equipment or machinery in such sale, the sales tax with respect to such sale shall not be applicable to the entire purchase price of such equipment or machinery but shall be imposed on the difference between such purchase price and the amount allowed by the retailer on such equipment or machinery traded in as a credit against the entire purchase price of such equipment or machinery purchased. When any such equipment or machinery traded in is subsequently sold to a consumer or user, the tax imposed under this chapter shall be applicable to such sale.

History: The exemption was created by PA 85-457.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

5. Coupons and Discounts and Battery Deposits and Trade Ins of like kind

Citation: CGS Secs. 12-407(8) and 12-407(9)

Description: Coupons and Discounts and Battery Deposits and Trade Ins of like kind are excluded from the definition of "sales price" and "gross receipts."

History: PA 98-110 added coupons and discounts, battery deposits and trade-ins of like kind, effective 7/1/98.

Fiscal Estimates: Combined estimates for Items 5 and 6 are listed below.

Fiscal Year	State	Municipal
FY 12	$16.2 million	$260,000
FY 13	$17.0 million	$270,000

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

6. **Trade in of Core Parts**

Citation: CGS Sec. 12-412j

Description: In any sale at retail of any new or remanufactured part of an item of tangible personal property to a purchaser, which sale is made by a retailer of such parts who will accept in return from such purchaser a core component or core part of such tangible personal property, the sales or use tax with respect to such sale shall be imposed on the difference between the purchase price and the amount allowed by the retailer on the returned core component or core part, provided the retailer shall collect the tax, at the time of sale, on the purchase price and, when the core component or core part is returned, shall refund such tax on the amount allowed by the retailer on the returned core component or core part. When any such core component or core part traded in is subsequently sold to a consumer or user, the taxes imposed under this chapter shall be applicable to such sale.

History: PA 95-327 created the exemption. PA 96-172 expanded exemption to motor bus parts. PA 98-110 clarified when the tax must be collected by the retailer.

Fiscal Estimates: See Fiscal Estimate for Item 5.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

7. **Licensed motor vehicle dealers**

Citation: CGS Sec. 12-430(6)

Description: When a licensed motor vehicle dealer replaces a motor vehicle which has been registered to such dealer and the replaced motor vehicle is no longer in the possession of or used by such dealer, the tax imposed by this chapter shall be applicable only with respect to the difference between such dealer's cost for the new motor vehicle being registered, which motor vehicle is the replacement for said replaced motor vehicle, and the wholesale value of said replaced motor vehicle at the time of its replacement, determined in accordance with a standard reference book for such values acceptable to the commissioner of revenue services.

History: The exemption was created by PA 73-520.

Fiscal Estimates:

Fiscal Year	State	Municipal
FY 12	Indeterminate	Indeterminate
FY 13	Indeterminate	Indeterminate

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce the cost of doing business for instate firms. It parallels the exemption for consumers (above), which permits trade-in allowances to be deducted from the purchase price of motor vehicles.

BUSINESS TAXES

Business entities are taxed for the privilege of: (1) doing business within the state, (2) owning or leasing in-state property, or (3) maintaining an office within the state. Connecticut has three business taxes that apply to different organizational structures.

<u>Business Entity Tax</u> (applicable to LLCs, LLPs, LPs and S-corporations[2])

The tax is imposed on S-corporations, limited liability companies (LLCs), limited liability partnerships (LLPs), and limited partnerships (LPs) if: (1) the S-corp or LLP is required to obtain a certificate of authority from the Secretary of the State, or (2) the LLC or LP is required to register with the Secretary of the State. The tax is applicable to income years beginning on or after 1/1/02. CGS Sec. 284b(a) as amended by PA 06-159

Tax Rate: The tax is $250; starting with tax years beginning on or after January 1, 2013, the tax is payable every other year rather than annually (PA 11-1 October Special Session). A temporary 20% surcharge was imposed for the 2003 income year. CGS Sec. 284b(b) as amended by PA 06-159

Exemptions: The two exemptions are: (1) LLCs that have elected to be taxed as a corporation for federal tax purposes (CGS Sec. 12-284b(a)(2)), and (2) any domestic LP that is not formed under Chapter 610 of the state statutes (CGS Sec. 12-284b(a)(4)). The rationale for both of these exemptions is conformity.

<u>Unrelated Business Income Tax</u> (applicable to nonprofit corporations)

The tax is imposed on nonprofit corporations with income from businesses unrelated to their nonprofit status. It uses the same rate (CGS Sec. 12-242bb(a)) and 3-factor apportionment formula (CGS Sec. 12-242bb(b)) as the Corporation Business Tax's net income base (see below).

<u>Corporation Business Tax</u> (applicable to corporations)

Tax Rate and Basis: Corporations are subject to tax on income derived from in-state sources. The tax has three bases (see below). A taxpayer's liability is the greatest amount computed under any of the three.

1. **Net Income Base**: Liability under this base is calculated by multiplying the portion of a corporation's total net income that is taxable in this state (determined by apportionment) by the tax rate and surcharge that are applicable in that income year. This amount may be further reduced by subtracting any tax credits that a corporation is eligible to claim.

[2] Subchapter S is a section of the federal income tax code.

a. Tax rates: The table below shows tax rates and surcharges for the net income base by income year:

Net Income Base Tax Rates and Surcharges

Income Year	Tax Rate CGS Sec. 12-214(a)	Surcharge CGS Sec. 12-214(b)	Legislation
1994	11.50%	none	
1995	11.25%	none	PA 93-74[1]
1996	10.75%	none	PA 95-160[2]
1997	10.50%	none	
1998	9.50%	none	
1999	8.50%	none	
2000	7.50%	none	
2001	7.50%	none	
2002	7.50%	none	
2003	7.50%	20%	PA 03-2[3]
2004	7.50%	25%	PA 03-1 (J30SS)[4]
2005	7.50%	none	
2006	7.50%	20%	PA 05-251[5]
2007	7.50%	none	PA 06-186[6]
2008	7.50%	none	
2009	7.50%	10%	PA 09-3 (JSS)[7]
2010	7.50%	10%	PA 09-3 (JSS)[7]
2011	7.50%	10%	PA 09-3 (JSS)[7]
2012	7.50%	20%	PA 11-6[8]
2013	7.50%	20%	PA 11-6[8]

[1] PA 93-74 reduced the tax rate to 11.25% for the 1995 income year, 11.0% for the 1996 income year, 10.5% for the 1997 income year and 10.0% for the 1998 income year

[2] PA 95-160 reduced the tax rate to 10.75% for the 1996 income year, 9.5% for the 1998 income year, 8.5% for the 1999 income year and 7.5% for the 2000 income year and thereafter. (The rate for the 1997 income year did not change.)

[3] PA 03-2 imposed a 20.0% surcharge for the 2003 income year.

[4] PA 03-1 (J30SS) imposed a 25.0% surcharge for the 2004 income year.

[5] PA 05-251 imposed a 20.0% surcharge for the 2006 income year and a 15.0% surcharge for the 2007 income year.

[6] PA 06-186 eliminated the 15.0% surcharge for the 2007 income year.

[7] PA 09-3 (JSS) imposed a 10.0% surcharge for the 2009, 2010 and 2011 income years for companies that have: (1) $100.0 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250.0 minimum tax.

[8] PA 11-6 imposed a 20.0% surcharge for the 2012 and 2013 income years for companies that have: (1) $100.0 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250.0 minimum tax.

b. Apportionment of Net Income**:** Net income equals gross income, as defined in the Internal Revenue Code, minus any deductions for which a corporation qualifies. The amount of a corporation's total net income that is taxable in Connecticut is calculated by a process called apportionment. This process compares the amount of income that is derived from the corporation's business activities carried on in-state versus the amount derived from business carried on everywhere. The resulting fraction is multiplied by the corporation's total net income to determine the portion that is subject to tax in this state. The statutes provide specific rules indicating how corporations in different economic sectors are required to apportion their income.

1. Three factor apportionment: Corporations that derive their income from the sale or use of tangible personal or real property use a 3-factor formula for determining taxable net income in Connecticut. The 3 factors are: (1) sales (which is double weighted), (2) payroll and (3) property (CGS Sec. 12-218(c)).

2. One factor apportionment: A one-factor formula is used for the following business sectors:

a. Sales of services – apportionment is based on gross receipts assignable to the state. CGS Sec. 12-218(b)

b. Bus companies that transport passengers and motor carriers that transport property for hire – apportionment is based on the relative number of miles driven in state. CGS Secs. 12-218(d) & 12-218(e)

c. Management, distribution or administrative services provided to or on behalf of a regulated investment company (mutual fund) – apportionment is based on the proportion of shares in the fund owned by shareholders domiciled in Connecticut. CGS Sec. 12-218(f)

d. Securities brokerage service companies – apportionment is based on the proportion of commissions and margin interest paid to accounts owned by clients domiciled in Connecticut. CGS Sec. 12-218(g)

e. Banks that issue credit cards and regularly engage in credit card activities – apportionment is based on the proportion of receipts derived from credit card holders located within Connecticut. CGS Sec. 12-218(j)

f. Manufacturers and broadcasters – apportionment is based on gross receipts assignable to the state. CGS Secs. 12-218(k) & (l)

g. Financial service companies – apportionment is based on total receipts assignable to the state (CGS Sec. 12-218b(b)(1)). PA 98-110 excludes financial services companies from using the capital base to calculate their tax liability or paying the minimum tax.

2. **Capital Base**: Liability under this base tax is calculated by multiplying: (1) the average value of issued and outstanding capital stock and surplus reserves, and (2) the tax rate of .0031% (3.1 mills) plus any surcharge applicable in that income year (CGS Sec. 12-219(a)(1)). This amount may be further reduced by subtracting any tax credits that a corporation is eligible to claim. The maximum tax liability under the capital base is $1.0 million (CGS Sec. 12-219(a)(1)(C)).

Capital Base Surcharges

Income Year	Tax rate	Surcharge

	CGS Sec. 12-219(a)(1)	CGS Sec. 12-219(b)	Legislation
2002	0.0031%	none	
2003	0.0031%	20%	PA 03-2[1]
2004	0.0031%	25%	PA 03-1 (J30SS)[2]
2005	0.0031%	none	
2006	0.0031%	20%	PA 05-251[3]
2007	0.0031%	none	PA 06-186[4]
2008	0.0031%	none	
2009	0.0031%	10%	PA 09-3 (JSS)[5]
2010	0.0031%	10%	PA 09-3 (JSS)[5]
2011	0.0031%	10%	PA 09-3 (JSS)[5]
2012	0.0031%	20%	PA 11-6[6]
2013	0.0031%	20%	PA 11-6[6]

[1] PA 03-2 imposed a 20.0% surcharge for the 2003 income year.
[2] PA 03-1 (J30SS) imposed a 25.0% surcharge for the 2004 income year.
[3] PA 05-251 imposed a 20.0% surcharge for the 2006 income year and a 15.0% surcharge for the 2007 income year.
[4] PA 06-186 eliminated the 15.0% surcharge for the 2007 income year.
[5] PA 09-3 (JSS) imposed a 10.0% surcharge for the 2009, 2010 and 2011 income years for companies that have: (1) $100.0 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[6] PA 11-6 imposed a 20.0% surcharge for the 2012 and 2013 income years for companies that have: (1) $100.0 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250.0 minimum tax.

3. **Minimum Tax**: Corporations owing less than $250 under either the net income or the capital base are required to pay the minimum tax of $250. No surcharge is imposed on minimum tax payers. Companies paying the minimum tax are not permitted to use tax credits to reduce their liability below the $250 minimum tax (CGS Secs. 12-219(a)(1)(C) &12-223c).

Combined Returns: Corporations filing combined returns are not entitled to the first $500,000 of tax savings over what they would have paid if they filed separately (CGS Sec. 12-223f as amended by PA 09-3 (JSS)).

Corporations exempt from the tax:

1. Insurance companies

Citation: CGS Sec. 12-214(a)(2)(A)

Description: The exemption is for domestic and foreign[3] insurance companies.

History: PA 98-110 exempted domestic companies from the tax effective with the 1999 income year. PA 73-350 modified the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Approximately 1,500.

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[3] Foreign or nonresident insurance companies are incorporated under the laws of another state or foreign government but must be licensed by the insurance department in order to issue policies in this state.

Rationale:

- Domestic insurance companies – Redundancy: These companies are subject to taxation under the Insurance Premiums Tax.

- Foreign insurance companies – Expediency: Connecticut does not tax companies headquartered in other states to avoid having retaliatory taxes imposed by those states on insurance companies headquartered in Connecticut.

2. Domestic international sales corporations (DISCs)

Citation: CGS Sec. 12-214(a)(2)(B).

Description: DISCs are US companies whose income is derived primarily from foreign sales; the exemption is for DISCs that are exempt from the federal income tax.

History: PA 72-271 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

3. Railroad companies

Citation: CGS Sec. 12-214(a)(2)(C) and (D).

Description: The exemption is for railroad companies that are subject to the utility gross earnings tax.

History: 1915 Ch. 292 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Fewer than 20.

Rationale: Redundancy.

4. Cooperative housing corporations

Citation: CGS Sec 12-214(a)(2)(E).

Description: The exemption is for cooperative housing corporations, as defined in Section 21b of the IRS Code, whether or not they have any federal taxable income.

History: A cooperative housing corporation exemption with certain residence and corporate membership restrictions was enacted in 1965. A general exemption was provided for any corporation with no federal taxable income in 1969. PA 94-4 broadened the exemption to include cooperative housing corporations that had federal taxable income, retroactive to 1990 income year.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity (1965 & 1969 exemptions) and Expediency (1994 exemption).

5. Political associations

Citation: CGS Sec 12-214(a)(2)(F).

Description: The exemption is for organizations established and operated for political purposes that are exempt from federal taxation.

History: PA 75-101 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

6. Alternate energy systems companies

Citation: CGS Sec. 12-214(a)(2)(G).

Description: The exemption is for companies that: (1) are not owned or controlled by another company; (2) have a gross annual revenue of less than $100 million; and (3) are engaged in the research, design manufacture, sale or installation of alternative energy systems. The company's net income must be directly attributable to alternative energy systems.

History: PA 80-406 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

7. Aero-derived gas turbine systems

Citation: CGS Sec. 12-214(a)(2)(H).

Description: The exemption is for companies that engage in the research, design, manufacture or sale of aero-derived gas turbine systems used in advanced industrial applications in this state.

History: PA 92-152 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

8. Non-US corporations whose sole activity in state is the trading of stocks, commodities and securities

Citation: CGS Sec. 12-214(a)(2)(I)

Description: The exemption is for foreign corporations whose only presence within the state relates to the trading of stocks, commodities, and securities.

History: PA 98-244 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

9. Subchapter S-corporations[4]

Citation: CGS 12-214(a)(2)(J).

Description: The exemption is for buseinsses electing to be taxed as a corporation through subchapter S of the IRS code.

History: PA 96-175 phased out the tax on the net income of Subchapter S corporations by reducing the percentage that was taxable. The Corporation Tax on S corporations was completely phased out at the end of the 2001 income year and they became taxable under the Business Entity Tax for the 2002 income year (see above).

Fiscal Estimates: Indeterminate

Taxpayers Benefitting: Fewer than 150,000.

Rationale: Expediency.

10. Regulated investment companies[5] (RICs) and real estate investment trusts (REITs)

Citation: CGS Sec. 12-217(a)(1)(B) and 217(a)(3) exempt these entities from the net income base of the tax and CGS Sec. 219(c) exempts them from the capital base and the minimum tax.

Description: Regulated Investment Company (RIC) means a regulated investment company as defined in I.R.C. §851. DRS Ruling 93-24 states that distributions paid by the Regulated Investment Company (RICs) to the Company that are "exempt-interest dividends," as defined in 26 U.S.C. § 852(b)(5), and "capital gain dividends," as defined in 26 U.S.C. § 852(b)(3)(C), are not "dividends as defined in the federal income tax law" because federal law transforms their character from dividend income to exempt-interest income and capital gain income, respectively. Therefore, "exempt-interest dividends" and "capital gain dividends" may not be deducted under Conn. Gen. Stat. § 12-217(a)(D). Distributions paid by the Regulated Investment Company to the Company that are not "exempt-interest dividends" or "capital gain dividends" may be deducted under Conn. Gen. Stat. § 12-217(a)(D), provided that such distributions are "dividends" as defined in 26 U.S.C. § 316

[4] Subchapter S is a section of the federal income tax code.
[5] Regulated investment companies are mutual funds.

and no provision of federal income tax law expressly transforms their dividend character, and provided that the Regulated Investment Company is a domestic corporation

History: PA 93-74 enacted the exemption effective with the 1993 income year.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive and Expediency.

11. Passive investment companies (PICs)

Citation: CGS Sec. 12-213(a)(9)(C)

Description: The exemption is for the income of passive investment companies (PICs), which is derived from investments that earn interest, dividends, and/or capital gains.

History: PA 98-110 enacted the exemption effective with the 1999 income year.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

12. Municipal risk management agencies

Citation: CGS Sec. 12-219(c)

Description: The exemption is for associations formed by two or more municipalities or other local government units to insure against public liability, automobile and property risk.

History: PA 94-4 MSS clarified that municipal risk management agencies are exempt from the capital base and the minimum tax, effective with the 1980 income year. This type of organization does not have a tax liability under the net income base.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

13. Electric cooperatives

Citation: CGS Sec. 33-240 imposes a $25 fee on these companies and exempts them from all other excise and income taxes.

Description: Imposes a $25 licensing fee on electric cooperatives and exempts them from all excise and income taxes.

History: 1941 Ch. 287 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Clarification.

14. Companies located in an insurance and financial services export zone

Citation: CGS Sec. 32-538(a)

Description: The exemption is for companies that: (1) have their corporate headquarters located in the insurance and financial export zone in the City of Hartford and (2) conduct all of their business outside of the United States.

History: PA 96-253 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive and Expediency.

Deductions available under the net income base: These deductions are used in the calculation of a corporation's net income. They are not available under the capital base because they do not relate to capital stock or surplus reserves.

1. Earnings from international banking facilities (IBFs)

Citation: CGS Sec. 12-217(a)(1)(C)

Description: International banking facilities (IBFs) are defined in federal regulations, which dictate state tax treatment of these entities. IBFs enable US banks to use their domestic US offices to offer foreign customers.

History: PA 81-245 enacted the deduction.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

2. Dividends from domestic international sales corporations (DISCs) or foreign sales corporations (FSCs)

Citation: DISCs: CGS Sec. 12-217(a)(1)(D). FSCs: CGS Sec. 12-213(a)(9)(B)

Description: Domestic international sales corporations (DISCs) are US companies whose income is derived primarily from foreign sales. Foreign sales corporations (FSCs) no longer exist. FSC rules were repealed as of 9/30/00 after a determination by the World Trade Organization (WTO) that

FSCs were an illegal export subsidy. Federal tax law formerly allowed US companies to receive a tax reduction for profits derived from exports received through an offshore FSC subsidiary.

History: PA 81-245 enacted the deduction.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

3. Net operating loss (NOL) carryforward

Citation: CGS Sec. 12-217(a)(4)(A)

Description: Loss carryforwards smooth out fluctuations in corporate profits, which may change dramatically with economic conditions. Like federal law, prior year losses must be applied against income to the maximum extent possible and in a consecutive fashion during the carryover period, so that losses from earliest years are used first. Federal law allows losses to be carried forward 15 years or carried back 3 years; the state deduction can be carried forward for 20 years.

History: PA 73-350 created the deduction. PA 99-173 extended the carryforward period from 5 years to 20 years.

Fiscal Estimates: $155.0 million in FY 12 and $164.3 million in FY 13.

Taxpayers Benefitting: Approximately 6,700.

Rationale: Conformity.

4. Net capital loss carryforward

Citation: CGS Sec. 12-217(a)(4)(B)

Description: The deduction is for net capital losses, as defined by federal corporate income tax law. The deduction can be carried forward for 5 years.

History: PA 73-350 enacted the deduction.

Fiscal Estimates: $700,000 in FY 12 and FY 13.

Taxpayers Benefitting: Approximately 60.

Rationale: Conformity.

5. Unpaid loss reserve adjustment for non-life insurance companies

Citation: CGS Sec. 12-217(a)(5)

Description: An unpaid loss reserve is an estimate of the unpaid amounts required to settle a defined group of claims as of a particular accounting date. The deduction is for the unpaid loss reserve adjustment for non-life insurance companies that is required by the federal code.

History: PA 93-74 enacted the deduction.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Clarification and Conformity.

6. Capital Gains from the sale to be preserved as open space or watershed land

Citation: CGS Sec. 12-217(a)(1)(E)

Description: The deduction is for capital gains realized from the sale of open space or land to: (1) the state, (2) a municipality, (3) a non-profit land conservation organization, or (4) a water company. The land must be permanently preserved space or as Class I or Class II water company land to qualify for the deduction.

History: PA 99-173 enacted the deduction.

Fiscal Estimates: Less than $100,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

Tax Credits Claimed Against the Corporation Tax

The most recent data indicates the following credits are used to reduce corporations' tax liability. Companies are prohibited from using the credits to reduce their tax liability below the $250 minimum tax, beginning with the 2002 income year (CGS Sec. 12-219(a)(3) and 223(c)). The total value of credits allowed in any income year is limited to 70% of pre-credit tax liability under either the net income or the capital base (CGS Sec. 12-217zz).

1. Apprenticeship training credit in construction, manufacturing, and plastics trades

Citation: CGS Sec. 12-217g

Description: The credit is available to corporations in the construction, manufacturing, plastics and plastics-related trades that employ apprentices. It is administered by the Department of Labor. For the manufacturing and plastics trades, the credit is the lesser of: (1) 50% of the actual wages paid to apprentices in the income year or (2) up to $4,800 per apprenticeship. For the construction trades, the credit is the lesser of: (1) 50% of the actual wages paid to the apprentice or (2) up to $4,000 per apprenticeship. The construction trades credit is awarded in the year the apprentice completes a 4-year program. There are no carryback or carryforward provisions.

History: PA 79-475 enacted the credit for the machine tool and metal trades. PA 94-4 MSS changed the hourly wage requirements. PA 95-284 extended the credit to plastics trades. PA 97-295 substituted "manufacturing trades" for machine tool and metal trades, and extended the credit to the construction trades. PA 06-174 changes the construction trades credit: (1) nonunion businesses qualify for the credit, (2) the credit is awarded in the year the apprentice completes a 4-year program, (3) the credit amount is based on the number of hours completed by the apprentice, and (4) the credit limit is raised from $1,000 to $4,000.

Fiscal Estimates: $600,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive.

2. Computer donation

Citation: CGS Sec. 10-228b

Description: The credit is available for the donation of new or used computers to a local or regional board of education or a public school. It is administered by the Department of Revenue Services. The amount may not exceed 50% of the fair market values of the computers at the time of donation and the used computers may not be more than 2 years old. The annual limit per business is $75,000 and the annual limit for all firms is $1.0 million. There are no carryback or carryforward provisions.

History: PA 00-170 enacted the credit. PA 10-75 eliminated the credit for income years beginning on or after January 1, 2014.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

3. Digital animation production

Citation: CGS Sec. 12-217ll

Description: The credit is available for developing and producing computer-generated animation content for public exhibition and distribution. To qualify for the credit, a company must: (1) be exclusively engaged in the production activity; (2) maintain a studio in this state; (3) employ at least 200 full-time employees; and (4) be certified by the Department of Economic and Community Development (DECD). The credit is as follows:

Digital Animation Production Credit

Income Year	Minimum Production Expenditure	% Credit
2007 to 2009	$50,000	30%
2010 & after	$100,000 to $500,000	10%
	$500,000 to $1 million	15%
	Over $1 million	30%

Credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits can only be claimed for the income year in which the expenditures are made. The annual limit for all companies is $15 million. Companies receiving the digital animation credit are not eligible for the film production credit. Credits are not refundable. Unused credits may be carried forward for 3 years.

History: PA 07-236 enacted the credit. PA 09-3 (JSS) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year.

Fiscal Estimates: $1.0 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

4. Displaced worker

Citation: CGS Sec. 12-217bb

Description: The credit is available to electric suppliers who hire workers displaced by the restructuring of the electric industry for at least 6 months. The credit amount is $1,500 per worker and it must be taken in the income year in which the displaced worker first completes six full months of full-time employ. Only one credit is allowed per qualifying worker and the employer may not claim this credit and the credit for hiring a displaced worker under CGS Sec. 12-217hh for the same employee. There are no carryback or carryforward provisions.

History: PA 98-28 enacted the credit effective 4/29/98.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

5. Donation of land for educational use

Citation: CGS Sec. 12-217ff.

Description: The credit is for land donated without any financial consideration or sold at a discounted price to a municipality or political subdivision of the state for educational use. The credit is 50% of the difference between fair market value and the amount received for the donated land. Unused credits may be carried forward 15 years.

History: PA 04-200 enacted the credit effective June 3, 2003.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive.

6. Electronic data processing

Citation: CGS Sec. 12-217t.

Description: The credit is available for 100% of the local property tax paid on electronic data processing equipment, including computers, printers, peripheral computer equipment, bundled software and any other related equipment reported as Code 20 on the Personal Property Declaration. The credit is only for property tax liability and excludes any interest or penalties that the taxpayer may also be required to pay. It may only be taken when filing a final return and may not be used to calculate estimated payments. Unused credits may be carried forward for 5 years.

History: PA 94-4 MSS enacted the credit. PA 95-160 delayed the effective date of the credit from the 10/1/94 grand list to 10/1/96 grand list. PA 96-144 reinstated the original effective date of 10/1/94 grand list.

Fiscal Estimates: $9.4 million in FY 12 and $10.0 million in FY 13.

Taxpayers Benefitting: Approximately 1,300.

Rationale: Perceived Equity.

7. Film production

Citation: CGS Sec. 12-217jj.

Description: The credit is available to companies that produce qualified entertainment content wholly or in part in this state. Qualified activities include production of: (1) motion pictures, (2) television programming, (3) sound recordings, (4) music videos, (5) video games, (6) commercials (infomercials are ineligible) and (7) certain interactive websites. The credit is administered by the Department of Economic and Community Development (DECD). The credit is as follows:

Film Production Credit

Income Year	Minimum Production Expenditure	% Credit
2007 to 2009	$50,000	30%
2010 & after	$100,000 to $500,000	10%
	$500,000 to $1 million	15%
	Over $1 million	30%

Beginning with the 2010 income year, credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits can only be claimed for the income year in which the expenditures are made. Credits are not refundable. Unused credits may be carried forward for 3 years.

History: PA 06-83 enacted the credit effective with the 2006 income year. PA 06-186 amended the language. PA 07-236: (1) allowed the credit to be applied against the insurance premium tax as well as the corporation tax and (2) changed the types of productions and expenses that are eligible. PA 07-4 (JSS) eliminated a partial credit for out of state expenditures that was added by PA 07-236. PA 08-142: (1) makes the insurance premiums tax credit retroactive to income years beginning between January 1, 2006 and January 1, 2007 and (2) permits insurance premiums tax and corporation tax credits for income years between January 1, 2006 and January 1, 2007 to be resold or transferred up to three times. PA 09-3 (JSS): (1) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year, (2) changed the requirements for eligible production expenditures beginning with the 2010 income year and (3) made infomercials ineligible for the credit. PA 11-61 specified that: (1) qualified productions must conduct no less than 50% of principal photography days within the state or expend no less than 50% of post-production costs within the state or expend not less than $1.0 million of post-production costs within the state, (2) for income years beginning on or after January 1, 2011, and prior to January 2, 2012, a production company may not transfer more than 50% of the film production tax credit in any one income year, (3) for income years beginning on or after January 1, 2012, a production company may not transfer more than 25% of the film production tax credit in any one income year, and (4) any production that is created in whole or in significant part at a "qualified production facility"[6] within the state shall not be subject to transfer limitations. PA 11-1 (OSS) expands the types of qualified productions that are eligible for film production tax credits to include "relocated television productions." It defines a relocated television production as an eligible production company's ongoing television program that (1) has filmed all of its prior seasons outside Connecticut, (2) may include certain current events shows, and (3) is created at a qualified production facility that meets specified investment and job creation thresholds on or after January 1, 2012. Productions featuring current events are not currently eligible for film production tax credits.

Fiscal Estimates: $4.5 million in FY 12 and $5.5 million in FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

8. Film production infrastructure

Citation: CGS Sec. 12-217kk.

Description: The credit is available for investments in state-certified infrastructure projects for the film and digital media industry. It is administered by the Department of Economic and Community Development. The credit is as follows:

Motion Picture Infrastructure Credit		
Income Year	Project Cost	% Credit
	$15,001 to $149,999	10%
2007 to 2009	$150,000 to $1 million	15%
	$1 million & above	20%
2010 & after	$3 million & above	20%

Credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of 3 transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits are not refundable. Credits may be claimed for the income year in which the eligible expenditures are made or may be carried forward for 3 years.

History: PA 07-236 enacted the credit. PA 09-3 (JSS) changed the minimum project cost and percentage of the credit beginning with the 2010 income year. PA 11-1 (OSS) allows taxpayers to claim all or part of the tax credits either in the income year in which the infrastructure investments were made or in any of the three immediately succeeding income years.

Fiscal Estimates: $600,000 in FY 12 and $1.0 million in FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

[6] A "qualified production facility" means a facility 1) located in Connecticut, 2) intended for film, television, or digital media production, and 3) that has a minimum investment of $3.0 million, or less if the DECD commissioner determines such facility otherwise qualifies.

9. Financial institutions

Citation: CGS Sec. 12-217u

Description: This credit is available to financial institutions that: (1) build and occupy a facility of at least 900,000 sq ft in this state and (2) create and maintain a minimum of 1,200 to 2,000 new jobs at the facility. It is administered by the Department of Economic and Community Development. The credit, which depends on the number of new jobs created, ranges between 30% and 50% over a 10-year period and 25% for an additional 5 years. The total credit for all firms is limited to between $72 million and $120 million over the 10-year period and $145 million over the 15-year period. There are no carryback or carryforward provisions.

History: PA 94-1 OSS enacted the credit effective with the 1995 income year. PA 95-160 made changes to the credit amounts and employment levels. PA 00-170 prohibited the taxpayer from applying for the credit if it has received other financial assistance from the state. PA 10-75 eliminated the credit for income years beginning on or after January 1, 2014.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

10. Fixed capital[7]

Citation: CGS Sec. 12-217w

Description: The credit is available for fixed capital which: (1) has an IRS class life of more than 4 years; (2) was not purchased from a related entity; (3) is not leased to another entity within 12 months of purchase; and (4) will be located and used in state for at least 5 full years following acquisition. The credit is 5% of qualified expenditures. There is a recapture provision if the fixed capital for which the credit is claimed is not located and used in state for 3 full years following its acquisition (100% credit recapture) or 5 full years following its acquisition (50% credit recapture). Unused credits may be carried forward 5 years.

History: Rationale: PA 97-295 enacted the credit and phased it in at the rate of 3% for the 1998 income year, 4% for 1999, and 5% thereafter. PA 98-262 clarified the recapture provision.

Fiscal Estimates: $80.0 million in FY 12 and $70.0 million in FY 13.

Taxpayers Benefitting: Approximately 1,800.

Rationale: Clarification and Expediency.

11. Hiring incentive

Citation: CGS Sec. 12-217y

[7] Fixed capital does not include inventory, land, buildings or structures, or mobile transportation property (such as trucks, buses, forklifts, snowplows or construction equipment).

Description: The credit is available to companies that hire workers who: (1) at the time of employment, have received benefits from the Temporary Family Assistance (TFA) for at least 9 months and (2) are employed at least 30 hours per week (including participation in a job training program approved by the Department of Labor). The credit is administered by the Department of Labor. The credit amount is $125 for each full month that the worker was employed. The annual limit for all firms is $1 million. The employer can only claim the credit once for each qualifying employee. Unused credit may be carried forward 5 years.

History: PA 97-295 enacted the credit effective 7/8/97. PA 99-203: (1) increased the minimum number of hours per week an employee must work from 15 to 25 for the 1999 fiscal year, and from 25 to 30 for the 2000 fiscal year and after; (2) included participation in an approved job training program in calculating the number of hours an employee is employed; and (3) transferred administration of the credit from the Department of Social Services to the Department of Labor, effective with the 1999 income year.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

12. Historic home rehabilitation, historic structure, and mixed use historic rehabilitation

Citation: CGS Sec. 10-416 (Historic home rehabilitation), CGS Sec. 10-416a (Historic structure), and CGS Sec. 10-416b (Mixed use historic rehabilitation)

Description:

- Historic home rehabilitation: The credit is available for expenses associated with rehabilitating owner-occupied historic homes. It is administered by the Department of Economic and Community Development (DECD). The property must: (1) have 1 to 4 dwelling units, one of which is the principal residence of the owner, (2) be located in a federally qualified census tract, an economically distressed area or an urban or regional center, and (3) be listed individually on the National Register of Historic Places or located in a district listed in the National or State Register of Historic Places. In addition, DECD must certify that the property contributes to the district's historic character. The minimum amount for which a credit is available is $25,000, the credit limit per dwelling unit is $30,000 (the home may have up to 4 dwelling units), and the annual limit for all taxpayers is $3 million. The owner must occupy the home for at least 5 years following the completion of the rehabilitation work. Unused credits may be carried forward for 4 years.
- Historic structure: The credit is available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic commercial and industrial properties for residential use. It is administered by the Department of Economic and Community Development (DECD). The property must either be: (1) listed individually on the National Register of Historic Places or (2) located in a district listed in the National or State Register of Historic Places. In addition, DECD must certify that the property contributes to the district's historic character. The credit is up to 25% of the qualified rehabilitation costs, the limit per structure is $2.7 million and the annual limit for all taxpayers is $15 million. Owners can claim the credit themselves or transfer it to others. Credit holders may claim a credit in the tax year when the property receives its certificate of occupancy. For multiphase projects, credit holders may claim a part of the credit in proportion to that part of the project that received a certificate of occupancy. Unused credits may be carried forward for 5 years.

- Mixed use historic rehabilitation: The credit is available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic property used for both residential and commercial purposes[8]. It is administered by the Department of Economic and Community Development (DECD). The property must be an historic commercial or industrial property: (1) individually listed on the national or state Register of Historic Places or (2) located in an historic district listed on the national or state Register of Historic Places. In addition, the Department of Economic and Community Development (DECD) must certify that the property contributes to the district's historic character. The credit is up to 25% of the qualified rehabilitation costs or 30%, if a portion of the units are affordable[9] to low- and moderate-income people. The total credit amount is up to $50 million per three-year cycle, beginning with FY 09 through FY 11. Tax credits for any single project are limited to 10% of the aggregate limit for all such tax credits for each three-year period.

History:

- Historic home rehabilitation: PA 99-173 established the credit.
- Historic structure: PA 06-186 established the credit.
- Mixed use historic rehabilitation: PA 07-250 established the credit and specified that the first 3-year period for which the credit is available is FY 09 through FY 11.

Fiscal Estimates: $500,000 in FY 12 and FY 13 (cumulative).

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

13. Housing program contribution

Citation: CGS Sec. 8-395

Description: The credit is available to firms making cash contributions to nonprofit organizations that develop, sponsor, or manage housing programs for families with low or moderate incomes. It is administered by the Connecticut Housing Finance Authority (CHFA). The credit is equal to the amount contributed. The minimum amount for which a credit is granted is $250 per firm. The annual limit for all firms is $10 million (of this total, $2 million is set aside for the Supportive Housing Pilots Initiative or the Next Steps Initiative and $1 million is set aside for workforce housing). The maximum amount a nonprofit organization may receive in the aggregate is $500,000. Unused credits may be carried backward or forward for 5 years.

History: PA 87-377 enacted the credit effective with the 1988 income year. PA 99-173 increased: (1) the credit limit per business from $50,000 to $75,000; (2) the limit for the total annual amount allowed for all businesses from $1 million to $5 million; and (3) the amount an entity can receive in the aggregate from $300,000 to $400,000. PA 00-170 required eligible contributions to be in cash and removed the per-business limit on credits. PA 01-8 JSS set aside $1 million for the Supportive Housing Pilots Initiative. PA 06-186: (1) raised the annual limit for all firms from $5 million to $10 million; (2) set aside $2 million for the Supportive Housing Pilots Initiative or the Next Steps Initiative; (3) set aside $1 million for

[8] The residential portion must comprise at least 33% of the total floor area in the rehabilitated property.

[9] A project is considered affordable if: (1) at least 20% of the units are affordable rental units or (2) 10% are affordable homeownership units. A unit is affordable if it costs a moderate-income household no more than 30% of its income. A household falls into this category if it earns no more than the median income of the town where the unit is located.

workforce housing; and (4) raised the maximum amount a nonprofit organization may receive in the aggregate from $400,000 to $500,000.

Fiscal Estimates: $1.6 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Perceived Equity.

14. Human capital

Citation: CGS Sec. 12-217x

Description: The credit is available for expenses related to: (1) job training; (2) work education; (3) donations or contributions to higher education institutions for the advancement of technology, including physical plant improvements; (4) day care facilities for children of employees; (5) childcare subsidies to employees; or (6) donations and contributions to the Individual Development Account Reserve Fund[10]. The credit is 5% of qualified expenditures. Unused credits may be carried forward 5 years.

History: PA 97-295 enacted the credit and phased it in at the rate of 3% for the 1998 income year, 4% for 1999, and 5% thereafter. PA 00-192 created the Individual Development Account Reserve Fund and made contributions to the Fund eligible for the human capital investment tax credit effective with the 2001 income year.

Fiscal Estimates: $1.7 million in FY 12 and FY 13.

Taxpayers Benefitting: Approximately 130.

Rationale: Incentive and Expediency.

15. Insurance reinvestment[11] fund

Citation: CGS Sec. 38a-88a

Description: The credit is available to investors in Insurance Reinvestment Funds. It is administered by the Department of Economic and Community Development (DECD). The credit is equal to the amount invested, which is taken over a 10 year period. Managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit. The credit has recapture provisions under certain circumstances. Unused credits may be carried forward for 5 years. The credit is unavailable after 12/31/15.

History: PA 94-214 enacted the credit and permitted the establishment of Insurance Reinvestment Funds. PA 00-170 stipulated that: (1) managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit, and (2) investments in funds created on or after this date are not eligible for the credit. PA 01-6 (JSS): (1) sunsets the credit after 12/31/15 and (2)

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[10] CGS Sec. 31-51ww allows low-income and disabled taxpayers to open savings accounts and receive matching funds from the Individual Development Account Reserve Fund as an incentive to save for specific purposes.

[11] Insurance Reinvestment Funds invest in Connecticut companies engaged in an insurance business or providing services to insurance companies.

permits recapture under certain circumstances. PA 10-75 phased out the Insurance Reinvestment Act tax credit program, which authorizes credits for investing only in insurance businesses, and replaced it a new version authorizing similar credits for insurers investing in many different types of businesses.

Fiscal Estimates: $500,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Expediency and Incentive.

16. Machinery and equipment

Citation: CGS Sec. 12-217o

Description: The credit is available to small and medium-sized companies for the incremental increase in capital goods expenditures over the previous year. The credit is 10% for companies with 250 or fewer full-time, permanent employees and 5% for companies with 251 to 800 employees. There are no carryback or carryforward provisions.

History: PA 93-382 enacted the credit effective with the 1995 income year. PA 94-3 required the machinery and equipment to be used in a facility in this state. PA 94-4 MSS increased the maximum number of full time employees from 500 to 800. PA 99-121 limits the employment criteria to workers based in this state.

Fiscal Estimates: $1.8 million in FY 12 and $1.7 million in FY 13.

Taxpayers Benefitting: Approximately 75.

Rationale: Incentive and Perceived Equity.

17. Manufacturing facilities, service facilities, and enterprise zones

Citation: CGS Sec. 12-217e(a) (Manufacturing facilities), CGS Sec. 12-217e(b) (Service facilities), CGS Sec. 12-217v (Enterprise zones)

Description:

- Manufacturing facilities: The credit ranges from 25% to 50% of the amount of tax that is allocable to a facility located in an Enterprise Zone or a municipality with an Entertainment District[12] depending on whether the corporation is occupying a new or renovated facility or certain employment criteria is met.[13] To qualify, the corporation must obtain certification from DECD. Unused credits may be carried forward 10 years.

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[12] Enterprise Zones are defined under CGS Sec. 32-70 and Entertainment Districts are defined under CGS Sec. 32-76 and Section 2 of PA 93-311.

[13] The 50% credit is available if, during the last quarter of a firm's income year, not less than 150 or 30% of the facility's full-time positions are held by: (1) residents of the zone, or (2) residents of the municipality and qualify under the Federal Comprehensive Employment Training Act (CETA).

- Service facilities: The credit is based on certain employment criteria[14]. It is available for between 15% and 50% of the amount of tax that is allocable to a service facility located in an Enterprise Zone or a municipality with an Entertainment District. The credit is administered by the Department of Economic and Community Development (DECD). To qualify for it, the corporation must obtain certification from DECD that it is occupying a new or renovated facility located within an Enterprise Zone or Entertainment District. Unused credits may be carried forward 10 years.
- Enterprise Zones: The credit is available to qualified corporations[15] for 100% of the corporation's tax liability for the first three taxable years and 50% of its liability for the next seven years. It is administered by the Department of Economic and Community Development. There are no carryback or carryforward provisions.

History:

- Manufacturing facilities: PA 78-357 enacted a 25% Enterprise Zone credit. PA 81-445 added the 50% credit. PA 82-435 provided that: (1) the 30% determination will be made for the last quarter rather than the last day of the year and (2) CETA eligible residents of the municipality count toward the 30%. PA 83-381 amended the eligibility criteria for facilities in Enterprise Zones. PA 90-270 extended the credit to businesses employing more than 150 full-time employees. PA 93-311 extended the credit to Entertainment Districts. PA 00-174 changes a provision regarding positions at an eligible facility.
- Service facilities: PA 78-357 enacted an Enterprise Zone credit. PA 96-239 added the service facilities credit. PA 10-98 made conforming changes.
- Enterprise Zones: PA 96-239 established the credit.

Fiscal Estimates: $1.2 million in FY 12 and FY 13.

Taxpayers Benefitting: Approximately 30.

Rationale: Incentive.

18. Neighborhood assistance

Citation: CGS Sec. 12-632 through 12-635(a)

Description: A 60% credit of the amount contributed is available for expenditures on activities approved by municipalities such as: (1) neighborhood assistance; (2) job training or education; (3) community

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[14] Employment criteria and credit amounts for the service facilities credit:

Employment Criteria for the Service Facilities Credit

% Corp Tax Credit	Employment Criteria:
15%	300 to 599 new employees work at the facility
20%	600 to 899 new employees work at the facility
25%	900 to 1,199 new employees work at the facility
30%	1,200 to 1,499 new employees work at the facility
40%	1,500 to 1,999 new employees work at the facility
50%	2,000 or more new employees work at the facility

[15] Qualified corporations are those created on or after 1/1/97 in an Enterprise Zone (EZ) that either:

a. Have at least 375 employees, at least 40% of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act, or

b. Have less than 375 employees, at least 150 employees of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act.

services; (4) crime prevention; (5) cash donations used for purchase of open space; or (6) community-based alcoholism prevention or treatment programs. A 100% credit is available for energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income. The program is administered by the Department of Revenue Services. The minimum amount for which a credit is granted is $250, the annual credit limit per business firm is $150,000 and the annual limit for all firms is $5 million. Unused credits may be carried back for 2 years.

History: PA 82-469 enacted the credit. PA 95-268 lowered the amount of the credit from 50% to 40% of the amount contributed. PA 03-225 increased the amount of the credit from 40% to 60% of the amount contributed. PA 07-242 increased the amount for energy conservation projects from 60% to 100%. PA 97-251 increased the total limit from $3 million to $4 million. PA 99-173 increased the total limit to $5 million. PA 10-188 eliminated municipal approval requirements. PA 11-140 increased the total amount of credits a company may claim annually and extends tax credit eligibility to the Business Entity Tax.

Fiscal Estimates: $3.5 million in FY 12 and FY 13.

Taxpayers Benefitting: Approximately 50.

Rationale: Incentive and Perceived Equity.

19. Research and development

Citation: CGS Sec. 12-217n

Description: The credit is available for research and development expenditures incurred in this state. The credit increases from (1) 1% of expenditures up to $50 million to (2) 6% of expenditures over $200 million. Qualified small businesses with a gross income of less than $100 million are eligible for the 6% credit. The credit cannot be claimed if the credit under 12-217j is claimed. The credit for expenditures over $200 million is reduced if there are work force reductions and the credit for certain aerospace companies is subject to employment restrictions. Unused credits may be carried forward until fully taken.

History: PA 93-433 enacted the credit effective July 1, 1993. PA 98-110 expanded credit to qualified small businesses. PA 99-173 increased the credit for companies who have over 2,500 employees in the state, over $3 billion in revenue and are located in an Enterprise Zone.

Fiscal Estimates: $5.0 million in FY 12 and $5.8 million in FY 13.

Taxpayers Benefitting: Approximately 150.

Rationale: Incentive.

20. Research and development grants to higher education

Citation: CGS Sec 12-217l

Description: The credit is available for the incremental increase in the amount spent on grants for research and development given to institutions of higher education in this state. The grant must be related to advancements in technology. The credit is 25% of the amount by which grants in the current income year exceed grants in the preceding year. There are no carryback or carryforward provisions.

History: PA 92-193 enacted the credit. PA 10-75 eliminated the credit for income years beginning on or after January 1, 2014.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive.

21. Research and experimentation

Citation: CGS Sec. 12-217j

Description: The credit is available for incremental increases in research and experimental expenditures incurred in this state. The credit is 20% of the amount by which expenditures in the current income year exceed expenditures in the preceding year. Unused credits may be carried forward for 15 years.

History: PA 92-193 enacted the credit and phased it in at the rate of 10% for the 1993 income year and 20% for the 1994 income year. P.A. 93-403 limited the credit to research and experimental expenditures incurred in the state. P.A. 96-252 permitted biotechnology companies to carry unused credits forward for 15 years. PA 98-110 extended the carryforward to all corporations.

Fiscal Estimates: $17.0 million in FY 12 and $17.5 million in FY 13.

Taxpayers Benefitting: Approximately 160.

Rationale: Incentive.

22. Sale of certain credits.

Citation: CGS Sec. 12-217ee

Description: Companies with less than $70 million in gross sales that cannot take research and development credits under CGS Secs. 12-217j and 217n because they do not have a tax liability, are permitted to sell unused credits back to the state at 65% of their value. The maximum annual refund is $1.5 million per company.

History: PA 99-173 enacted this provision effective with the 2000 income year. PA 02-1 MSS limited the maximum annual refund to $1.5 million. P.A. 02-4 M9SS clarified that payment of the $250 minimum tax is not considered a tax liability for the purpose of this credit. PA 03-1 JSS eliminated the sale of credits for taxpayers under the capital base tax, effective 1/1/05 but PA 04-235 removed the sunset date and made permanent the eligibility of such taxpayers.

Fiscal Estimates: $9.0 million in FY 12 and $9.5 million in FY 13.

Taxpayers Benefitting: Data not available.

Rationale: Expediency.

23. Urban and industrial reinvestment

Citation: CGS Sec. 32-9t

Description: The credit is available for investments associated with urban site remediation. It is administered by the Department of Economic and Community Development (DECD) and is allowable over 10 years. The credit amount may not exceed the amount of state revenue that DECD determines will be generated by the site. There is a recapture provision if the actual amount of revenue generated is less than the total sum of tax credits claimed. The credit is limited to $100 million per project and $650 million for all projects. Unused credits may be carried forward for 5 years.

History: PA 00-170 enacted the credit. PA 01-9 (JSS) extended the credit to taxpayers investing in eligible environmental remediation and urban sites reinvestment projects through Community Economic Entities (CDEs). PA 06-187 expands the credit's qualification criteria to include projects that: (1) are connected to an operation relocating from another state or (2) involve the expansion of an existing facility requiring a minimum $50 million investment. PA 11-86 increased the aggregate amount of tax credits available under the program to $750 million for all projects; PA 11-1 (OSS) later reduced that amount to $650 million.

Fiscal Estimates: $3.7 million in FY 12 and $4.0 million in FY 13.

Taxpayers Benefitting: Fewer than 20.

Rationale: Incentive and Expediency.

24. New jobs creation

Citation: CGS Sec. 12-217ii

Description: The credit is available to companies that: (1) relocate out-of-state operations to Connecticut; (2) create at least 10 new, full-time jobs here; and (3) hire new employees for those jobs and keep them employed for at least 12 months. It is administered by the Department of Economic and Community Development (DECD). DECD may approve full or partial credits only if the proposed company relocation: (1) is not economically viable without the credits and (2) provides a net benefit to economic development and employment in the state. The credit is up to 60% of the state income tax withheld from the new employees' wages. For each new employee, the credit may be claimed for up to five consecutive years. There is a recapture provision if the number of new employees falls below that for which the taxpayer claimed the credit and they are not replace by other new employees. The annual limit for all companies is $10 million. Credits must be taken in the same income year they are earned. There are no carryback or carryforward provisions.

History: PA 06-186 enacted the credit effective for the 2006 income year. PA 07-250: (1) made the credit available to companies currently operating in the state, (2) reduced the job creation requirement from 50 to 10 new full-time jobs and (3) increased the maximum amount of the credit from 25% to 60%. PA 11-86 increased the total amount of credits available from $11.0 to $20.0 million annually. PA 11-1 (OSS) phased the credit out and replaced it with a new Job Expansion Tax Credit.

Fiscal Estimates: $600,000 in FY 12 and $2.3 million in FY 13.

Taxpayers Benefitting: Fewer than 25.

Rationale: Incentive.

25. Qualified small business job creation

Citation: CGS Sec. 12-217nn

Description: An employer with less than 50 employees in Connecticut may earn a tax credit equal to $200 per month for hiring a Connecticut resident between May 6, 2010 and December 31, 2012.

History: PA 10-75 established the credit. PA 11-1 (OSS) phased the credit out and replaced it with a new Job Expansion Tax Credit.

Fiscal Estimates: $100,000 in FY 12 and FY 13.

Rationale: Incentive.

26. Job expansion

Citation: PA 11-1 (OSS)

Description: A 3-year tax credit for businesses that create new jobs and hire certain Connecticut residents to fill them. The credit is $500 per month per new employee or $900 per month if the employee meets certain criteria. It applies to jobs created from January 1, 2012 to January 1, 2014. Small businesses (those with up to 50 full-time employees in Connecticut) qualify for a credit if they create at least one new job. Businesses that employ between 50 and 100 full-time employees in Connecticut must create at least five new jobs and those that employ more than 100 full-time employees must create at least 10.

History: PA 11-1 (OSS) phased out three pre-existing tax credit programs for business that create jobs (Jobs Creation, Qualified Small Business Job Creation, and Vocational Rehabilitation Job Creation tax credits) and replaced them with this credit.

Fiscal Estimates: None in FY 12 and $10.0 million in FY 13.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

INSURANCE PREMIUMS TAX

On Insurance Companies, Health Centers and Hospital & Medical Services Corporations

A tax is levied on insurance premiums and medical subscriber charges under the Insurance Premiums Tax and the Unauthorized (Unlicensed) Insurance Company Tax. The tax rate and base depends on the nature of the company issuing the insurance:

Rate & Basis

1. Domestic insurance companies[16]: 1.75% on all net direct insurance premiums derived from policies written in this state. CGS Sec. 12-202

2. Health care centers: 1.75 % on the total net direct subscriber charges received by such corporations during the preceding year. CGS Sec. 12-202a

3. Foreign insurance companies[17]: 1.75% on all taxable net direct premiums derived from policies written in this state. CGS Sec. 12-210(b)

4. Hospital and medical service companies[18]: 2% on the total net direct subscriber charges received by such corporations during the preceding year. CGS Sec. 12-212a

5. Unauthorized insurance[19] companies: 4% on gross premiums derived from policies written in the state (CGS Sec. 38a-743(a)). These companies are taxed under a separate statutory section and are not eligible for any deductions or tax credits that are available under the Insurance Premiums Tax.

Exemptions Available Under the Insurance Premiums Tax

1. Ocean marine insurance

Citation: CGS Sec. 12-210(b)

Description: The exemption is for premiums from the sale of ocean and inland marine insurance of nonresident and foreign companies.

History: 1945 Ch. 42 created the exemption.

Fiscal Estimates: $800,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 1,500.

Rationale: Expediency.

2. Fraternal benefit societies

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[16] Domestic insurance companies are incorporated under Connecticut state law and licensed by the insurance department to issue policies.
[17] Foreign or nonresident insurance companies are incorporated under the laws of another state or foreign government but must be licensed by the insurance department in order to issue policies in this state.
[18] There are currently no taxpayers remitting this tax in the state of Connecticut.
[19] Unauthorized insurance companies are not licensed by the insurance department but must register with it to be able to offer lines generally unavailable from licensed insurers (i.e., surplus lines).

Citation: CGS Sec. 38a-604

3. *Description:* Fraternal benefit societies or associations are exempt from all state taxes but are subject to municipal taxes on real estate and office equipment. These societies are nonprofit, charitable organizations that provide life, sickness and/or accident benefits for their members.

   History: The exemption was enacted in 1935 and last modified by PA 57-448.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Incentive.

4. **Municipal risk management agencies**

   Citation: CGS Sec. 7-479e(d)

   Description: The exemption is for premiums from associations formed by two or more municipalities or other local government units to insure against public liability, automobile and property risk.

   History: PA 93-297 established the exemption, effective 7/1/94.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Conformity.

5. **Special taxing districts**

   Citation: CGS Sec. 38a-743(a)

   Description: The exemption is for premiums for a special taxing district, which is created by an act of the legislature that permits the assessment of taxes to fund services to homeowners and businesses such as water, sewer, and fire protection.

   History: PA 96-75 established the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Conformity.

6. **State employee health plans**

   Citation: CGS Secs. 12-202a(b)(1) and 12-202a(b)(9)

   Description: The exemption is for premiums for state employee health plans.

History: PA 97-11 (JSS) established the exemption.

Fiscal Estimates: $10.4 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Conformity.

7. Medicaid, HUSKY and General Assistance

Citation: CGS Secs. 12-202a(b)(2) through 12-202a(b)(5)

Description: The exemption is for Medicaid contracts, contracts to serve children enrolled in the HUSKY program, and contracts to serve clients on General Assistance (welfare).

History: PA 98-110 established the exemption, effective 1/1/98.

Fiscal Estimates: $5.5 million in FY 12 and $5.5 million in FY 13.

Taxpayers Benefitting: Fewer than 1,500.

Rationale: Redundancy.

8. Health care coverage for municipal employees, non-profit organizations and the State Teachers' Retirement System

Citation: CGS Secs. 12-202a(b)(6) through 12-202a(b)(8)

Description: The exemption is for certain new or renewed insurance health policies written under plans for the Connecticut municipal employees' retirement system, non-profit organizations and the State Teachers' Retirement System.

History: PA 01-30 created the exemption.

Fiscal Estimates: $100,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 1,500.

Rationale: Incentive.

9. Small employer/Self-employed health insurance plans

Citation: CGS Sec. 38a-566(b)

Description: The exemption is for certain individual health insurance plans issued to self-employed people and small employer health care plans.

History: PA 98-122 established the exemption.

Fiscal Estimates: None in FY 12 and FY 13.

Taxpayers Benefitting: Zero.

Rationale: Incentive.

10. Companies located in an insurance and financial services export zone

Citation: CGS Sec. 32-538(b)

Description: The exemption is for premiums from companies that: (1) have their corporate headquarters located in the insurance and financial export zone in the City of Hartford and (2) conduct all of their business outside of the United States.

History: PA 96-253 established the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

Tax Credits Claimed Under the Insurance Premiums Tax

Insurance companies or health maintenance organizations (HMOs) may use the credits listed below to reduce state tax liability. Effective with the 2003 through 2010 income years, the total value of tax credits that an entity may claim in any income year is limited to 70% of its pre-credit tax liability (CGS Sec. 12-211a). Effective with the 2011 and 2012 income years, the total value of tax credits that an entity may claim in any income year is limited to 30% of its pre-credit tax liability (PA 11-6), with certain exceptions[20] (PA 11-6, PA 11-61, and PA 11-1 (OSS)). For the 2013 income year and thereafter, the pre-credit liability limitation reverts back to 70%.

1. Insurance Department Assessment Credit

Citation: CGS Sec. 12-202

Description: The credit is for 80% of the Connecticut Insurance Department assessment paid by local domestic insurance companies whose assets do not exceed $95.0 million during the calendar year.

History: PA 73-350 established the credit. PA 80-482 increased the asset threshold from $50.0 million to $75.0 million. PA 90-333 increased the threshold to $95.0 million.

Fiscal Estimates: $800,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Expediency and Incentive.

2. Housing Program Contribution

Citation: CGS Sec. 8-395

[20] Insurance Reinvestment Fund, Digital Animation, and Film Production tax credits are subject to alternative limitations.

Description: The credit is available to firms making cash contributions to nonprofit organizations that develop, sponsor, or manage housing programs for families with low or moderate incomes. It is administered by the Connecticut Housing Finance Authority (CHFA). The credit is equal to the amount contributed. The minimum amount for which a credit is granted is $250 per firm. The annual limit for all firms is $10 million (of this total, $2 million is set aside for the Supportive Housing Pilots Initiative or the Next Steps Initiative and $1 million is set aside for workforce housing). The maximum amount a nonprofit organization may receive in the aggregate is $500,000. Unused credits may be carried backward or forward for 5 years.

History: PA 87-377 enacted the credit effective with the 1988 income year. PA 99-173 increased: (1) the credit limit per business from $50,000 to $75,000; (2) the limit for the total annual amount allowed for all businesses from $1 million to $5 million; and (3) the amount an entity can receive in the aggregate from $300,000 to $400,000. PA 00-170 required eligible contributions to be in cash and removed the per-business limit on credits. PA 01-8 JSS set aside $1 million for the Supportive Housing Pilots Initiative. PA 06-186: (1) raised the annual limit for all firms from $5 million to $10 million; (2) set aside $2 million for the Supportive Housing Pilots Initiative or the Next Steps Initiative; (3) set aside $1 million for workforce housing; and (4) raised the maximum amount a nonprofit organization may receive in the aggregate from $400,000 to $500,000.

Fiscal Estimates: $300,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Perceived Equity.

3. Neighborhood Assistance

Citation: CGS Sec. 12-632 through 12-635(a)

Description: A 60% credit of the amount contributed is available for expenditures on activities approved by municipalities such as: (1) neighborhood assistance; (2) job training or education; (3) community services; (4) crime prevention; (5) cash donations used for purchase of open space; or (6) community-based alcoholism prevention or treatment programs. A 100% credit is available for energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income. The program is administered by the Department of Revenue Services. The minimum amount for which a credit is granted is $250, the annual credit limit per business firm is $150,000 and the annual limit for all firms is $5 million. Unused credits may be carried back for 2 years.

History: PA 82-469 enacted the credit. PA 95-268 lowered the amount of the credit from 50% to 40% of the amount contributed. PA 03-225 increased the amount of the credit from 40% to 60% of the amount contributed. PA 07-242 increased the amount for energy conservation projects from 60% to 100%. PA 97-251 increased the total limit from $3 million to $4 million. PA 99-173 increased the total limit to $5 million. PA 11-140 increased the total amount of credits a company may claim annually and extends tax credit eligibility to the Business Entity Tax.

Fiscal Estimates: $1.5 million in FY 12 and FY 13.

Taxpayers Benefitting: Approximately 20.

Rationale: Incentive and Perceived Equity.

4. Historic Home Rehabilitation

Citation: CGS Sec. 10-416

Description: The credit is available for expenses associated with rehabilitating owner-occupied historic homes. It is administered by the Department of Economic and Community Development (DECD). The property must: (1) have 1 to 4 dwelling units, one of which is the principal residence of the owner, (2) be located in a federally qualified census tract, an economically distressed area or an urban or regional center, and (3) be listed individually on the National Register of Historic Places or located in a district listed in the National or State Register of Historic Places. In addition, DECD must certify that the property contributes to the district's historic character. The minimum amount for which a credit is available is $25,000, the credit limit per dwelling unit is $30,000 (the home may have up to 4 dwelling units), and the annual limit for all taxpayers is $3 million. The owner must occupy the home for at least 5 years following the completion of the rehabilitation work. Unused credits may be carried forward for 4 years.

History: PA 99-173 established the credit.

Fiscal Estimates: $500,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

5. Insurance Reinvestment Fund

Citation: CGS Sec. 38a-88a

Description: The credit is available to investors in Insurance Reinvestment Funds. It is administered by the Department of Economic and Community Development (DECD). The credit is equal to the amount invested, which is taken over a 10 year period. Managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit. The credit has recapture provisions under certain circumstances. Unused credits may be carried forward for 5 years. The credit is unavailable after 12/31/15.

History: PA 94-214 enacted the credit and permitted the establishment of Insurance Reinvestment Funds. PA 00-170 stipulated that: (1) managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit, and (2) investments in funds created on or after this date are not eligible for the credit. PA 01-6 (JSS): (1) sunsets the credit after 12/31/15 and (2) permits recapture under certain circumstances. PA 10-75 phased out the Insurance Reinvestment Act tax credit program, which authorizes credits for investing only in insurance businesses, and replaced it a new version authorizing similar credits for insurers investing in many different types of businesses.

Fiscal Estimates: $1.0 million in FY 12 and $800,000 in FY 13.

Taxpayers Benefitting: Between 10 and 20.

Rationale: Expediency and Incentive.

6. Urban and Industrial Site Reinvestment

Citation: CGS Sec. 32-9t

Description: The credit is available for investments associated with urban site remediation. It is administered by the Department of Economic and Community Development (DECD) and is allowable over 10 years. The credit amount may not exceed the amount of state revenue that DECD determines will be generated by the site. There is a recapture provision if the actual amount of revenue generated is less than the total sum of tax credits claimed. The credit is limited to $100 million per project and $500 million for all projects. Unused credits may be carried forward for 5 years.

History: PA 00-170 enacted the credit. PA 01-9 (JSS) extended the credit to taxpayers investing in eligible environmental remediation and urban sites reinvestment projects through Community Economic Entities (CDEs). PA 06-187 expands the credit's qualification criteria to include projects that: (1) are connected to an operation relocating from another state or (2) involve the expansion of an existing facility requiring a minimum $50 million investment.

Fiscal Estimates: $3.1 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

7. Electronic Data Processing

Citation: CGS Sec. 12-217t.

Description: The credit is available for 100% of the local property tax paid on electronic data processing equipment, including computers, printers, peripheral computer equipment, bundled software and any other related equipment reported as Code 20 on the Personal Property Declaration. The credit is only for property tax liability and excludes any interest or penalties that the taxpayer may also be required to pay. It may only be taken when filing a final return and may not be used to calculate estimated payments. Unused credits may be carried forward for 5 years.

History: PA 94-4 MSS enacted the credit. PA 95-160 delayed the effective date of the credit from the 10/1/94 grand list to 10/1/96 grand list. PA 96-144 reinstated the original effective date of 10/1/94 grand list.

Fiscal Estimates: $12.8 million in FY 12 and $13.0 million in FY 13.

Taxpayers Benefitting: Between 30 and 40.

Rationale: Perceived Equity.

8. Film Production

Citation: CGS Sec. 12-217jj.

Description: The credit is available to companies that produce qualified entertainment content wholly or in part in this state. Qualified activities include production of: (1) motion pictures, (2) television programming, (3) sound recordings, (4) music videos, (5) video games, (6) commercials (infomercials are ineligible) and (7) certain interactive websites. The credit is administered by the Department of Economic and Community Development (DECD). The credit is as follows:

Film Production Credit		
Income Year	Minimum Production	% Credit

	Expenditure	
2007 to 2009	$50,000	30%
2010 & after	$100,000 to $500,000	10%
	$500,000 to $1 million	15%
	Over $1 million	30%

Beginning with the 2010 income year, credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits can only be claimed for the income year in which the expenditures are made. Credits are not refundable. Unused credits may be carried forward for 3 years.

History: PA 06-83 enacted the credit effective with the 2006 income year. PA 06-186 amended the language. PA 07-236: (1) allowed the credit to be applied against the insurance premium tax as well as the corporation tax and (2) changed the types of productions and expenses that are eligible. PA 07-4 (JSS) eliminated a partial credit for out of state expenditures that was added by PA 07-236. PA 08-142: (1) makes the insurance premiums tax credit retroactive to income years beginning between January 1, 2006 and January 1, 2007 and (2) permits insurance premiums tax and corporation tax credits for income years between January 1, 2006 and January 1, 2007 to be resold or transferred up to three times. PA 09-3 (JSS): (1) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year, (2) changed the requirements for eligible production expenditures beginning with the 2010 income year and (3) made infomercials ineligible for the credit. PA 11-61 specified that: (1) qualified productions must conduct no less than 50% of principal photography days within the state or expend no less than 50% of post-production costs within the state or expend not less than $1.0 million of post-production costs within the state, (2) for income years beginning on or after January 1, 2011, and prior to January 2, 2012, a production company may not transfer more than 50% of the film production tax credit in any one income year, (3) for income years beginning on or after January 1, 2012, a production company may not transfer more than 25% of the film production tax credit in any one income year, and (4) any production that is created in whole or in significant part at a "qualified production facility"[21] within the state shall not be subject to transfer limitations. PA 11-1 (OSS) expands the types of qualified productions that are eligible for film production tax credits to include "relocated television productions." It defines a relocated television production as an eligible production company's ongoing television program that (1) has filmed all of its prior seasons outside Connecticut, (2) may include certain current events shows, and (3) is created at a qualified production facility that meets specified investment and job creation thresholds on or after January 1, 2012. Productions featuring current events are not currently eligible for film production tax credits.

Fiscal Estimates: $30.1 million in FY 12 and $23.3 million in FY 13.

Taxpayers Benefitting: Between 30 and 40.

Rationale: Incentive and Expediency.

9. Film Production Infrastructure

Citation: CGS Sec. 12-217kk.

[21] A "qualified production facility" means a facility 1) located in Connecticut, 2) intended for film, television, or digital media production, and 3) that has a minimum investment of $3.0 million, or less if the DECD commissioner determines such facility otherwise qualifies.

Description: The credit is available for investments in state-certified infrastructure projects for the film and digital media industry. It is administered by the Department of Economic and Community Development. The credit is as follows:

Motion Picture Infrastructure Credit		
Income Year	Project Cost	% Credit
2007 to 2009	$15,001 to $149,999	10%
	$150,000 to $1 million	15%
	$1 million & above	20%
2010 & after	$3 million & above	20%

Credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of 3 transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits are not refundable. Credits may be claimed for the income year in which the eligible expenditures are made or may be carried forward for 3 years.

History: PA 07-236 enacted the credit. PA 09-3 (JSS) changed the minimum project cost and percentage of the credit beginning with the 2010 income year. PA 11-1 (OSS) allows taxpayers to claim all or part of the tax credits either in the income year in which the infrastructure investments were made or in any of the three immediately succeeding income years.

Fiscal Estimates: $13.6 million in FY 12 and $4.6 million in FY 13.

Taxpayers Benefitting: Approximately 20.

Rationale: Incentive and Expediency.

10. Digital Animation Production

Citation: CGS Sec. 12-217ll

Description: The credit is available for developing and producing computer-generated animation content for public exhibition and distribution. To qualify for the credit, a company must: (1) be exclusively engaged in the production activity; (2) maintain a studio in this state; (3) employ at least 200 full-time employees; and (4) be certified by the Department of Economic and Community Development (DECD). The credit is as follows:

Digital Animation Production Credit		
Income Year	Minimum Production Expenditure	% Credit
2007 to 2009	$50,000	30%
2010 & after	$100,000 to $500,000	10%
	$500,000 to $1 million	15%
	Over $1 million	30%

Credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits can only be claimed for the income year in which the expenditures are made. The annual limit for all companies is $15 million. Companies receiving the digital animation credit are not eligible for the film production credit. Credits are not refundable. Unused credits may be carried forward for 3 years.

History: PA 07-236 enacted the credit. PA 09-3 (JSS) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year.

Fiscal Estimates: $14.0 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

11. New Jobs Creation

Citation: CGS Sec. 12-217ii

Description: The credit is available to companies that: (1) relocate out-of-state operations to Connecticut; (2) create at least 10 new, full-time jobs here; and (3) hire new employees for those jobs and keep them employed for at least 12 months. It is administered by the Department of Economic and Community Development (DECD). DECD may approve full or partial credits only if the proposed company relocation: (1) is not economically viable without the credits and (2) provides a net benefit to economic development and employment in the state. The credit is up to 60% of the state income tax withheld from the new employees' wages. For each new employee, the credit may be claimed for up to five consecutive years. There is a recapture provision if the number of new employees falls below that for which the taxpayer claimed the credit and they are not replace by other new employees. The annual limit for all companies is $10 million. Credits must be taken in the same income year they are earned. There are no carryback or carryforward provisions.

History: PA 06-186 enacted the credit effective for the 2006 income year. PA 07-250: (1) made the credit available to companies currently operating in the state, (2) reduced the job creation requirement from 50 to 10 new full-time jobs and (3) increased the maximum amount of the credit from 25% to 60%. PA 11-86 increased the total amount of credits available from $11.0 to $20.0 million annually. PA 11-1 (OSS) phased the credit out and replaced it with a new Job Expansion Tax Credit.

Fiscal Estimates: $100,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive.

REAL ESTATE CONVEYANCE AND CONTROLLING INTEREST TRANSFER TAXES

Real Estate Conveyance Tax

The Real Estate Conveyance Tax was enacted on the municipal level in 1967 and became a General Fund tax in 1983. It is levied on the seller of real property for the full purchase price of the property.[22]

Rate & Basis - The tax is imposed on the conveyance of each deed, instrument or writing whereby any lands, tenements or other realty is granted, assigned, transferred or otherwise conveyed to a purchaser (CGS Sec. 12-494). The rate depends on the property's classification and purchase price, as noted below:

Real Estate Conveyance Tax Rates

Type of Property	Tax Rate	Citation
Unimproved land	0.75%	PA 11-6
Residential Dwelling:		
First $800,000 of purchase price	0.75%	PA 11-6
Portion of purchase price that exceeds $800,000	1.25%	PA 11-6
Residential Property other than a dwelling	0.75%	PA 11-6
Nonresidential Property other than unimproved land	1.25%	PA 11-6
Delinquent Mortgages	0.75%	PA 11-6

Real Estate Conveyance Tax Exclusions and Exemptions

1. **Conveyances of less than $2,000**

Citation: CGS Sec. 12-494(a) and Sec. 12-498(a)(10)

Description: The exemption is for conveyances of land for consideration of less than $2,000.

History: PA 67-693 enacted the municipal tax and created an exemption for conveyances of $100 or less under CGS Sec. 12-494(a). PA 83-1 JSS enacted the state tax but did not exempt conveyances below any dollar amount. PA 89-205 enacted the current exemption. PA 03-1 ensures that property transfers are taxable whether they occur in one transaction or a series, and whether they involve one seller/transferor or a group acting in concert.

PA 85-244 enacted the exemption under CGS Sec. 12-498(a)(10).

Fiscal Estimates:[23]

Fiscal Year	State	Municipal

[22] Municipalities also receive revenue from real estate conveyances transactions under CGS Sec. 12-494(a)(2) at the rate of 0.25% (PA 11-6). CGS Sec. 12-494(c) gives the 17 "targeted investment communities" and the one town that has a manufacturing plant that qualifies for enterprise zone benefits the option of increasing their municipal real estate conveyance tax by an additional quarter point (to 0.5%). The 18 affected towns are: Bloomfield, Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Waterbury, and Windham. Additionally, PA 11-6 increased the state Real Estate Conveyance Tax by 0.25% and specified that the revenue attributable to the increase be deposited in the Municipal Revenue Sharing Account (MRSA).

[23] Please note that the Municipal fiscal estimate includes 1) the amount collected by the state and deposited in the MRSA, and 2) the amounts retained by individual municipalities.

FY 12	$175,000	$95,000
FY 13	$188,000	$100,000

Taxpayers Benefitting: Approximately 34,000.

Rationale: Efficiency.

2. Transfer of burial rights for a cemetery lot

Citation: CGS Sec. 12-497a

Description: The exemption is for the transfer of burial rights for a cemetery lot.

History: PA 95-62 enacted the exemption.

Fiscal Estimates: Combined estimates for Items 2-23 listed below.

Fiscal Year	State	Municipal
FY 12	$750,000	$700,000
FY 13	$807,000	$741,000

Taxpayers Benefitting: Approximately 9,000 (combined estimate for Items 2-23).

Rationale: Perceived Equity.

3. Deeds that the state is prohibited from taxing under the US constitution or federal law

Citation: CGS Sec. 12-498(a)(1)

Description: The exemption is for deeds that the state is prohibited from taxing under the US constitution or federal law.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Conformity.

4. Deeds that secure a debt or other obligation

Citation: CGS Sec. 12-498(a)(2)

Description: The exemption is for recording a debt-related encumbrance on a deed, such as a mortgage or lien, which does not convey title to a new owner.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Clarification.

5. **Governmental entities**

Citation: CGS Sec. 12-498(a)(3)

Description: The exemption is for transfers to which the state or its political subdivisions are a party.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Conformity.

6. **Tax deeds**

Citation: CGS Sec. 12-498(a)(4)

Description: The exemption is for deeds issued when a property is purchased at a public sale for nonpayment of taxes.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Clarification.

7. **Deed releases**

Citation: CGS Sec. 12-498(a)(5)

Description: The exemption is for deeds of release for property that is security for a debt or other obligation.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Clarification.

8. **Deeds of partition**

Citation: CGS Sec. 12-498(a)(6)

Description: The exemption is for transfers that separate of the respective interests in land of joint owners.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Clarification.

9. Deeds made pursuant to mergers of corporations

Citation: CGS Sec. 12-498(a)(7)

Description: The exemption is for transfers from the original property owner (the merged company) to itself as part of the new corporate entity.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Clarification.

10. Corporate subsidiaries

Citation: CGS Sec. 12-498(a)(8)

Description: The exemption is for transfers by a subsidiary corporation to its parent corporation for no consideration other than cancellation or surrender of the subsidiary's stock.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Incentive: The exemption provides horizontal equity between firms that are organized as a parent company with wholly-owned subsidiaries and firms that are organized as a single entity with different divisions. (See Sales Tax section for discussion of horizontal equity.)

11. Court decrees

Citation: CGS Sec. 12-498(a)(9)

Description: The exemption is for court ordered title transfers due to divorce, annulment of marriage and division of property by heirs.

History: PA 85-469 enacted the exemption. PA 09-3 (JSS) removed the exemption for property that is foreclosed for sale through a court order.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Expediency.

12. Affiliated nonprofit corporations

Citation: CGS Sec. 12-498(a)(11)

Description: The exemption is for transfers made by a nonprofit corporation affiliated with the nonprofit corporation to which the transfer is made, provided one of the corporations owns or controls 100% of the other corporation.

History: PA 90-315 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Incentive.

13. Nonprofit corporations

Citation: CGS Sec. 12-498(a)(12)

Description: The exemption is for transfers made by a corporation that is exempt under Section 501(c) of the federal tax code to another corporation that is exempt under Section 501(c).

History: PA 91-403 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Incentive.

14. Conservation or recreation purposes

Citation: CGS Sec. 12-498(a)(13)

Description: The exemption if for transfers to any nonprofit organization that is organized for the purpose of holding undeveloped land in trust for conservation or recreation purposes.

History: PA 91-403 enacted the exemption effective 7/1/92.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Incentive.

15. Transfers between spouses

Citation: CGS Sec. 12-498(a)(14)

Description: The exemption is for all transfers between spouses.

History: PA 93-389 enacted the exemption. It was formerly part of CGS Sec. 12-498(a)(11), which specified that the exempt transfer had to be for no consideration. The current exemption applies to all transfers between spouses, whether or not payment is involved.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Expediency.

16. Adriaen's Landing Site and Stadium

Citation: CGS Sec. 494(a)(15)

Description: The exemption is for property transferred for the purpose of the projects at the Adriaen's Landing site or the stadium facility. The exemption is assumed to only apply once, when parcels are transferred for the Adriaen's Landing site or stadium facility site and not to any future transfer of the parcel.

History: PA 93-1 enacted an exemption for a former convention center and sportsplex project. PA 00-140 changed the references to apply to the Adriaen's Landing and stadium facility site.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Conformity.

17. Class I or II land transferred to a water company on or after July 1, 1998

Citation: CGS Sec. 12-498(a)(16)

Description: The exemption is for Class I or II land transferred to a water company on or after July 1, 1998.

History: PA 98-157 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Incentive.

18. Transfers to effectuate a mere change of identity or form of ownership

Citation: CGS Sec. 12-494(a)(17)

Description: The exemption is for transfers that effectuate a change of identity or form of ownership but do not change beneficial ownership.

History: PA 99-231 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Clarification.

19. Employee Relocation Plan

Citation: CGS Sec. 12-498(a)(18)

Description: The exemption is for real estate transactions executed under employee relocation plans as a single transaction for real estate tax purposes even though the transaction involves two deeds.

History: PA 04-154 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Perceived Equity. Transactions involving employee relocations are often executed using two deeds because of a federal tax court ruling. The exemption prevents double taxation of a transaction that was previously taxed only once.

20. Principal residence for persons on certain types of assistance

Citation: CGS Sec. 12-498(b)(1)

Description: The exemption is for the transfer of a person's principal residence if the person has been approved for certain types of local property tax relief.

History: PA 85-159 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Perceived Equity.

21. Enterprise Zones

Citation: CGS Sec. 12-498(b)(2)

Description: The exemption is for transfer of Interest in property located in an area designated as an Enterprise Zone.

History: PA 89-205 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Incentive, specifically for economic development.

22. Entertainment Districts

Citation: CGS Sec. 12-494(b)(3)

Description: The exemption is for transfer of Interest in property located in an area designated as an Entertainment District.

History: PA 93-311 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Incentive.

23. Mutual saving institution that has reorganized

Citation: CGS Sec. 36a-199

Description: The exemption is for property transferred by a mutual savings institution to: (1) a reorganized capital stock savings bank or (2) a reorganized capital stock savings and loan association.

History: PA 92-92 enacted the exemption effective 5/20/92.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 2.

Rationale: Clarification.

Additional Real Estate Conveyance Tax on the Farm, Forest and Open Space Land

In 1963, the legislature established the Farm, Forest and Open Space Program to encourage preservation through preferential taxation. The program permits landowners to pay a reduced amount of property tax on land that has been classified as farm, forest or open space by assessing the land's value based on its current use rather than its market value. The reduction is available for a period of 10 years.

In an attempt to prevent abuse of the program and to help recover abated taxes, an additional Real Estate Conveyance Tax is levied on the sale of such land while it is in the program. For open space land, additional tax is due if the land is sold within 10 years of when it is classified for the program (CGS Sec. 12-504a(a)). For farm or forestland, additional tax is due if the period of ownership of the land is 10 year or less (CGS Sec. 12-504a(b)). The rate of additional tax begins with 10% in the first year and declines at the rate of 1% per year (the rate in the tenth year is 1%). If the property is sold after the tenth year, the Real Estate Conveyance Tax is imposed at the normal rate.

The exemptions to the additional tax on farm, forest and open space parallel those for the Real Estate Conveyance Tax, with the following exceptions:

1. **Transfers of land resulting from eminent domain proceedings**

   Citation: CGS Sec. 12-504c(1)

   Description: The exemption is for transfers resulting from eminent domain proceedings.

   History: PA 72-152 enacted the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Conformity.

2. **Strawman deeds and deeds that correct, modify, supplement or confirm a previously recorded deed**

   Citation: CGS Sec. 12-504c(4)

   Description: The exemption is for strawman deeds and deeds that correct, modify, supplement or confirm a previously recorded deed. It only applies to transfers that do not convey title to a new owner.

   History: PA 72-152 enacted the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Clarification.

3. **Deed of foreclosure**

   Citation: CGS Sec. 12-504c(7)

   Description: The exemption is for transfers associated with foreclosure proceedings.

   History: PA 72-152 enacted an exemption for deeds of release for property that is security for a debt or other obligation. PA 05-190 deleted that language and provided an exemption for deeds of foreclosure.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Clarification.

4. **Land held by a nonprofit for educational, scientific, aesthetic ore equivalent passive uses**

Citation: CGS Sec. 12-504c(12)

Description: The exemption is for transfers of land to nonprofit corporations, trusts or other entities that will hold it in perpetuity for educational, scientific, aesthetic ore equivalent passive uses.

History: PA 73-585 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

5. Deeds with special covenants

Citation: CGS Sec. 12-504c(13)

Description: The exemption is for transfers of land that is subject to a covenant specifically set forth in the deed that transfers title, to refrain from selling or developing the land in a manner inconsistent with its classification as farm, forest or open space land for not less than 8 years after the date of transfer.

History: PA 73-585 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

6. Farmland development right sold to the state

Citation: CGS Sec. 12-504c(14)

Description: The exemption is for the transfer development rights for agricultural land to the state under the farmland preservation program.

History: PA 99-173 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

Controlling Interest Transfer Tax

The tax was enacted in 1989. It is levied on the transfer of a controlling interest[24] in a corporation, partnership, association, trust or other entity, where an entity owns an interest in Connecticut real property with a value of at least $2,000. CGS Sec 12-638b(a)

Rate & Basis - A tax of 1.11% is imposed upon the value of any real property held by any corporation, partnership, association, trust or other entity when the interest in the real property is transferred. CGS Sec. 12-638b(a)(1)

CGS Secs. 12-638l(a) and 638l(b) impose an additional tax of 1.0% to 10.0% on property classified as farmland, open space or forest if the controlling interest is transferred within 10 years of when the land is classified for the program. The provisions are the same as those listed above under "Additional Real Estate Conveyance Tax on the Farm, Forest and Open Space Land." The exemptions are the same except that there are no exemptions for: (1) transfers made pursuant to mergers of corporations and (2) transfers made by corporate subsidiaries. CGS Sec. 12-638n

Exemptions

Data is not available for Controlling Interest Transfer Tax exemptions.

1. **Transfers of less than $2,000**

   Citation: CGS Sec. 12-638b(a)

   Description: The exemption is for transfers for consideration of less than $2,000.

   History: PA 89-251 enacted the tax and created the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Efficiency.

2. **Enterprise zones**

   Citation: CGS Sec. 12-638b(b)(1)

   Description: The exemption is for the sale or transfer of controlling interest in any entity that possesses an interest in real property located in an Enterprise Zone.

   History: PA 89-251 enacted the tax and created the exemption. PA 03–1 clarified that the exemption does not apply to property transfers located outside an Enterprise Zone.

   Fiscal Estimates: Indeterminate.

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[24] In a corporation, "controlling interest" means more than 50% of the combined voting power of all classes of stock in the corporation. For all other entities, "controlling interest" is an amount greater than 50% of the capital, profits or beneficial interest in that entity.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

3. Transfers to effectuate a mere change of identity or form of ownership

Citation: CGS Sec. 12-638b(b)

Description: The exemption is for transfers that effectuate a change of identity or form of ownership but do not change beneficial ownership.

History: PA 00-174 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Clarification.

UNIFIED ESTATE AND GIFT TAX

Inheritance taxes (often called death taxes) are excise taxes levied on the transfer of wealth at the time of death. There are two principal types of death taxes: a succession tax, which is levied on the separate shares of an estate passed to beneficiaries, and an estate tax, which is levied on value of the estate. A gift tax applies to the transfer of personal and real property situated within the state by residents or nonresidents of this state.

During the 2005 session, the Legislature passed PA 05-251 and PA 05-3 JSS which: (1) repealed the Succession Tax, the Estate Tax and the Gift Tax, and (2) established new taxes on estates or gifts for deaths occurring and gifts made on or after January 1, 2005 with a value exceeding $2.0 million. PA 09-3 JSS increased the exemption to $3.5 million beginning with deaths occurring and gifts made on or after January 1, 2010. PA 11-6 decreases rolls the exemption level back to $2.0 million. The new Estate Tax (CGS Chapter 217) and Gift Tax (CGS Chapter 228c) are applicable to estates or gifts with a value exceeding $2.0 million.

Computation of Tax

Tax Basis - A Connecticut taxable estate is: (1) a person's gross estate minus all federally allowable deductions except the one for state death taxes paid, plus (2) the aggregate value of all Connecticut taxable gifts the decedent made during his life starting on January 1, 2005. For state tax purposes, a person may take advantage of the optional deduction for the value of a qualifying life income interest in property passing to a surviving spouse, even if he does not do so for the federal estate tax. However, the gross estate must include any such qualifying life income interest that the decedent held (CGS Sec. 12-391(c)).

A Connecticut taxable gift is: (1) any federally taxable gift made by a Connecticut resident, excluding real estate or tangible personal property located outside the state, and (2) any federally taxable gift made by a nonresident of real estate or tangible personal property located in Connecticut (CGS Sec. 12-643).

Tax Rate –Table 1 shows the tax rates on taxable gifts made, and taxable estates of those who die, after January 1, 2010. To find the tax on any taxable gift or estate value in a bracket above $2.0 million, subtract the amount in Column A from the total value, multiply the result by the tax rate in Column D, and add the dollar amount in Column C.

Tax Rates on Taxable Gifts and Estates on or after January 1, 2011

Value of Gift or Estate		Tax	
Column A	Column B	Column C	Column D
Over	But not over	Tax on Col. A	Tax Rate on excess over Col. A
0	$2,000,000	No Tax	
$2,000,000	3,600,000	7.2% of the excess over $2,000,000	
3,600,000	4,100,000	115,200	7.8%
4,100,000	5,100,000	154,200	8.4%
5,100,000	6,100,000	238,200	9.0%
6,100,000	7,100,000	328,200	9.6%
7,100,000	8,100,000	424,200	10.2%
8,100,000	9,100,000	526,200	10.8%
9,100,000	10,100,000	634,200	11.4%
Over $10,100,000		$748,200 plus 12% of the excess over $10,100,000	

Credits

1. **Certain Inheritance Taxes Paid to Other Jurisdictions**

Citation: CGS Sec. 12-391

Description: The credit is for similar inheritance taxes paid to any other state or the District of Columbia on property under the other states' jurisdiction. The credit is the lesser of (1) the actual taxes paid in the other states or (2) the full Connecticut transfer tax, excluding any gift tax credits that would otherwise be due multiplied by the percentage of the gross estate that is under the jurisdiction of other states.

History: PA 97-165 established the credit.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

Taxes Eliminated

During the 2005 session, the Legislature passed PA 95-298, which phased out the Succession and Gift Taxes between January 1, 1997 and January 1, 2010. The act phased out the Succession Tax[25] on Class A heirs (immediate family such as parents and children) as of January 1, 2001; Class B heirs (collateral relatives of the deceased, such as siblings, nieces, and nephews) as of January 1, 2006 and Class C heirs (more remote relatives and unrelated people) as of January 1, 2008. he act also phased out the Gift Tax between January 1, 2001 and January 1, 2010.

During the 2005 session the Legislature passed PA 05-251, which repealed the remaining phase outs[26] for the Succession Tax and old Gift Tax, effective as of January 1, 2005, and replaced them with the new Estate and Gift Taxes.

Connecticut's former Estate Tax was effectively eliminated on January 1, 2005 by a 2001 federal law, which phased out the federal estate tax credit over four years (the change was enacted in "The Economic Growth and Tax Relief Recovery Act (EGTRRA) of 2001"). Connecticut's tax was referred to as a "sponge tax" because it was intended to preserve revenue for the state that would otherwise have gone to the federal government. The tax was equal to 100% of the maximum federal credit for the amount of state inheritance taxes that were paid.

[25] It should be noted that the Succession Tax did not apply to Class AA (surviving spouse).
[26] PA 05-251 eliminated the Estate Tax on Class B and C heirs and the Gift Tax on gifts between $75,000 and $1 million.

PUBLIC SERVICE COMPANIES TAX

The tax is imposed on the gross earnings of public service companies.

Computation of Tax

Rate & Basis - The basis for the tax is gross earnings from which the following deductions are made: (1) all sales for resale of steam, gas and electricity to public service corporations and municipal utilities, and (2) any federal BTU energy tax. The following companies are taxed at the rates listed (CGS Sec. 12-249, 251, 255, 264, 265, 268a):

Tax Rates for the Public Service Companies Gross Earnings Tax

Type of Public Service Company	Tax Rate	CGS Section
Community Antenna and Cable & Satellite TV Systems	5.0% [1]	12-258
Gas	5.0% [2]	12-265(b)
Gas -- sales to residential customers	4.0% [2]	12-265(b)
Transmission & Distribution of Electric Power	8.5% [2]	12-265(c)
Residential Transmission & Distribution of Electric Power	6.8% [2]	12-265(c)
Railroad Companies	2-3.5% [3]	12-251(b)

[1] Effective October 1, 2007 through September 30, 2009 Certified Competitive Video Service Providers, Community Antenna TV, and Satellite TV service providers are subject to an additional 0.5% tax for a total tax rate equal to 5.5%. Effective October 1, 2009 the additional tax will be 0.25%. The additional tax will be used to fund the Public, Educational and Governmental Programming and Education Technology Investment Account newly established under Public Act 07-253.

[2] Effective January 1, 2000, the gross receipts tax on generation services was eliminated. However, the rate on transmission and distribution was increased to 6.8% for residential customers and to 8.5% for non-residential customers other than manufacturers.

[3] The tax rate varies with the amount by which net operating income exceeds gross earnings. When income does not exceed 8% of gross earnings, the tax rate is 2%. The tax rate increases by 0.25% for each additional 2% that income exceeds gross earnings. When income exceeds 18% of gross earnings, the rate is 3.5%.

Deductions from gross earnings

1. **Sales for resale**

   Citation: CGS Sec. 12-265(b)(1)

   Description: All sales for resale of water, steam, gas and electricity to public service corporations and municipal utilities, whether or not the purchasers are Connecticut public service corporations or Connecticut municipal utilities, and whether or not they are subject to the Public Service Companies Tax.

   History: Established prior to 1949. PA 04-180 extended the exemption for natural gas sold for use as fuel in the operation of a cogeneration facility providing electricity or steam to a company engaged in manufacturing processes but operated by a third party.

   Fiscal Estimates: $3.8 million in FY 12 and FY 13.

   Taxpayers Benefitting: Fewer than 75.

   Rationale: Incentive and Cascading. The exemption is intended to reduce cascading.

2. **Appliance sales**

   Citation: CGS Sec. 12-265(b)(1)

Description: The exemption is for the net invoice price plus transportation costs of appliances using water, steam, gas or electricity, sold by utility companies. "Net invoice price" means invoice price less trade discounts.

History: The exemption was created prior to 1949.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 75.

Rationale: Redundancy. Appliances are taxable under the Sales and Use Tax.

3. Real property taxes paid by railroad companies

Citation: CGS Sec. 12-251(b)

Description: The exemption is for the amount of taxes paid in any town in Connecticut on real estate not used exclusively in the business of the corporation, is deductible from the amount of tax on gross earnings.

History: 1871 ch. 89 created the deduction for property taxes paid on real property that was not used exclusively for the railroad company's business. 1915 ch. 292 expanded the exemption to include property taxes paid by any corporation whose property the railroad company operates. 1917 ch. 70 made a technical change.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Up to 12.

Rationale: Incentive.

Exemptions

1. Manufacturing

Citation: CGS Sec. 12-265(c)

Description: The 5% tax on gas and electricity supplied to manufacturing customers in SICs 2000-3999 was phased out and is now exempt.

History: PA 93-73 and PA 93-332 enacted it. The exemption was extended to include gas used to operate cogeneration facilities providing electricity or steam used in manufacturing and the cogeneration facility is located entirely on the manufacturer's premise (PA 04-180).

Fiscal Estimates: $25.0 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 75.

Rationale: Incentive and Cascading. The exemption is intended to reduce cascading.

2. Electricity production

Citation: CGS Sec. 12-265

Description: The exemption is for the gross earnings a gas company makes by selling gas to an existing combined cycle generating plant comprised of three gas turbines with a total capacity of 775 megawatts that is used to generate electricity.

History: PA 04-180 enacted the exemption.

Fiscal Estimates: $9.8 million in FY 12 and $10.0 million in FY 13.

Taxpayers Benefitting: Fewer than 10.

Rationale: Expediency. In a combined cycle plant, the heat created by burning fuel to produce electricity is recycled to produce more electricity.

3. Railroad Companies When Certified by the DOT

Citation: CGS Secs. 13b-226 through 13b-233

Description: Exempts from the public service company gross earnings tax qualifying passenger or freight railroad companies that undertake projects to preserve or improve their facilities. Railroads seeking this exemption must annually submit to the transportation commissioner a list of the preservation and improvement projects they intend to undertake to qualify for the exemption.

History: 1961 PA 11 created the exemption

Fiscal Estimates: $700,000 in FY 12 and FY 13.

Taxpayers Benefitting: Up to 12.

Rationale: Incentive

Rate Reductions

1. Residential utilities

Citation: CGS Sec. 265(b) and CGS Sec. 265(c)

Description: Companies and municipal utilities are taxed at the rate of 4%, rather than 5% for gas and 6.8% rather than 8.5% on electricity, on gross earnings from manufacturing, selling or distributing gas or transmission and distribution of electricity for residential light, heat or power.

History: PA 85-159 created the rate reduction. PA 98-28, effective January 1, 2000, eliminated the gross receipts tax on generation services as part of the deregulation of the electric industry in Connecticut. However, the rate on transmission and distribution was increased to 6.8% for residential customers and to 8.5% for non-residential customers other than manufacturers.

Fiscal Estimates: $25.0 million in FY 12 and FY 13.

Taxpayers Benefitting: Approximately 75.

Rationale: Perceived Equity.

Tax Credits

Data indicates that the credits applicable against their taxes on gross earnings have not been claimed in the past. It appears that these entities apply the credits against their Corporate Income Taxes (Business Taxes) in lieu of applying credit against their gross earnings tax liability.

PETROLEUM PRODUCTS GROSS EARNINGS TAX

PA 80-71 enacted the tax. It is levied at a 7.0% rate on the gross earnings of companies that distribute petroleum products in Connecticut (CGS Sec 12-587.) There are approximately 625 taxpayers remitting the tax on a quarterly basis.

Computation of Tax

Rate & Basis -The tax is imposed on companies distributing petroleum products to wholesale and retail dealers for marketing and distribution in the state. Petroleum products include gasoline, aviation fuel, kerosene, diesel fuel (after 7/1/07 diesel fuel used exclusively for by motor carriers are excluded), benzyl, distillate fuels, residual fuels, crude oil and derivatives of petroleum such as paint, detergents, antiseptics, fertilizers, nylon, asphalt, plastics and other similar products. Prior to July 1, 2005 the rate is 5% (effective 10/1/91) on gross earnings from sales of petroleum products in this state and gross earnings from sales of petroleum products in this state by any corporation in which the taxpayer owns 25% or more of the stock of such corporation.

The table below presents scheduled rate changes enacted by PA 05-4 JSS and PA 08-2 JSS. PA 08-2 JSS eliminated the scheduled increase from 7.0% to 7.5% effective July 1, 2008. CGS Sec. 12-587.

Incremental rate Increase For
Petroleum Company Gross Earnings Tax

On or After	But Before	Tax Rate is
July 1, 2005	July 1, 2006	5.8%
July 1, 2006	July 1, 2007	6.3%
July 1, 2007	July 1, 2008	7.0%
July 1, 2008	July 1, 2013	7.0%[27]
July 1, 2013	and after	8.1%

A use tax of the equivalent rate is imposed on companies that import petroleum products into the state for their own consumption if the value of these products in any quarter is more than $100,000.

Exemptions

1. #2 Heating oil used for heating purposes

Citation: CGS Sec 12-587(b)(2)(B)

Description: The exemption is for #2 heating oil used for heating purposes.

History: PA 85-159 established the exemption.

Fiscal Estimates: $201.7 million in FY 12 and $207.3 million in FY 13.

Taxpayers Benefitting: Fewer than 625.

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[27] The rate was scheduled to go to 7.5% effective July 1, 2008 but PA 09-2 JSS eliminated the scheduled increase enacted by 05-4 JSS. The next scheduled increase will raise the rate to 8.1% effective July 1, 2013.

Rationale: Perceived Equity.

2. #2 Heating oil used in commercial fishing vessels

Citation: CGS Sec 12-587(b)(2)(B)

Description: The exemption is for #2 heating oil used in commercial fishing vessels.

History: PA 96-183 created the exemption.

Fiscal Estimates: $1.0 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 625.

Rationale: Incentive.

3. Propane used for residential heating

Citation: CGS Sec. 12-587(b)(2)(D)

Description: The exemption is for propane sold for use in residential heating when: (1) sold in containers, or (2) sold and delivered to a stationary storage tank with a capacity of not more than 1,000 gallons.

History: PA 87-312 created the exemption.

Fiscal Estimates: $11.9 million in FY 12 and $12.2 million in FY 13.

Taxpayers Benefitting: Fewer than 625.

Rationale: Perceived Equity.

4. Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil

Citation: CGS Sec. 12-587(b)(2)(E)

Description: The exemption is for fuel used in vessels displacing more than 1,000 gallons.

History: PA 92-17 (MSS) created the exemption.

Fiscal Estimates: None in FY 12 and FY 13 for bunker fuel oil; Indeterminate for intermediate fuel, marine diesel oil, and marine gas oil.

Taxpayers Benefitting: Fewer than 625.

Rationale: Incentive and Expediency.

5. Kerosene used for residential heating

Citation: CGS Sec. 12-587(b)(2)(E)

Description: The exemption is for kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket.

History: PA 93-74 created the exemption, which became effective 5/19/93.

Fiscal Estimates: $2.3 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 625.

Rationale: Perceived Equity.

6. Fuel used in vessels engaged in interstate commerce

Citation: CGS Sec 12-587(b)(2)(H)

Description: The exemption was created by phasing out the tax at the rate of 1% per year, beginning 1/1/98. It is currently entirely exempt from the Petroleum Products Gross Earnings Tax.

History: PA 97-281 created the exemption.

Fiscal Estimates: $2.7 million in FY 12 and $2.8 million in FY 13.

Taxpayers Benefitting: Fewer than 625.

Rationale: Incentive.

7. Fuel used by industrial consumers

Citation: CGS Sec. 12-587(b)(2)(G)

Description: The exemption is for #6 fuel oil used by industrial consumers in SIC 2000-3999 and NAICS 31, 32, 33. It was created by phasing out the tax at the rate of 1% per year, beginning 1/1/98, and is currently entirely exempt from the Petroleum Products Gross Earnings Tax.

History: PA 97-281 established the exemption.

Fiscal Estimates: $100,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 625.

Rationale: Incentive.

8. Paraffin and microcrystalline waxes

Citation: CGS Sec. 12-587(b)(2)(I)

Description: The exemption is for petroleum products used in the production of paraffin and microcrystalline waxes.

History: PA 00-174 established the exemption.

Fiscal Estimates: None in FY 12 or FY 13.

Taxpayers Benefitting: Zero.

Rationale: Expediency.

9. Commercial Heating Oil Blend

Citation: CGS Se. 12-587(b)(2)(K)

Description: The exemption is for sales of commercial heating oil blend containing not less than 10% of alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, but not limited to, bio-diesel or low sulfur dyed diesel fuel effective July 1, 2006.

History: PA 06-143 established the exemption.

Fiscal Estimates: $1.8 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 675.

Rationale: Expediency and Incentive.

10. Diesel Fuel

Citation: CGS Sec. 12-587(b)(2)

Description: The exemption is for the first sale of diesel fuel (other than diesel fuel used in an electric generation facility to generate electricity) is exempted from the tax effective July 1, 2007.

History: PA 07-199 and PA 07-1 (JSS) established the exemption.

Fiscal Estimates: $81.2 million in FY 12 and $83.4 million in FY 13.

Taxpayers Benefitting: Fewer than 675.

Rationale: Expediency.

Other Exclusions

1. Fuel in Certain Fuel Supply Tanks

Citation: CGS Sec. 12-587(c)

Description: The exemption is for petroleum fuel in supply tanks of motor vehicles when the tanks are connected to the engine.

History: PA 92-177 created the exemption.

Fiscal Estimates: None; tax is collected under the Motor Fuels Tax.

Taxpayers Benefitting: Fewer than 625.

Rationale: Redundancy.

2. **DOT Contracted Service Stations Along State Highways**

Citation: CGS Sec. 12-587(e)

Description: The exclusion applies to the definition used for calculating the gross earnings tax based on retail price is changed to calculating the tax on the wholesale price of fuel. The difference between retail price and the wholesale price basis is the dollar amount made tax exempt. It applies to the gross receipts of service stations that are located along state and interstate highways pursuant to a contract with the Department of Transportation (DOT), beginning with the 1988 income year.

History: PA 94-4 (MSS) created the exclusion.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

Credits

1. **Credit for Sale of Petroleum Products to Reseller Located Outside the State**

Citation: CGS Sec. 12-587a

Description: The credit is for companies that sell petroleum products to resellers located outside the state. The company reimburses the purchaser for the tax paid on such products.

History: PA 82-157 established the credit, which became effective 5/3/82.

Fiscal Estimates: $58.3 million in FY 12 and $59.8 million in FY 13.

Taxpayers Benefitting: Fewer than 625.

Rationale: Conformity.

Other Tax Credits

Data indicates that the credits applicable against their taxes on gross earnings have not been claimed in the past. It appears that these entities apply the credits against their Corporate Income Taxes (Business Taxes) in lieu of applying credit against their gross earnings tax liability.

CIGARETTE AND TOBACCO PRODUCTS TAX

Computation of the Tax

The Cigarette Tax is levied on cigarettes held by distributors in the state (CGS Sec. 12-296) and on the use or storage of unstamped cigarettes (CGS Sec. 12-316). The Tobacco Products Tax is imposed on all tobacco products held in the state by distributors or unclassified importers. Distributors, dealers and vending machine operators must obtain a license from the Department of Revenue Services for both taxes.

Rate & Basis - The Cigarette Tax is levied at a rate of 170 mills per cigarette, or $3.40 per pack of 20, effective 7/1/11 (PA 11-6). Approximately 40 distributors pay the tax. The tax increased from 150 mills per cigarette to 170 mills per cigarette or $3.00 per pack of 20 to $3.40 per pack of 20, effective July 1, 2011 (PA 11-6).

The Tobacco Products Tax is levied at a rate of 50% of the wholesale price of on such tobacco products as cigars[28], cheroots, stogies, periques, and chewing tobacco (PA 11-6). Cigarettes and "roll your own" tobacco is excluded from the tax. The tax on snuff is one dollar per ounce (PA 11-6). The tax has been in effect since 7/1/89 (PA 89-251) and is paid by approximately 200 distributors.

Exclusions

1. Sales to the United States

Citation: Attorney General's Office 10/26/37 ruling

Description: Sales or purchases for the use of an instrumentality of the United States (military bases, embassies, etc.) are exempt from the excise tax and the sales and use tax.

History: In a 10/26/37 ruling, the Attorney General's Office indicated to the Tax Commission that sales to the US government where the US has exclusive jurisdiction over the property such as military base and coast guard stations are considered sales occurring outside the state.

Fiscal Estimates: None in FY 12 or FY 13.

Taxpayers Benefitting: Not applicable.

Rationale: Conformity.

2. Cigarettes sold in any institution

Citation: CGS Sec. 12-297

Description: Cigarettes sold in any state institution, other than a correctional institution, or cigarettes purchased with revolving funds under the jurisdiction of any state institution, other than correctional institution, for distribution to or consumption by patients or inmates confined at such institutions. Sales to inmates at correctional institutions are taxable.

History: PA 89-16 established the exemption.

Fiscal Estimates: None in FY 12 or FY 13.

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[28] PA 11-61 caps the tax on cigars at 50 cents each.

Taxpayers Benefitting: Not applicable.

Rationale: Perceived Equity.

3. Exported or exempt tobacco products

Citation: CGS Sec. 12-330c(c)

Description: Tobacco products that are exported from the state or are not subject to taxation under the laws of the United States.

History: PA 89-251 established the exemption.

Fiscal Estimates: $13.9 million in FY 12 and $13.3 million in FY 13.

Taxpayers Benefitting: Fewer than 50.

Rationale: Conformity.

4. **Cigarettes brought into this state**

Citation: CGS Sec. 12-320

Description: Cigarettes brought into this state in an amount not exceeding two hundred or ten packs of 20.

History: Established prior to 1949.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Efficiency, specifically administrative efficiency.

ALCOHOLIC BEVERAGE TAX

Computation of the Tax

Distributors of alcohol beverages are required to pay an excise tax on alcoholic beverages sold in the state (CGS Sec. 12-435). The distributors must obtain a license from the Department of Revenue Services. Approximately 375 distributors file monthly with the agency.

Rate & Basis - The tax rates for distributors of beer, liquor, and wine are as follows (PA 11-6):

Alcoholic Beverage Tax Rates

Type of Alcohol	Tax Rate
Beer	$7.20 per barrel
Beer	.24 per gallon
Still Wines [1]	.72 per gallon
Still Wines from Small Wineries [2]	.18 per gallon
Sparkling Wines	1.80 per gallon
Alcohol	5.40 per proof gallon
Distilled Liquor	5.40 per gallon
Liquor Coolers	2.46 per gallon

[1] Still wine consist of 21% absolute alcohol, or less, per gallon
[2] Small Wineries are those that produce up to 55,000 gallons annually (PA 93-74)

Exemptions: Alcoholic beverage sales to licensed distributors
Alcoholic beverage sales for transport out-of-state
Malt beverage sales for on-premises consumption when covered by a manufacturer's permit

State Exclusions

1. United States Military

Citation: Attorney General's Office 10/26/37 ruling

Description: Sales to federal military organizations located on federal bases in the state are exempt from the excise taxes as well as exempted from the sales and use tax.

History: In a 10/26/37 ruling, the Attorney General's Office indicated to the Tax Commission that sales to the US government where the US has exclusive jurisdiction over the property such as military base and coast guard stations are considered sales occurring outside the state.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

2. Alcoholic beverages transported out of state

Citation: CGS Sec. 12-435

Description: Sales of alcoholic beverages that are transported to another state.

History: Established prior to 1949.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

3. Malt beverages consumed on premises

Citation: CGS Sec. 12-435

Description: The sales of malt beverages, beer, which are consumed on the premises of an establishment covered by a manufacturer's permit.

History: Established prior to 1949.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Expediency.

4. Alcoholic beverages and ethyl alcohol

Citation: CGS Sec. 12-435 (alcoholic beverages) and CGS Sec. 12-453 (ethyl alcohol)

Description: Sales of alcoholic beverages to licensed distributors and sales of ethyl alcohol intended for use or used in medical, scientific, chemical, mechanical or industrial uses and that are not sold as a beverage for human consumption. Also included is wine and distilled liquors that are used in the manufacture or preparation of pharmaceutical products or for the production of fruit preserves.

History: Established prior to 1949.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Redundancy.

5. Alcoholic beverages brought into this state

Citation: CGS Sec. 12-436

Description: Alcoholic beverages brought into the state in an amount not exceeding 4 gallons.

History: Established prior to 1949. PA 79-604 increased the exclusion from 1 to 4 gallons.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Efficiency, specifically administrative efficiency.

ADMISSIONS AND DUES TAXES

The Admissions and Dues Taxes (formerly Admissions, Dues and Cabaret Taxes) are separate taxes that were enacted by PA 71-837. The Admissions Tax is levied on the admissions charge to a place of amusement, entertainment or recreation (CGS Sec. 12-541) and the Dues Tax is levied on the amount paid as membership dues or initiation fees to a social, athletic or sporting club (CGS Sec. 12-543.)

PA 99-173 repealed the Cabaret Tax, effective 7/1/99. Originally, the Cabaret Tax was levied on the amount charged for admission, refreshment service or merchandise at a cabaret or similar place furnishing music, dancing privileges, or other entertainment for profit, at the rate of 5% (CGS Sec. 12-542--REPEALED) and was due only during the time that the entertainment was offered. PA 00-170 exempts establishments from the Admission Tax that were subject to the Cabaret Tax before 7/1/99.

<u>Rate & Basis</u>:

1. Admissions Tax - The admission charge to any place of amusement, entertainment or recreation is taxed at 10% (CGS Sec. 12-541). PA 00-170 reduced the tax on movie theater tickets from 10% to 8% effective 7/1/00 and to 6% effective 7/1/01 and thereafter.
2. Dues Tax: The tax is levied on membership dues or initiation fees to any social, athletic or sporting club at a rate of 10% (CGS Sec. 12-543).

1. Admissions Tax Exemptions

a. Admission charges under $1 or, in the case of motion picture shows, under $5

Citation: CGS Sec. 12-541(a)(1)

Description: The exemption is for admissions charges under $1, with the exception of movies, for which the exemption is admissions charges under $5.

History: The exemption for charges less than $1 was created by PA 71-837, which enacted the tax. PA 88-293 raised the exemption for movie tickets to $2; PA 97-315 raised it to $4.50; and PA 99-173 raised it to $5.00.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 240.

Rationale: Efficiency and Expediency. Efficiency for admissions under $1 because the amount of revenue collected would be too small to justify the administrative cost to collect it. Expediency with regard to movie tickets under $5.

b. Daily admission charges that entitle patrons to participate in an athletic or sporting activity

Citation: CGS Sec. 12-541(a)(2)

Description: The exemption is for admissions charges for participation in an athletic or sporting activity.

History: PA 71-7 JSS created the exemption. PA 82-457 made a technical change by reorganizing the subsection.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Expediency.

c. Admissions to events sponsored by tax exempt entities

Citation: CGS Sec. 12-541(a)(3)

Description: The exemption is for admissions to events sponsored by tax exempt entities, provided the entity actively engages in and assumes the financial risk associated with the presentation of the event.

History: The exemption was established by PA 71-387, which enacted the tax.

Fiscal Estimates: $9.7 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 240.

Rationale: Incentive.

d. Admissions to benefit tax exempt entities

Citation: CGS Sec. 12-541(a)(4)

Description: The exemption is for admissions to events that, in the opinion of the commissioner of revenue services, are conducted primarily to raise funds for tax exempt entities, provided the commissioner is satisfied that the net profit that goes to the entity will exceed the amount of admissions tax which, but for this exemption, would be imposed upon the person gaining admittance to such event.

History: An exemption for tax-exempt organizations was contained in PA 71-837, which enacted the tax. PA 82-457 created the exemption in its current form.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

e. Admissions to events held at certain enumerated venues

Citation: CGS Sec. 12-541(a)(5)

Description: The exemption is for admissions to events held at the Hartford Civic Center, the New Haven Coliseum, New Britain Beehive Stadium, New Britain Veterans Memorial Stadium, New Britain Stadium, facilities owned or managed by the Tennis Foundation of Connecticut or any successor organization or the William A. O'Neill Convocation Center, Stafford Motor Speedway, Lime Rock Park, Thompson Speedway, Waterford Speedbowl, Bridgeport Harbor Yard Stadium, New Haven Ravens Games, Waterbury Spirit Games, New Britain rock Cats, the Connecticut Expo Center and the Connecticut Convention Center.

History: PA 81-404 created the exemptions for the Hartford Civic Center and the New Haven Coliseum. PA 82-457 made a technical change by reorganizing the subsection. PA 93-74 added the New Britain Beehive Stadium, the Tennis Foundation of Connecticut and the William A. O'Neill Convocation Center. PA 93-332 added the New Britain Veterans Memorial Stadium. PA 99-173 exempted the following: Stafford Motor Speedway, Lime Rock Park, Thompson Speedway, Waterford Speedbowl, Bridgeport Harbor Yard Stadium, New Haven Ravens Games, and Waterbury Spirit Games. PA 99-1 JSS exempts the New Britain Stadium and the New Britain Rock Cats retroactive to when the stadium was opened. PA 00-170 exempts the Connecticut Expo Center. PA 06-186 exempts admissions to (1) Nature's Art, (2), Arena at Harbor Yard, and (3) Dodd Stadium. PA 017-1 JSS exempts the Connecticut Convention Center. PA 11-6 eliminated the exemptions for all the facilities.

Fiscal Estimates: $4.0 million in FY 12 and none in FY 13.

Taxpayers Benefitting: Fewer than 240.

Rationale: Expediency.

f. Admissions paid by centers of service for elderly persons

Citation: CGS Sec. 12-541(a)(6)

Description: The exemption is for admissions paid by centers of service for elderly persons, as described in CGS Sec. 17b-425(d).

History: PA 73-521 created an exemption for admissions paid for by groups of at least 10 members of senior citizens centers. PA 82-457 created the exemption in its current form.

Fiscal Estimates: $1.4 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 240.

Rationale: Expediency.

g. Admissions to productions at certain venues

Citation: CGS Sec. 12-541(a)(7)

Description: The exemption is for admissions to productions featuring live performances by actors or musicians presented at Gateway's Candlewood House, Ocean Beach Park or any nonprofit theater or playhouse in the state, provided it is exempt under Section 501 of the federal Internal Revenue Code.

History: PA 88-140 created the exemption. PA 97-315 exempts live performances held at Gateway's Candlewood House and Ocean Beach Park.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Expediency.

h. Admissions to carnival or amusement rides

Citation: CGS Sec. 12-541(a)(8)

Description: The exemption is for admissions to carnival or amusement rides.

History: PA 94-4 MSS created the exemption.

Fiscal Estimates: $1.6 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 240.

Rationale: Expediency.

i. Health club charges

Citation: CGS Sec. 12-541

Description: Health clubs are excluded from the definition of taxable admissions charges (i.e., they do not appear in statutory language.)

History: PA 75-473 deleted the reference to health clubs.

Fiscal Estimates: $1.2 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 240.

Rationale: Expediency.

j. Charges for instruction

Citation: CGS Sec. 12-540(3)

Description: Charges for instruction are specifically excluded from the definition of taxable admissions charges.

History: The exclusion for instruction was made in PA 75-473.

Fiscal Estimates: $800,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 240.

Rationale: Expediency.

2. Dues Tax Exemptions

a. Annual Dues Less than $100

Citation: CGS Sec. 12-543(b)(1)

Description: Clubs are exempt from the tax if the annual dues for full membership privileges and any initiation fee are each $100 or less.

History: PA 71-837, which enacted the tax, created an exemption for dues and initiation fees of up to $50 each. PA 85-438 increased the amount to $100.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Perceived Equity.

b. Certain clubs, lodges, or fraternal organizations sponsored and controlled by charitable or religious organizations, governmental agencies, nonprofit educational institutions, or at a college/university

Citation: CGS Sec. 543(b)(2) (Clubs) and CGS Sec. 12-543(b)(3) (Lodges and fraternal organizations)

Description: The exemption is for clubs sponsored and controlled by charitable or religious organizations, governmental agencies, nonprofit educational institutions, and for societies, orders, or associations operating under the lodge system or any local fraternal organization among students of a college or university.

History: PA 71-837, which enacted the tax, created the exemption.

Fiscal Estimates: $3.7 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 300.

Rationale: Incentive (Clubs) and Expediency (Lodges and fraternal organizations).

c. Charges for athletic instruction

Citation: CGS Sec. 12-540(4)

Description: Dues charges for athletic instruction are specifically excluded from the taxable base.

History: PA 75-473 established the exclusion for instruction.

Fiscal Estimates: $2.7 million in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 300.

Rationale: Expediency.

***d.* Charges or special assessments**

Citation: CGS Sec. 12-540(4).

Description: Charges or special assessments made for construction or reconstruction of any social, athletic or sporting facility, or furnishings and fixtures for such facility. These are specifically excluded from the definition taxable dues.

History: PA 71-837, which enacted the tax, created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Clarification.

e. Dues of lawn bowling clubs

Citation: CGS Sec. 12-543(b)(4)

Description: The exemption is for dues charges of lawn bowling clubs.

History: PA 99-173 made the exclusion.

Fiscal Estimates: $400,000 in FY 12 and FY 13.

Taxpayers Benefitting: Fewer than 300.

Rationale: Expediency.

f. Open space acquisition

Citation: CGS Sec 12-540(4)

Description: The portion of dues paid by members of clubs (e. g. golf, social) to acquire farm, forest, and or open space land is exempt.

History: PA 99-173 created the exclusion and PA 99-235 modified it.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Expediency and Incentive.

g. Club locker rentals

Citation: CGS Sec 12-540(4)

Description: The exemption is for dues for club locker rentals.

History: PA 00-170 created the exclusion.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Expediency and Incentive.

ELECTRIC GENERATION TAX

Public Act 11-6 imposes a temporary tax on electric generation facilities of ¼ of a cent per net kilowatt hour (kwh) of electricity generated and uploaded into the regional bulk power grid at Connecticut facilities. The tax, which expires on June 30, 2013, applies to all electricity with the exceptions listed below.

Exemptions

1. **Fuel cell and alternative energy systems**

   Citation: PA 11-6

   Description: The exemption is for electricity generated by fuel cells and alternative energy systems.

   History: PA 11-6 established the exemption.

   Fiscal Estimates: $1.3 million in FY 12 and FY 13.

   Taxpayers Benefitting: Fewer than 50.

   Rationale: Incentive.

2. **Electricity generated by a resources recovery facility**

   Citation: PA 11-61

   Description: The exemption is for electricity generated by a resources recovery facility.

   History: PA 11-61 established the exemption.

   Fiscal Estimates: $1.9 million in FY 12 and FY 13.

   Taxpayers Benefitting: Fewer than 10.

   Rationale: Incentive.

3. **Customer-side distributed resources**

   Citation: PA 11-233

   Description: The exemption is for electricity generated by customer-side distributed resources.

   History: PA 11-233 established the exemption.

   Fiscal Estimates: $1.0 million in FY 12 and FY 13.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

HOSPITAL TAX

Federal law allows the state to levy a hospital user fee on net patient revenue of up to 6%, as of October 1, 2011. States collect this fee from hospitals, and then pay out the proceeds via a redistributive formula under the Disproportionate Share program. The state is then able to claim a 50% federal reimbursement on the distribution. In Connecticut, the hospital user fee was first instituted in April 1994 and was eliminated in April 2000. PA 11-44 and PA 11-61 implement a user fee on hospital inpatient and outpatient revenue.

The user fee is levied at a rate of 6.0% on inpatient revenue and 3.83% on outpatient revenue. This applies to all non-governmental hospitals with the exception of the children's hospital, psychiatric hospitals and specialty hospitals. Certain financially distressed hospitals are also exempt from the fee on outpatient revenue.

The user fee is expected to raise $349.1 million annually. The FY 12 and FY 13 biennial budget appropriates $399.5 million to the state's hospitals via the Disproportionate Share Hospital (DSH) account and supplemental Medicaid payments. This includes the $349.1 million raised from the user fee, plus an additional $50.4 million in supplemental payments. This total appropriation of $399.5 million then generates $199.75 million in federal matching funds. In total the state gains $149.4 million annually, while hospitals realize a net gain of $50.4 million. The following table summarizes these changes:

Table 1

Expenditures		
Medicaid	$	131,000,000
DSH	$	268,486,847
Total	**$**	**399,486,847**
Revenues		
User Fee	$	349,122,279
Federal Match	$	199,743,424
Total	**$**	**548,865,703**
Net State Impact	**$**	**149,378,856**
Net Hospital Impact	$	**50,364,568**

Exemptions – Exempt hospitals include the children's hospital, psychiatric hospitals, specialty hospitals, and certain financially distressed hospitals. Exemptions are identified in Table 2.

Table 2

Children's, Psychiatric, and Specialty Hospitals	Financially Distressed Hospitals
Capital Region Mental Health Center	Bristol
Connecticut Children's Medical Center	Johnson Memorial Hospital
Connecticut Hospice	Milford Hospital
Connecticut Mental Health Center	New Milford Hospital
Gaylord Hospital	Hospital of St. Raphael
Hebrew Home and Hospital	Waterbury Hospital
Hospital for Special Care	
Masonicare Health Center	

Mount Sinai Rehabilitation Hospital	
Natchaug Hospital	
River Valley System	
Silver Hill Hospital	
Southeast Mental Health Authority	
Southwest Connecticut Mental Health Network	
University of Connecticut Health Center- John Dempsey Hospital	
Western Connecticut Mental Health Network	

1. Distressed Hospitals

Citation: PA 11-61

Description: Distressed hospitals were identified as having experienced aggregate net losses of more than one percent of aggregate revenue over the five year period 2005-2009. These hospitals are exempt from the tax on outpatient revenue.

History: PA 11-61 established the exemption from the tax on payment earned for the provision of outpatient services based on financial hardship.

Fiscal Estimates: The fiscal impact associated with the exemption of financially distressed hospitals is $5.7 million annually. This estimate assumes the same tax rate and redistributive formula as used in the FY 12 and FY 13 biennial budget. The net state impact is associated with the loss of the federal reimbursement of the hospitals' total tax revenue of $11.3 million.

Tax Payers Benefiting: Fewer than 10.

Rationale: Perceived Equity.

2. Other Hospitals

Citation: None

Description: The children's hospital, psychiatric hospitals and specialty hospitals were not included in the hospital tax plan.

History: None

Fiscal Estimates: Indeterminate.

Tax Payers Benefiting: Fewer than 20.

Rationale: Expediency.

MOTOR VEHICLE FUELS AND MOTOR CARRIER ROAD TAXES

The Motor Vehicle Fuels Tax is an excise tax imposed on motor vehicle fuel sold in the state. The Motor Carrier Road Tax is levied on motor vehicle fuel used in the state by licensed motor carriers, at the same tax rate as the Motor Vehicle Fuels Tax. (CGS Sec. 12-479)

Motor Vehicle Fuels Tax

Rate & Basis - The tax is levied on distributors of fuel sold or used within the state.

Motor Flues Taxes[(1)]

Gasoline	25 cents/gallon
Diesel Fuel[(2)]	46.2 cents/gallon
Natural Gas or Propane	26 cents/gallon

[(1)] Taxes are levied pursuant to 12-458 and 12-479.
[(2)] DRS set the tax on diesel to 45.1 effective 7/1/11.

Motor Carrier Road Tax

Rate & Basis - The tax is imposed on motor carriers using state highways and is based on the amount of fuel used within the state as determined by proportionate mileage. This tax rate is equal to the current per gallon rate on diesel fuel. A credit is allowed for taxes paid on motor fuels purchased in state. CGS Sec. 12-478 to 493.

On 1/1/96, Connecticut entered into a cooperative agreement among most US states and Canadian provinces called the International Fuel Tax Agreement (IFTA) to simplify the collection and reporting of fuel use tax by interstate motor carriers (CGS 12-486.) Under IFTA, fuel tax returns are filed in the base jurisdiction[29] of the motor carrier. For the purpose of IFTA reporting, a qualified motor vehicle: (1) is designed to transport persons or property, (2) has two axles and a gross vehicle weight or registered gross vehicle weight over 26,000 pounds; or (3) has three or more axles regardless of weight; or (4) when used in combination, has a combined gross vehicle weight over 26,000 pounds. Motor carriers who qualify and travel solely within the state are not required to file a return, but instead are subject to state tax at the time of fuel purchase. CGS Sec. 12-478(4)

Refund - A refund is due when the credit for Motor Fuels Tax paid exceeds amount of Motor Carrier Road Tax that is due. CGS Sec. 12-480

1. Motor Vehicle Fuels Tax Exemptions

a. Fuel sold to the United States government

Citation: CGS Sec. 12-458(a)(1) The refund provision is contained in CGS Sec. 12-459(a)(3)

[29] The base jurisdiction is where the vehicle is based for registration purposes and where operations are controlled.

Description: Sales of gasoline and diesel fuel to the United State Government are exempt from the tax.

History: The exemption was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: $1.0 million

Taxpayers Benefitting: 1

Rationale: Conformity. States are not permitted to tax the federal government under the US Constitution.

b. Fuel used by a contractor performing services for a municipality

Description: Fuel sales to a municipality for use by a contractor performing services for the municipality in accordance with a contract, when such fuel is used exclusively for the purposes of the contract.

History: PA 73-636 created an exemption for school bus contractors and PA 78-322 applied it to all municipal contractors.

Fiscal Estimates: Included in Item c below

Taxpayers Benefitting: Included in Item c below

Rationale: Clarification. The state does not tax itself and municipalities are a subdivision of the state.

c. Fuel sold to municipalities, transit districts or the state

Citation: CGS Sec. 12-458(a)(3). The refund provisions are contained in CGS Sec. 12-459(a)(6) for the state or a municipality and CGS Sec. 12-459(a)(10) for a transit district.

Description: Fuel sales to municipalities, transit districts or the state, at other than a retail outlet, for governmental purposes and for use in vehicles owned and operated or leased and operated by the municipality, transit district or the state

History: PA 71-784 and PA 71-8 JSS created the municipal exemption. PA 72-205 exempted fuel sold to the state. PA 75-511 exempted fuel sold to transit districts. PA 84-427 created the refund provision for transit districts.

Fiscal Estimates: $18.7 million, combined estimate with Item b

Taxpayers Benefitting: 200, combined estimate with Item b

Rationale: Clarification: The state does not tax itself, and municipalities and transit districts are subdivisions of the state.

d. Fuel distributors.

Citation: CGS Sec. 12-458(a)(4)

Description: Sales and transfers to licensed motor vehicle fuel distributors are exempt from the tax.

History: The exemption was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: $666.6 million

Taxpayers Benefitting: 965

Rationale: Incentive: The exemption is intended to reduce cascading.

e. Fuel transferred from storage within the state to some point out of state and fuel purchased for export by a distributor licensed in another state.

Citation: CGS Sec. 12-458(a)(5) & CGS Sec. 12-458(a)(6)

Description: Sales and transfers of fuel out of Connecticut and sales in Connecticut to licensed motor fuels exporters are exempt from the tax.

History: The exemption was included in PA 59-579, which replaced previous provisions. PA 65-58 and PA 65-325 created the export exemption.

Fiscal Estimates: $317.1 million

Taxpayers Benefitting: Indeterminate

Rationale: Clarification: The tax is levied on fuel consumed in the state.

f. Fuel for farming

Citation: CGS Sec. 12-458(a)(7). Agricultural tractors and farm implements are also excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c). The refund provision is contained in CGS Sec. 12-459(a)(2).

Description: Fuel sold to any person engaged in the business of farming, provided: (1) the fuel is not used in motor vehicles licensed or required to be licensed to operate on public highways, unless the vehicle is registered exclusively for farming purposes; (2) the fuel is not delivered to a tank in which the purchaser keeps fuel for both personal and farm use; and (3) the purchaser submits to the distributor an affidavit, prescribed by the commissioner of revenue services, affirming that the fuel is used exclusively for farming purposes.

History: A refund for farming was included in PA 59-579, which replaced previous provisions. PA 84-424 created the exemption.

Fiscal Estimates: $685.1 million, combined estimate for Items f through k

Taxpayers Benefitting: 250, including Items g, h, i, j, and k

Rationale: Incentive. The exemption is intended to reduce cascading.

g. Fuel for industrial fabrication, agricultural production or fishing industry

Citation: CGS Sec. 12-458(a)(8).

Description: Fuel sold exclusively to furnish power for an industrial plant in the actual fabrication of finished products to be sold, or for an agricultural production process, or for the fishing industry.

History: PA 84-427 created the exemption.

Fiscal Estimates: $685.1 million, combined estimate for Items f through k

Taxpayers Benefitting: 250, including Items g, h, i, j, and k

Rationale: Incentive: The exemption is intended to reduce cascading..

h. Heating fuel

Citation: CGS Sec. 12-458(a)(3)

Description: Fuel sold exclusively for heating purposes.

History: PA 84-427 created the exemption.

Fiscal Estimates: $685.1 million, combined estimate for Items f through k

Taxpayers Benefitting: 250, including Items g, h, i, j, and k

Rationale: Perceived Equity.

i. Alternative fuels sold to covered fleet

Citation: CGS Sec. 12-458f

Description: On and after 7/1/04 and until 7/1/08, compressed natural gas, liquefied petroleum gas and liquefied natural gas are exempt when sold for use in a covered fleet vehicle as defined in the federal Clean Air Act.

History: PA 94-170 created the exemption and various public acts extended the sunset date for the Alternative Fuels exemption.

Fiscal Estimates: $685.1 million, combined estimate for Items f through k

Taxpayers Benefitting: 250, including Items g, h, i, j, and k

Rationale: Incentive.

j. Aviation fuel

Citation: Aviation fuel is specifically exempted by CGS Sec. 12-462 and 12-4589(a)(3)(L) and aircraft are excluded from the definition of motor vehicle in CGS Sec. 12-455a(c).

Description: $685.1 million, combined estimate for Items f through k

History: The exemption was included in PA 59-579, which replaced previous provisions. PA 97-243 provides tax-free sales of aviation fuel used for aviation purposes at airports for sales occurring on or after 1/1/98.

Fiscal Estimates: $685.1 million, combined estimate for Items f through k

Taxpayers Benefitting: 250, including Items g, h, i, j, and k

Rationale: Incentive.

k. Diesel fuel sold exclusively for use in portable power systems

Citation: CGS Sec. 12-458(a)(3)(M)

Description: Diesel fuel when sold for use in portable power system generating more than 150 kW.

History: PA 97-281

Fiscal Estimates: $685.1 million, combined estimate for Items f through k

Taxpayers Benefitting: 250, including Items g, h, i, j, and k

Rationale: Incentive.

2. Motor Vehicle Fuels Tax Exclusions

a. Aircraft:

Citation: Aircraft are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description: The definition of a motor vehicle excludes aircraft for purposes for the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 1j.

Taxpayers Benefitting: See Item 1j.

b. Motorboat fuel:

Citation: Motorboats are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description: The definition of a motor vehicle excludes motorboats for purposes for the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 3a.

Taxpayers Benefitting: See Item 3a.

Rationale: Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

c. Agricultural Tractor and Farm Implements

Citation: Agricultural tractors and farm implements are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description: The definition of a motor vehicle excludes baggage trucks used about railroad stations for purposes for the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 1f.

Taxpayers Benefitting: See Item 1f.

d. Baggage truck fuel

Citation: Baggage trucks used around railroad stations are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description: The definition of a motor vehicle excludes baggage trucks used about railroad stations for purposes for the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 3a.

Taxpayers Benefitting: See Item 3a.

Rationale: Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

e. Fuel for railroad trains, streetcars, etc.

Citation: Vehicles that run only rails or tracks are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description The definition of a motor vehicle excludes vehicles that run exclusively on rail tracks for purposes for the motor vehicle fuels tax.

History: PA 70-140
Fiscal Estimates: Claimed as a refund, see Item 3a.

Taxpayers Benefitting: See Item 3a.

Rationale: Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

f. Connecticut Motor Bus Company

Citation: CGS Sec. 12-455a(e).

Description: Any CT Bus company engaged in the business of carrying passengers for hire to which the company has been issued a certificate under 13b-80 and 75% of its gross operating revenue is derived from operations within CT.

History: Added by PA 82-25.

Fiscal Estimates: Claimed as a refund, see Item 3b.

Taxpayers Benefitting: See Item 3b.

Rationale: Incentive.

3. Motor Vehicle Fuels Tax Refunds

a. Fuel used by vehicles not operated on public highways

Citation: CGS Sec. 12-459(a)(1)

Description: Fuel used by vehicles, other than those used in farming, which are not licensed or required to be licensed for use on public highways.

History: It was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: $1.2 million

Taxpayers Benefitting: 1,500

Rationale: Incentive: The refund is intended to reduce cascading.

b. Fuel used by Connecticut motorbus companies

Citation: CGS Sec. 12-459(a)(4).

Description: Motorbus companies are defined under CGS Sec. 12-455a(c) as common carriers organized in the state that derives at least 75% of their gross operating revenue from in-state operations. They are also excluded from the definition of "motor carrier" for the Motor Carrier Road Tax under CGS Sec. 12-478(a).

History: PA 84-541 provided the refund for Connecticut motorbuses.

Fiscal Estimates: $400,000

Taxpayers Benefitting: 24

Rationale: Incentive: The exemption is intended to reduce cascading.

c. Fuel used by livery services

Citation: CGS Sec. 12-459(a)(12)

Description: Sales of fuel when used by a licensed livery service provider to transport persons for hire on roads in Connecticut.

History: PA 85-437 provided the refund for livery services.

Fiscal Estimates: $215,000, combined with Item d.

Taxpayers Benefitting: 156, combined with Item d.

Rationale: Expediency.

d. Fifty percent refund for fuel used by taxicabs and airport livery services and airport motorbuses

Citation: CGS Sec. 12-459(a)(4)&(5)

Description: A 50% refund is available for the tax paid on fuel used for in-state travel by taxicabs and airport livery services and motorbuses.

History: PA 77-542 created the 50% refund for taxicabs and PA 78-322 applied it to airport livery services and motorbuses. PA 77-542 created the refund provision for taxicabs and PA 78-322 applied it to airport livery services and airport motorbuses.

Fiscal Estimates: $215,000, combined with Item c.

Taxpayers Benefitting: 156, combined with Item c.

Rationale: Expediency.

e. Fuel used in ambulances owned by hospitals

Citation: CGS Sec. 12-459(a)(8)

Description: Fuel purchased by hospitals for use in ambulances that they own.

History: The refund was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: Indeterminate, no data available

Taxpayers Benefitting: Indeterminate, no data available

Rationale: Incentive.

f. Fuel used in ambulances owned by nonprofit civic groups

Citation: CGS Sec. 12-459(a)(9)

Description: Fuel purchased by nonprofit civic groups for use in ambulances that they own.

History: The refund was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: Indeterminate, no data available

Taxpayers Benefitting: Indeterminate, no data available

Rationale: Incentive.

g. **Fuel used in high-occupancy commuter vehicles:**

Citation: CGS Sec. 12-459(a)(11)

Description: Fuel used in high-occupancy commuter vehicles which seat at least ten, but not more than fifteen, people and have a minimum average daily usage of nine passengers, to and from work.

History: PA 78-322 created the refund.

Fiscal Estimates: $100,000

Taxpayers Benefitting: 200

Rationale: Incentive.

h. **Fuel used by the United States government:** See section on Motor Vehicle Fuels Tax exemptions.

i. **Fuel purchased by municipalities for use by school bus contractors in transporting children to and from school:** See section on Motor Vehicle Fuels Tax exemptions.

j. **Fuel used by the state, a municipality or a transit district:** See section on Motor Vehicle Fuels Tax exemptions.

k. **Fuel used in farming:** See section on Motor Vehicle Fuels Tax exemptions.

l. **Meals on wheels:**

Citation: CGS Sec. 12-459 (a) (13)

Description: Fuel for vehicles used exclusively to deliver meals to seniors citizens in association with federally funded programs.

History: PA 97-232 provided the refund for meal on wheels delivery services.

Fiscal Estimates: Less than $20,000

Taxpayers Benefitting: 19

Rationale: Expediency.

4. Motor Carrier Road Tax Credits

a. **Fuel purchased in state upon which the Motor Vehicle Fuels Tax has been paid**

Citation: CGS Sec. 12-480(a).

Description: Motor carriers are entitled to a credit for taxes previously paid on motor fuel purchased within this state.

History: PA 61-575 created the exemption.

Fiscal Estimates: $80.0 million

Taxpayers Benefitting: Indeterminate

Rationale: Redundancy: The credit prevents taxation under both taxes.

MISCELLANEOUS TAXES

This section is describes taxes and surcharges that are not covered elsewhere in this report. In some cases the revenue collected from the sources explained below are earmarked for specific purposes such as funding environmental programs.

Marijuana and Controlled Substances Tax

Rate & Basis – An excise tax is imposed on marijuana and other controlled substances illegally purchased, acquired, transported or imported into the state. Tax rates are $3.50 per gram of marijuana, $200 per gram of controlled substance and $2,000 per 50-dosage unit of controlled substance not sold by weight. (CGS Sec. 12-651)

Citation: CGS Sec. 12-658

History: Enacted by PA 91-397.

Description of Exclusion: The tax is not applicable to persons lawfully in possession of marijuana or a controlled substance.

Fiscal Estimates: Indeterminate for FY 12 and FY 13.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification.

Motor Vehicle Rental Surcharge

Rate & Basis - A 3.0% per day surcharge is imposed on the rental of private passenger motor vehicles or trucks by a rental company in Connecticut for periods of less than 31 days. A 1.5% per day surcharge is imposed on the rental of heavy-duty equipment and machinery used in construction, mining or forestry by a rental company in Connecticut for periods of less than 31 days. Rental companies must pay the portion of the surcharge collected during the calendar year that exceeds the amount paid to Connecticut municipalities in personal property tax and the amount paid to the Department of Motor Vehicle in titling and registration fees. (CGS Sec. 12-692)

Citation: CGS Sec. 12-692

History: Enacted by PA 95-294.

Description of Exemptions: The exemptions include: 1) motor vehicles delivered to a lessee outside Connecticut; 2) rentals by an agency of the US Government; 3) rentals of 31 days or more; 4) rentals from other than a rental company.

Fiscal Estimates: Indeterminate for FY 12 and FY 13.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification.

Occupational Tax

Rate & Basis – An annual tax of $565[30] is levied on any person who has been admitted as an attorney by the judges of the superior court and who is engaged in the practice of law, including the performance of judicial duties.

Citation: CGS Sec. 51-81b

[30] The tax increased from $450 to $565 effective 1/1/2009.

History: Enacted by PA 72-223 and modified by subsequent public acts with numerous technical changes regarding administration of the tax.

Description of Exemptions: The exemption includes 1) judges and employees of the State; 2) any attorney who has retired from the practice of law; 3) any attorney serving on active duty with the US Armed Forces for more than six months of a given year; 4) attorneys employed by the Probate Court; 5)employed by a political subdivision.

Fiscal Estimates: Less than $5.5 million in FY 12 and FY 13.

Taxpayers Benefitting: Less than 10,000

Rationale: Clarification.

Tourism Account Surcharge

Rate & Basis - A surcharge of $1.00 per rental/leasing day is levied on passenger motor vehicles rented or leased for fewer than 30 days. (CGS Sec. 12-665 to 12-668)

Citation: CGS Sec. 12-665

History: Enacted by PA 92-194.

Description of Exemption: The rental of leasing of a motor vehicle pursuant to a written agreement, which has a term of more than 30 days.

Fiscal Estimates: Indeterminate for FY 12 and FY 13.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification.

PROPERTY TAX

Taxation of property predates most other forms of taxation in t he United States because property taxes were levied before the US Constitution was written. Thus, exemptions to property taxes have had a lengthy and well-documented history. The nature and breadth of modern property tax exemptions vary widely from state to state, due at least in part to the fact that the United States Constitution is silent on what types of exemptions are specifically granted or prohibited.[31]

Property Tax exemption policy is primarily based on the nature of the owner of the property. The following discussion deals with the exemptions granted to different classes of property owners in the state of Connecticut.

Federally-owned Property

CGS Sec. 12-81(1) grants an exemption for federally owned property. This is based on the rationale that only Congress has the power to authorize tax payments on federal property to lower level governments. Since Congress has not authorized such payments, the only circumstances under which federally-owned property is taxable by state and municipal governments is when such property is leased to a private business.[32]

State and Municipal Property

The rationale behind the exemption of state and municipal property (CGS. Sec. 12-81(2) and (4)) is that it would only transfer public funds within the state. This reasoning is strained with respect to state property, which imposes un-reimbursed costs on the municipalities. In recognition of this, Connecticut reimburses municipalities in a payment in lieu of taxes (PILOT) formula for state-owned property.

The "public purpose" clause is absent in the state exemption (CGS Sec. 12-81(2)) but present in the municipal exemption (CGS Sec. 12-81(4)). This difference has not been clarified by court cases. Courts have disallowed exemptions for property owned by a city in another town which is devoted to a non-public use[33], and for municipal property available for use by only a limited number of persons.[34]

Property Devoted to Scientific Educational, Literary, Historical or Charitable Purposes

Under CGS Sec. 12-81(7), the exemption applies to organizations devoted to these uses provided "any officer, member, or employee does not receive financial reward in excess of 'reasonable compensation for services'." This language is similar to the wording used by other states for statutes with analogous clauses. What tends to differ among states are the types of organizations that qualify for this exemption.

The rationale for this type of exemption is that such organizations perform functions that government would have to undertake in their absence, or that such functions are socially desirable, but are not within the scope of government activities. Instead of taxing such institutions and providing subsidies, the state grants a tax exemption.

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[31] Even the immunity of federally-owned property from taxation was not guaranteed; it was not until the Supreme Court ruled, in McCullock v. Maryland, 17 U.S. 579 (1819), that taxation of federal property by states was an interference with the former's sovereignty.
[32] City of Detroit v. Murray Corp., 355 U.S. 489 (1958); United States and Borg-Warner Corpo. V. City of Detroit, 355 U.S. 466 (1958); United States v. Township of Muskegon, 355 U.S. 484 (1958); and American Motors Corp. V. City of Kenosha, 356 U.S. 21 (1958).
[33] Town of West Hartford v. Board of Water Commissioners of Hartford, 44 Conn. 360 (1877)
[34] Laurel Beach Association v. Milford, 148 Conn. 233, 169 A.2d. 748 (1961)

To qualify for the exemption, an educational organization must clearly demonstrate that there is no opportunity for private gain from the existence or dissolution of its operations. Restrictive admission practices or high tuition are not sufficient reasons to deny exemption. However, the curriculum should consist of "systematic instruction and training for the young in preparation for the work of life." [35] Other court rulings have maintained this limitation of instructional latitude to correspond with instruction in government-supported schools within the state.

Qualification for an exemption for charitable purposes has been interpreted more liberally by the courts. A charitable purpose "no longer is restricted to mere relief of the destitute or the giving of alms, but comprehends activities ... which are intended to improve the physical, mental and moral condition of the recipients and make it less likely that they will become burdens on society and more likely that they will become useful citizens .... Charity embraces anything that tends to promote the well doing and the well-being of social man."[36] Only political activity and the opportunity for private gain appear to circumscribe tax exemptions for organizations devoted to charitable purposes.

A comparable case history on the exemptions for scientific, literary and historical purposes does not exist. Because government does not ordinarily provide services in these areas, it cannot be said that these organizations are relieving any governmental burden. Most states are more restrictive than Connecticut in granting exemptions for scientific, literary and historical purposes.

College Property

Colleges and universities qualify for exemption under CGS Sec. 12-81(7). In addition, the "funds and estate" of seven private Connecticut colleges [37] "respectively invested and held for the use of such institutions, with the income thereof" are exempt from taxation under CGS Sec. 12-81(8) "Provided none of said corporations shall hold in this state real estate free from taxation affording an annual income of more than six thousand dollars."

The exempt status of these schools is also specified by the General Assembly in their charters. There is a strong argument that the exempt status of these colleges is constitutionally irrevocable. Since the state granted the exemptions in the charters of these institutions, it cannot revoke them without impairing its contract obligations. Exemptions of dormitories and dining halls[38] as well as temporary housing for married students[39] owned by Yale University have been upheld in two court challenges.

The $6,000 limitation on income from real estate has been interpreted to apply only to relevant income-yielding property; other college-owned property does not lose its exempt status if this income limitation provision is violated. [40]

Cemetery Property

For reasons similar to charitable and educational property, cemetery property has been exempted from taxation (CGS Sec. 12-81(11)). Since no serious objection to this exemption has been raised, there have been no landmark court cases in this area. Cemetery property is frequently owned by religious organizations. Also, in New England, many municipalities own cemeteries. In such cases, the religious or municipal exemption would probably take precedence, which may explain the absence of challenges to this exemption.

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[35] Masonic Building Associates v. Town of Stamford, 119 Conn. 53, 59, 174 A. 301, 303 (1934)
[36] Camp Isabella Freedman of Connecticut v. Town of Canaan, 147 Conn. 510, 514-15, 162 A. 2nd 700, 703 (1960).
[37] Berkeley Divinity School, Connecticut College for Women, Hartford Seminary Foundation, Sheffield School, Trinity College, Wesleyan University and Yale University (sic).
[38] Yale University v. Town of New Haven, 71 Conn. 316, 42 A. 87 (1899)
[39] Yale University v. Town of New Haven, 17 Conn. Supp. 166 (C/P/ 195-0)
[40] Yale v. New Haven (1899)

Religious Property

CGS Sec. 12-81(12) exempts personal property of religious organizations. In CGS Sec. 12-81(13), "houses of religious worship, the land on which they stand, their pews, furniture and equipment" are exempted. Also, "real property and equipment" of "any religious organization and exclusively used as a school, a Connecticut non-profit camp or recreational facility for religious purposes, a parish house, an orphan asylum, a home for children, a reformatory or an infirmary" are exempted in CGS Sec. 12-81(14). Finally, "dwelling houses and the land on which they stand" used by "officiating clergymen" are exempted in CGS Sec. 12-81(15).

Exemption of property used for religious purposes has a longer history than other exemptions. In pre-Constitution America there was no doctrine of separation of church and state, but because churches were generally considered as related to government, they were exempted as public agencies. The exemption practice simply continued in post-constitution America. Statutes specifically exempting religious property were generally not enacted until the nineteenth century.[41]

The First Amendment of the Constitution -- which states that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof" -- can be interpreted as either encouraging or prohibiting the taxation of churches. A Supreme Court decision upholding property tax exemption for churches[42] relied principally on arguments other than the establishment and free exercise clauses in the First Amendment. Yet, the wording and near-unanimity of that decision imply that any state, which repealed its exemption of church property, is likely to have its action reversed.

Presently, all 50 states exempt church property; 33 include the exemption in their state constitutions. In Connecticut, relatively few court-mandated restrictions have been placed on property used for religious purposes. A Masonic Temple was denied a religious exemption because, among other reasons, it "meets in secret", as a membership "dependent in part at least on social considerations", and its property was not "devoted to the practice of religious worship as it is customarily carried on ... in this state." [43][13] Recreational facilities of religious organizations were 'denied exemptions before they were specifically included in CGS Sec. 12-81(14) in 1955.

Hospital and Sanatoriums

The State exempts hospitals and sanatoriums (CGS Sec. 12-81(16)), provided that "no officer, member or employee thereof" receives "any pecuniary profit ... except reasonable compensation for services." Where an institution had become financially successful, the court ruled that under the statute, success alone (meaning that the institution was using sound financial management) did not transform the institution's purpose from one devoted exclusively charitable purposes. [44]

This exemption is analogous to that of educational, scientific and other such property. The rationale is the same: hospitals and sanatoriums provide services that would otherwise have to be provided by government. In many states, hospitals are operated by state or municipal government to a greater extent than in Connecticut. For example, New York City possesses an extensive municipal hospital system.

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[41] Connecticut's exemption originated in the Statute of Charitable Uses, adopted in 1684 and revised in 1702, which exempted property "for the maintenance of ministries of the Gospel." The wording has changed over time: in 1822 "churches" were exempted by the statute, but other religious, organizations were not mentioned; in 1851, properties of benevolent organizations were also included. In 1925, the wording was altered so that "houses of religious worship" were exempted.

[42] Walz V. Tax Commissioner of the City of New York, 397 U.S. 664 (1970)

[43] Masonic Building Association of Stamford, Connecticut, Inc. v. Town of Stamford, 119 Conn. 53, 60, 61, 174 A. 301, 304.

[44] Institute of Living V. Hartford Board of Tax Review, 13 Conn. Supp. 372 (1945)

Other Governmental and Benevolent Exemptions

A number of exemptions similar to those outlined above are included in CGS Sec. 12-81. They are more specific in nature and in many cases, exempt an organization that would otherwise have qualified for the governmental or educational/charitable exemptions. Because the rationales for these have already been discussed, the items are only listed in the footnote below. [45]

Other Exempt and Non-Taxed Properties

In classifying property that is not subject to taxation, a distinction can be made between exempt and non-taxed property. Exempt property is not taxed under the existing ownership, but would be taxed under other ownership. The use to which the property is put or the nature of the owner gives exempt status to the property. Non-taxed property is not taxed regardless of ownership. For example, most personal property not taxed in Connecticut retains this, status regardless of ownership. Much property that is not taxed, but does not appear on any exempt grand list can more accurately be called non-taxed.

Some business-owned properties possess exempt status. For example, provisions are made for special treatment of the property of common carrier motorbus companies and railroad companies. For the former, buses used for carrying passengers are exempt; if the carrier is a Connecticut bus company, fifty percent of property taxes on the assessed value of its real estate and relevant personal property used directly in the conduct of its motor bus business is waived. All property of railroads, if used exclusively for railroad purposes, is exempt from taxation.

The statutes allow towns to abate property taxes for certain types of property and require them to abate the taxes for other types. Some of these abatements are intended to stimulate business activity, such as redeveloping abandoned industrial sites; others have narrower aims, such as preserving historic properties, but may have economic development spin-offs.

Table 4 lists the optional town tax abatements. Some are for development activities, such as rehabilitating stores, factories, and apartment houses. Other abatements serve different public needs, such as those for solar energy systems, historic properties, and low-income housing.

Table 5 lists the abatements towns must provide to properties meeting specific statutory criteria. Some are available only in certain towns to manufacturers that build or expand plants or buy new machinery and equipment, while others address different public needs, such as the tax abatement for pollution control equipment.

Exemptions to Individuals

Partial exemptions for property occupied as dwelling places are granted to the blind, veterans, disabled veterans, elderly and specified relatives. Also exempted are a limited amount of property of United States army instructors (CGS Sec. 12-81(28)) and one motor vehicle of a serviceman "if ... garaged outside the state". (CGS Sec. 12-81(53))

Exemptions for the blind and veterans have a long history in Connecticut. Exemption provisions for the blind first appeared in the Connecticut General Statutes in 1867 and a veterans, exemption first appeared in 1887.

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[45] They consist of: CGS Sec. 12-81(5), property held by trustees for public purposes; (6), property of volunteer fire companies; (9), personal property loaned educational institutions; (10), property owned or horticultural societies; (18), property organizations; (27), grand army posts; (29), the Red Cross; (45), Connecticut National Guard; (48), airport improvements; and (49), nonprofit camps or recreational facilities charitable purposes.

Relief for elderly homeowners was initiated in 1965 with a tax freeze program. In 1973, circuit breaker legislation was added as an option for elderly taxpayers. The freeze program option for new participants was eliminated in 1980. The last significant revision of the circuit breaker program was in 1985.

These exemptions have different rationales behind them. When the veterans' and servicemen exemptions were originally enacted they represented payment in recognition of services rendered to one's country. The rationale for the various expansions of local options was expediency with some attempt at perceived equity by imposing certain income limits. The exemption for the blind attempts to recognize the handicap such people possess in earning a living and owning a house. The elderly exemption attempts to ease the property tax burden on a class of people who generally must live on a reduced income when they retire, but do not find their property taxes reduced commensurately.

Most non-business tangible and intangible personal property is not taxed. Some categories are specifically exempted by law among CGS Sec. 12-81(30)-(35), (43) and (47) [46]; others are not mentioned. The major reason that non-business personal property is not taxed is that the difficulties in identifying and taxing such property are deemed to outweigh the possible revenue.

Much of this personal property was taxable in earlier times. In 1851, the general rule was adopted that all property not exempted by statute would be taxed. After this declaration, exemptions proliferated, particularly on personal property. The property tax on boats CGS Sec. 12-81(64)) was eliminated in 1981 and replaced with an annual registration fee. Towns receive a payment equal to the property taxes received from boat owners on the October 1, 1978 Grand List. The property tax on aircraft (CGS Sec. 12-71(f)) was eliminated in 1993, effective with the 1992 Grand List, and replaced with an annual fee. Towns receive payment based on the property tax the town would have received on the 1992 Grand List minus the revenue from the registration fee. The amount of the payments to the towns from the Special Transportation Fund is 100% on April 1, 1994 and 1995, 90%, 70%, 50%, 30% and 10% in 1996, 1997, 1998, 1999, 2000, respectively.

A final non-taxed category consists of streets and waterways. They represent the difference between what is called the total gross area and total net area of a municipality. Streets are truly public domain; thus, the "value" of streets is normally considered to be reflected in the value of facing property. Water areas represent (unless filled in) non-developable property. Neither, therefore, is subject to appraisal or assessment.

The following tables provide statewide aggregate information on various property tax exemptions. The tables indicate the effect on the grand list, whether the exemptions are mandatory or discretionary and whether the state reimburses the municipality and for exemptions affecting individuals.

[46] They are: CGS Sec. 12-81(30), Fuel and Provisions; (31), Household Furniture; (32), Private Libraries; (33), musical Instruments; (34), Watches and Jewelry; (35), Wearing Apparel; (43) Cash; (47), Carriages, Wagons, and Bicycles.

Table 1: Statewide Property Tax Grand List Reductions with FY 2012 Estimates

Select Governmental and Other Benevolent Organization Exemptions

Exemption Type	CGS Section	FY 12 Estimated Reduction ($ Millions)	State Reimbursed	% Gross Grand List
Property of the United States	12-81(1)	$1,127.2	No	0.30%
State Property	12-81(2), (45),(66)	9,100.0	Partial [1]	2.44%
Municipal Property	12-81(4)	20,110.4	No	5.39%
Public Purpose Property by Will or Trust	12-81(5)	170.8	No	0.05%
Beach Property	12-81(67)	345.7	No	0.09%
Municipal Airports	12-81(4), 12-74	129.5	No	0.03%
Municipal Water Supply Land	12-76	309.8	No	0.08%
Municipal Port Authority	7-3291	Not reported	No	
Vessels	12-81(64)	Not reported	No	
Volunteer Fire Company Property	12-81(6)	203.3	No	0.05%
Property Used for Scientific, Educational, Literary, Historical or Charitable Purposes	12-81(7)	4,989.0	No	1.34%
Property Leased to Charitable, Religious, or Non-Profit Organizations (Local Option)	12-81(58)	12.0	No	0.003%
Nursing, Rest and Residential Care owned by a Federally exempt organization	12-81(75)	22.6	No	0.01%
Private Colleges' Property	12-81(8), 12-20a	8,311.9	Partial [1]	2.23%
Connecticut Student Loan Foundation Property	10a-209	Not reported	No	
Hospital and Sanitariums	12-81(16), 12-20a	218.6	Partial [2]	0.06%
Health Care Facility-HMO Property	38a-188	23.2	No	0.01%
Non-Profit Health Care Institutions	12-81(75)	Not reported	No	
American National Red Cross Property	12-81(29)	16.5	No	0.004%
Property Held for Cemetery Use	12-81(11)	494.4	No	0.13%
Property of Religious Organizations	12-81(12), (13),(14), (15),	4,595.0	No	1.23%
Nonprofit Camps/Recreational Facilities	12-81(49)	419.5	No	0.11%
Agricultural and Horticultural Society Property	12-81(10)	95.9	No	0.03%
CT Resource Recovery Authority property, if PILOT agreement between lessee and CRRA	22a-270a	197.6	Partial [1]	0.05%
CT Innovations Inc.	32-46	Not reported	No	
CT Housing Authority Property	8-265b	133.8	No	0.04%
Metropolitan Transportation Authority property	12-81(69)	Not reported	No	
CT Water Authority	8-58	Not reported	No	
Veterans Organizations Property	12-81(18), (27)	61.6	No	0.02%
Prepaid Legal Services Property	38a-240	Not reported	No	
Public Service Companies Property (Railroad)	12-255	99.8	No	0.03%
Total Percentage of Grand List Exempted				**13.71%**

[1] State Reimbursement is 20% except 100% for Correction Facilities

[2] State Reimbursement is 60%.

Table 2: Statewide Property Tax Grand List Reductions FY 12

Category	Type	2014 Grand List FY 12 Estimate ($ Millions)	Number of Taxpayers
A	Non Reimbursed Veterans	$579.90	184,814
B	Reimbursed Ad Vets - Income	107.9	24,435
C	Reimbursed Ad Vets - Non Income	174.7	141,658
D	100% Disabled Non Reimbursed	47.6	6,253
E	100% Disabled Reimbursed	13.5	13,580
F	Blind	8.2	2,930
G	Economic & Developmental - Non Reimbursed	1,567.00	992
H	Environmental & Developmental - Reimbursed	342.8	530
I	Farm & Mechanics	65	5,635
J	Solar Energy & Pollution Control	156.7	1,952
K	Personal Property of Tax - Exempts	94.5	4,658
L	Individuals	86	5,577
M	Miscellaneous	104.2	5,652
N	Manufacturers and Trucks	0.00	-
O	Phase-In Residential Properties	4,390.10	103,743
P	Phase-In Non Residential Properties	1,025.90	8,379
Q	Residential Fixed Assessments	1.8	13
R	New Manufacturing Machinery & Equipment		-
T	Commercial Vehicles	1885.3	6,516
U	MME	1,365.50	3,174
	Total	**13,409.90**	

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
	Personal Income Tax				
	Exemptions and Deductions				
22	Interest on US Obligations	34.0	34.0	34.0	-
23	Dividends from Mutual Funds Derived from US Govt Obligations	1.5	1.5	1.5	-
23	Tier I Railroad Retirement Benefits	0.4	0.4	0.4	-
23	Beneficiary's share of Connecticut fiduciary adjustment	0.3	0.3	0.3	-
23	Gain on sale of Connecticut Bonds	1.0	1.0	1.0	-
24	Social Security Benefits	79.0	79.0	79.0	-
24	Holocaust Payments	Less than 0.1	Less than 0.1	Less than 0.1	-
24	Individual Development Accounts	Less than 0.1	Less than 0.1	Less than 0.1	-
25	Military Retirement Income	3.4	3.4	3.4	-
25	Contributions to CHET	5.6	5.6	5.6	-
25	Other Deductions	6.2	6.2	6.2	-
	Credits				
26	Credit for Property Taxes Paid	150.5	150.9	150.9	-
28	Earned Income Tax Credit	110.2	116.5	116.5	-
28	Angel Investor Tax Credit	6.0	6.0	6.0	-
29	Job Expansion Tax Credit	-	5.0	5.0	-
	Total Personal Income Tax	**398.1**	**409.8**		
	Sales and Use Tax				
	Consumer Goods				
30	Sales of Food Products for Human Consumption	410.0	426.0	400.6	(25.4)
31	Items Purchased with Food Stamps	37.0	38.0	38.0	-

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
31	Meals Delivered to Homes of Elderly Disabled or Otherwise Confined	0.1	0.1	0.1	-
31	Oxygen, Blood Plasma, Prostheses, Wigs, Hearing Aids, Crutches, Walkers, Wheel Chairs, Life Support Equipment, Apnea Monitors, Chairlifts, Relate Repair Services, Reading Aids, Canes, and Support Hoses	16.0	17.0	17.0	-
32	Prescription Medicines, Syringes and Needles	328.0	341.0	341.0	-
32	Disposable Pads for Incontinence	0.9	1.0	1.0	-
33	Test Strips and Tablets, Lancets and Glucose Monitoring Equipment for Diabetics	1.9	2.0	2.0	-
33	Telephone Equipment Designed for Deaf or Blind Persons	Less than 0.1	Less than 0.1	Less than 0.1	-
33	Equipment for Persons with Physical Disabilities Installed in Motor Vehicles	-	-	-	-
34	Sales of Eligible Benefits Under Title XVII or XIX or SSA or CHAMPUS	-	-	Less than 0.1	-
34	Sales Tax “Free Week”	3.4	3.5	3.3	(0.2)
34	Fuel for Heating Purposes	60.0	62.0	58.3	(3.7)
35	Certain Utilities Sales	215.0	224.0	210.6	(13.4)
35	Water Companies Purchases	4.0	4.2	3.9	(0.3)
36	Motor Vehicle Fuel	526.0	547.0	514.3	(32.7)
36	Fuel for High Occupancy Commuter Vehicles	-	-	-	-
36	Newspapers and Magazines	23.0	24.0	22.6	(1.4)
37	One-cent Vending Machine Sales	-	-	-	-
37	Property Purchased from United States	-	-	-	-
38	Purchase Brought into State by Resident	-	-	-	-
38	The First $2,500 of Burial or Cremation Services; Caskets	5.6	5.8	5.5	(0.3)
38	Vegetable Seeds	Less than 0.1	Less than 0.1	Less than 0.1	-
39	Firearm Safety Devices				

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
		-	-	-	-
39	Bicycle Helmets	0.2	0.2	0.2	(0.0)
39	Campground Rentals	0.6	0.6	0.6	(0.0)
39	Lodging	-	-	-	-
40	Weatherization Products and Fluorescent Light Bulbs	8.2	8.5	8.0	(0.5)
40	Child Car Seats	0.1	0.1	0.1	-
40	College Text Books	2.6	2.7	2.5	(0.2)
41	Solar Energy, Geothermal, and Ice Storage Systems	2.5	2.6	2.4	(0.2)
41	Luxury Tax Exemptions	-	-	-	-
	Subtotal Consumer Goods	*1,645.1*	*1,710.3*	*1,632.0*	*(78.3)*
					-
	Business and Agricultural Exemptions				-
41	Machinery Used in Manufacturing and Component Parts for Assembly of Manufacturing Machinery and Production Materials	115.0	120.0	112.8	(7.2)
42	Component Parts for Assembly of Manufacturing Machinery	-	-	-	-
42	Production Materials	-	-	-	-
42	Partial Exemption for Materials, Tools, Fuels, Machinery and Equipment used in Manufacturing	1.0	1.0	0.9	(0.1)
43	Replacement Parts in Enterprise Zones	2.0	2.1	2.0	(0.1)
43	Agriculture Production	5.2	5.4	5.1	(0.3)
44	Commercial Fishing	25.0	26.0	24.4	(1.6)
44	Fuel Cell Manufacturing Facility	0.2	0.2	0.2	(0.0)
45	Flyable Aircraft	-	-	-	-

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
45	Aircraft Repair, Replacement Parts; Aircraft Repair Services; Materials, Tools, Fuel, Machinery and Equipment used in an Aircraft Manufacturing Facility	13.0	14.0	13.2	(0.8)
46	Certain Aircraft	0.2	0.2	0.2	(0.0)
46	Aviation Consulting	-	-	-	-
46	Commercial Trucks, Trailers and Combination, and Commercial Vehicles used in Inter-State Business	6.8	7.1	6.7	(0.4)
47	Motor Buses used in Inter-State Business	5.0	5.2	4.9	(0.3)
48	Aviation Fuel Used Exclusively and Directly in Experimental Testing of Any Product	-	-	-	-
48	Aviation Fuel	9.0	9.4	8.8	(0.6)
48	Marine Fuel	13.0	14.0	-	(14.0)
49	Fuel Used in Portable Power Systems	-	-	-	-
49	Commodities	-	-	-	-
49	Containers	Less than 0.1	Less than 0.1	Less than 0.1	-
50	Printed Material Sent Out of State	2.1	2.2	2.1	(0.1)
50	Machinery, Equipment, etc. used in Commercial Printing	3.6	3.7	3.5	(0.2)
51	Machinery, Equipment, Tools, Materials, Supplies for Typesetting, Color Separation, Finish Copy or Similar Products	Less than 0.1	Less than 0.1	Less than 0.1	-
51	Personal Property re: Waste Treatment and Air Pollution Facilities	2.1	2.2	2.1	(0.1)
52	Motion Picture, Video, TV and Radio Production & Broadcast Equipment	2.0	2.1	2.0	(0.1)
52	Lease of Rental of Motion Pictures by Theater Owners	6.0	6.2	5.8	(0.4)
53	Computer-related Cleaning Equipment	-	-	-	-
53	Molds, Dies, Patterns, and Sand Handling Equipment for Metal Casting Foundries	Less than 0.1	Less than 0.1	Less than 0.1	-

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
53	Molds, Dies, Patterns for Pattern Shops and Metal Casting Foundries	Less than 0.1	Less than 0.1	Less than 0.1	-
53	Optical Lens Equipment	0.2	0.2	0.2	-
54	Safety Apparel	3.2	3.3	3.1	(0.2)
54	Commercial Photographic Film and Paper Processing Materials	-	-	-	-
54	Machinery, Equipment, Tools, Materials, Supplies, Fuel Used in Biotechnology Industry	1.7	1.8	1.7	(0.1)
55	Services or tangible personal property for the operation of projects of the Connecticut Resources Recovery Authority	0.6	0.6	0.6	-
55	Tangible Personal Property or Services to Tourism Districts	-	-	-	-
55	Solid Waste to Energy Facilities	0.7	0.8	0.8	-
56	Machinery and Equipment Used in Maintaining Railroad Right of Ways	-	-	-	-
56	Fulfillment Sales Companies	-	-	-	-
56	Data Transmission Equipment Sold to Telecom or CATV Companies	-	-	-	-
	Subtotal Business and Agricultural Exemptions	*217.6*	*227.7*	*200.9*	*(26.8)*
				-	-
	Service Exemptions				-
57	Services to Detarmine the Effect on Human Health of Consumption or Use of a Product or Substance	-	-	-	-
57	Motor Vehicle Driving Service Out of State	-	-	-	-
57	Services Related to Personnel, Management, or Research when Company Rendering Service and Recipient are Participating in a Joint Venture	-	-	-	-
58	Services Rendered Between Parent Companies and Wholly-Owned Subsidiaries	-	-	-	-
58	Computer and Data Processing	113.0	118.0	111.0	(7.0)
59	Certain Sales of Computer and Data Processing Services	-	-	-	-

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
59	Landscaping, Horticulture, Window Cleaning, or Maintenance Services Rendered to Certain Disabled Persons	-	-	-	-
60	Shoe Repair Services	Less than 0.1	Less than 0.1	Less than 0.1	-
60	Calibration Services and ISO Services	13.0	14.0	13.2	(0.8)
60	"Call Before You Dig" Services	-	-	-	-
60	Sale of Repair or Maintenance on Vessels	2.8	2.9	2.7	(0.2)
61	Renovation & Repair for Residential Property	20.0	21.0	19.7	(1.3)
61	Patient Care Services	295.0	307.0	288.7	(18.3)
61	Tangible Property Purchased by For-Profit Hospitals	-	-	-	-
62	Payments for the Services of Leased or Contract Employees	-	-	-	-
62	Motor Vehicle Parking	5.3	5.5	5.2	(0.3)
63	Car Washes	6.0	6.2	5.8	(0.4)
63	Amusement and Recreation Services	72.0	75.0	70.5	(4.5)
63	Health and Athletic Club Services	10.0	10.0	9.4	(0.6)
64	Massage Therapist and Electrology Services	2.2	2.3	2.2	(0.1)
64	Sales Agent Services	-	-	-	-
65	Advertising	40.0	42.0	39.5	(2.5)
65	Tax Preparation	4.0	4.2	3.9	(0.3)
65	Winter Boat Storage	2.4	2.5	2.4	(0.1)
66	Environmental Consulting Services	7.4	7.7	7.2	(0.5)
66	Police and Firefighters	-	-	-	-
66	World Wide Web	53.0	55.0	51.7	(3.3)
67	Training Services	-	-	-	-
67	Non-Cable Communications Services				

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
		-	-	-	-
67	Marine Vessel Brokerage Service	-	-	-	-
67	Media Payroll Services	1.2	1.2	1.1	(0.1)
	Subtotal Service Exemptions	*647.3*	*674.5*	*634.2*	*(40.3)*
					-
	Non-Profit Organization Exemptions				
68	Sales to Government organizations (combined lease, labor, and goods)	746.0	776.0	776.0	-
69	Municipal Publications, Sales by Public Libraries, or by Municipal Auction and Book Sales by Library Support Groups	-	-	-	-
69	Connecticut Technology Park	-	-	-	-
69	Children's Hospital and the John Dempsey Hospital	14.6	15.0	14.1	(0.9)
70	Property Removed from Inventory and Donated to Charity or Government	-	-	-	-
70	Sales to Nonprofit organizations (combined lease, labor, and goods)	189.0	197.0	185.2	(11.8)
70	Personal Property and Services Used in Development of Housing Facilities for Low and Moderate Income Families	-	-	-	-
70	Sales by Nonprofit Charitable Hopsitals, Nursing Homes, etc	-	-	-	-
71	Centers of Services for Elderly Persons	-	-	-	-
72	Personal Property and Services Used in Development of Housing Facilities for Low and Moderate Income Families in Qualifying Census Tracks	-	-	-	-
72	Items not Costing more than $20 Each by Certain Nonprofit Organizations and Schools	-	-	-	-
73	Sales of Items for Under $100 Each by Nursing or Convalescent Homes or Adult Day Care Centers	-	-	-	-
73	Sales by an Affiliate Participating in Certain Community Economic Development Programs	-	-	-	-
73	Tangible Personal Property at Bazaars, Fairs, Picnics, Tag Sales by Nonprofit Organizations	-	-	-	-
74	Tangible Personal Property by Historical Societies	Less than	Less than	Less than	

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
		0.1	0.1	0.1	-
74	Educational Institution and Certain Health and Care Facilities	-	-	-	-
74	Pilot Property Tax Credit for Computer Equipment	1.0	1.0	0.9	(0.1)
	Subtotal Government and Charitable Organizations	*950.6*	*989.0*	*976.3*	*(12.7)*
					-
	Miscellaneous Exemptions				-
75	United States and Connecticut State Flags	Less than 0.1	Less than 0.1	Less than 0.1	-
75	Gold or Silver Buillion, Legal Tender of Any Nation, Rare or Antique Coin	-	-	-	-
75	Motor Vehicles & Vessels Purchased by Non-Residents to use Out of State	38.0	40.0	37.6	(2.4)
76	Property Tax Payments Under Motor Vehicle Lease	-	-	-	-
76	Vessels Brought in to the State for Storage, Maintenance or Repair	1.3	1.4	1.3	(0.1)
76	Payment of Sales or Use Tax to Another State	-	-	-	-
77	Casual or Isolated Sales	-	-	-	-
77	Tax on Casual Sales of Motor Vehicles, Vessels, Snowmobiles, and Aircraft	-	-	-	-
78	Mobile Manufactured Homes Subject to Sales Tax and Tax as a Conveyance	-	-	-	-
	Subtotal Miscellaneous Exemptions	*39.3*	*41.4*	*38.9*	*(2.5)*
					-
	Items Subject to a Lower Sales Tax Rate or Basis				-
79	Motor Vehicles Sold to Members of Armed Forces	-	-	-	-
79	Sale of Vessels to Nonresidents	-	-	-	-
79	Trade-In of Motor Vehicles, Snowmobiles, Vessels or Farm Tractors, Certain Construction Equipment	49.0	51.0	48.0	(3.0)
80	Coupons and Discounts and Battery Deposits and Trade-Ins of Like Kind and Core Parts	16.2	17.0	16.0	(1.0)
81	Licensed Motor Vehicle Dealers				

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
		-	-	-	-
	Subtotal of Items Subject to a Lower Sales Tax Rate or Basis	*65.2*	*68.0*	*63.9*	*(4.1)*
	Total of Sales and Use Tax	**3,565.1**	**3,710.9**	**3,546.3**	**(164.6)**
	Corporate Business Tax				
	Exemptions and Deductions				
85	Domestic Insurance Companies	-	-	-	-
85	Foreign Insurance Companies	-	-	-	-
86	Domestic International Sales Corporations (DISCS)	-	-	-	-
86	Railroad Companies	-	-	-	-
86	Cooperative Housing Corporations	-	-	-	-
87	Political Associations	-	-	-	-
87	Alternative Energy Systems Companies	-	-	-	-
87	Aero-Derived Gas Turbine Systems	-	-	-	-
88	Non-US Corporations Solely Trading Securities, et al, in CT	-	-	-	-
88	Subchapter S Corporations	-	-	-	-
88	Regulated Investment Companies (RICs) and Real Estate Investment Trusts	-	-	-	-
89	Passive Investment Companies	-	-	-	-
89	Municipal Risk Management Agencies	-	-	-	-
89	Electric Cooperatives	-	-	-	-
90	Companies Located In An Insurance And Financial Services Export Zone	-	-	-	-
90	Earnings From International Banking Facilities	-	-	-	-
90	Dividends From Domestic International Sales Corporations (DISCs) Or Foreign Sales Corporations	-	-	-	-
91	Net Operating Loss Carry-Over	155.0	164.3	147.3	(17.0)

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
91	Net Capital Loss Carry-Over	0.7	0.7	0.7	-
91	Unpaid Loss Reserve Adjustment For Non-Life Insurance Companies	-	-	-	-
92	Capital Gains from Sales of Open Space or Watershed Land	Less than 0.1	Less than 0.1	Less than 0.1	-
	Subtotal Exemptions and Deductions	*155.7*	*165.0*	*148.0*	*(17.0)*
	Credits				
92	Apprenticeship	0.6	0.6	0.6	-
93	Computer Donation	Less than 0.1	Less than 0.1	Less than 0.1	-
93	Digital Animation Production	1.0	1.0	1.0	-
94	Displaced Electric Worker	Less than 0.1	Less than 0.1	Less than 0.1	-
94	Donation Of Land For Educational Use	Less than 0.1	Less than 0.1	Less than 0.1	-
94	Electronic Data Processing	9.4	10.0	10.0	-
95	Film Production	4.5	5.5	5.5	-
96	Film Production Infrastructure	0.6	1.0	1.0	-
97	Financial Institutions	Less than 0.1	Less than 0.1	Less than 0.1	-
97	Fixed Capital	80.0	70.0	70.0	-
97	Hiring Incentive	Less than 0.1	Less than 0.1	Less than 0.1	-
98	Historic Home Rehabilitation, Historic Structure and Mixed Use Historic Rehabilitaiton	0.5	0.5	0.5	-
99	Housing Program Contribution	1.6	1.6	1.6	-
100	Human Capital	1.7	1.7	1.7	-
100	Insurance Reinvestment	0.5		0.5	-
101	Machinery and Equipment	1.8	1.7	1.7	-
101	Mfg Facilities/Service Facilities/Enterprise Zones	1.2	1.2	1.2	-
102	Neighborhood Assistance	3.5	3.5	3.5	-

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Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
103	Research & Development	5.0	5.8	5.8	-
103	Research & Development Grants To Higher Education	Less than 0.1	Less than 0.1	Less than 0.1	-
104	Research & Experimentation	17.0	17.5	17.5	-
104	Sale of Certain Credits	9.0	9.5	9.5	-
104	Urban and Industrial Reinvestment Credit	3.7	4.0	4.0	-
105	New Jobs Creation Tax Credit	0.6	2.3	2.3	-
105	Qualified Small Business Job Creation Tax Credit	0.1	0.1	0.1	-
106	Job Expansion Tax Credit	-	10.0	10.0	-
	Subtotal Credits	*142.3*	*148.0*	*148.0*	-
	Total Corporate Income Tax	**298.0**	**313.0**	**296.0**	**(17.0)**
	Insurance Premiums Tax				
	Exemptions and Deductions				
107	Ocean Marine Insurance	0.8	0.8	0.8	-
107	Fraternal Societies	-	-	-	-
108	Municipal Risk Management Agencies	-	-	-	-
108	Special Taxing Districts	-	-	-	-
108	State Employee Health Plans	10.4	10.4	10.4	-
109	Medicaid, HUSKY and General Assistance	5.5	5.5	5.5	-
109	Municipal, Non-profit and Teachers Retirement System	0.1	0.1	0.1	-
109	Small/Self Employer Health Insurance Plans	-	-	-	-
110	Financial Companies Located In Export Zone	-	-	-	-
	Sub Total Credits	*16.8*	*16.8*	*16.8*	-
	Credits				

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
110	Insurance Department Assessment Credit	0.8	0.8	0.8	-
110	Housing Program Contribution	0.3	0.3	0.3	-
111	Neighborhood Assistance	1.5	1.5	1.5	-
111	Historic Home Rehabilitation	0.5	0.5	0.5	-
112	Insurance Reinvestment	1.0	0.8	0.8	-
112	Urban And Industrial Site Reinvestment	3.1	3.1	3.1	-
113	Electronic Data Processing	12.8	13.0	13.0	-
113	Film Production	30.1	23.3	23.3	-
114	Film Production Infrastructure	13.6	4.6	4.6	-
115	Digital Animation Production	14.0	14.0	14.0	-
116	New Jobs Creation Tax Credit	0.1	0.1	0.1	-
	Subtotal Credits	*77.8*	*61.9*	*62.0*	-
	Total Insurance Premiums Tax	**94.6**	**78.7**	**78.8**	**-**
	Real Estate Conveyance Tax				
	General Exemptions and Exclusions				
117	Conveyances Of Less Than $2,000	0.2	0.2	0.2	-
118	Transfer of Burial Rights For A Cemetery Lot And the Following Items:	0.8	0.8	0.8	-
118	Deeds That The State Is Prohibited From Taxing Under Federal Law	-	-	-	-
118	Deeds That Secure A Debt Or Other Obligation	-	-	-	-
119	Governmental Entities	-	-	-	-
119	Tax Deeds	-	-	-	-
119	Deed Releases	-	-	-	-
119	Deeds Of Partition	-	-	-	-

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
120	Deeds Made Pursuant To Mergers Of Corporations	-	-	-	-
120	Corporate Subsidiaries	-	-	-	-
120	Court Decrees	-	-	-	-
121	Affiliated Nonprofit Corporations	-	-	-	-
121	Nonprofit Corporations	-	-	-	-
121	Conservation Or Recreation Purposes	-	-	-	-
121	Transfers Between Spouses	-	-	-	-
122	Adriaen's Landing Site And Stadium	-	-	-	-
122	Class I Or II Land Transferred To A Water Company	-	-	-	-
122	Transfers To Effectuate A Mere Change Of Identity Or Form Of Ownership	-	-	-	-
123	Employee Relocations Plan	-	-	-	-
123	Principale Residence For Persons On Certain Types Of Assistance	-	-	-	-
123	Enterprise Zones	-	-	-	-
124	Entertainment Districts	-	-	-	-
124	Mutual Saving Institution That Has Reorganized	-	-	-	-
	Subtotal General Exemptions and Exlusions	*1.0*	*1.0*	*1.0*	-
	Exemptions and Exclusions For Farm, Forest, and Open Space Land				
125	Transfers Of Land Resulting From Eminent Domain	-	-	-	-
125	Strawman Deeds and Deeds That Correct, Modify, Supplement, Or Confirm A Previously Recorded Deed	-	-	-	-
125	Deed Of Foreclosure	-	-	-	-

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
125	Land Held by A Nonprofit For Educational, Scientific, Aesthetic, Or Equivalent Passive Uses	-	-	-	-
126	Deeds With Special Covenants	-	-	-	-
126	Farmland Development Right Sold To The State	-	-	-	-
	Subtotal Exemptions and Exlusions For Farm, Forest, and Open Space Land	-	-		
	Exemptions From The Controlling Interest Transfer Tax				
127	Transfers Less Than $2,000	-	-	-	-
127	Enterprise Zones	-	-	-	-
128	Transfers To Effectuate A Mere Change Of Identity Or Form Of Ownership	-	-	-	-
	Subtotal Exemptions From The Controlling Interest Transfer Tax	-	-		
	Total Real Estate Conveyance Tax	**1.0**	**1.0**	**1.0**	**-**
	Unified Estate and Gift Tax				
	Credits				
129	Certain Inheritance Taxes Paid to Other Jurisdictions	-	-	-	-
	Total Unified Estate and Gift Tax	**-**	**-**	**-**	**-**
	Public Service Companies Gross Earnings Tax				
	Exemptions and Deductions				
131	Sales for Resale	3.8	3.8	3.8	-
131	Appliance Sales	Less than 0.1	Less than 0.1	Less than 0.1	-
132	Real Property Taxes Paid By Railroad Companies	Less than 0.1	Less than 0.1	Less than 0.1	-
132	Gas and Electricity Used by Industrial Consumers (SIC 2000-3999)	25.0	25.0	25.0	-
132	Gas Sold to Facility with 775 MW of Capacity	9.8	10.0	10.0	-
133	Railroad Companies When Certified by DOT	0.7	0.7	0.7	-
	Subtotal Exemptions and Deductions	*39.3*	*39.5*	*39.5*	-

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
	Rate Reductions				
133	Lowered Rate for Residential Utilities	25.0	25.0	25.0	-
	Total Public Service Companies Gross Earnings Tax	**64.3**	**64.5**	**64.5**	**-**
	Petroleum Companies Gross Earnings Tax				
	Exemptions, Deductions and Exclusions				
135	#2 Heating Oil used for Heating Purposes	201.7	207.3	207.3	-
136	#2 Heating Oil used in Commercial Fishing	1.0	1.0	1.0	-
136	Propane Used for Residential Heating	11.9	12.2	12.2	-
136	Bunker Fuel Oil, Intermediate Fuel, Marine Diesel Oil & Gas Oil	-	-	-	-
136	Kerosene Used for Residential Heating	2.3	2.3	2.3	-
137	Fuel Used By Vessels Engaged In Interstate Commerce	2.7	2.8	2.8	-
137	Fuel Used by Industrial Consumers (SIC 2000-3999)	0.1	0.1	0.1	-
137	Paraffin and Microcrystalline Waxes	-	-	-	-
138	Commercial Heating Oil Blend	1.8	1.8	1.8	-
138	Diesel Fuel First Sale	81.2	83.4	83.4	-
138	Fuel In Certain Fuel Supply Tanks	-	-	-	-
139	DOT-Contracted Service Stations Along State Highways	-	-	-	-
	Subtotal Exemptions and Deductions	*302.7*	*310.9*	*310.9*	-
	Credits				
139	Credit for Sale to Resellers Located Outside the State	58.3	59.8	59.8	-
	Total Petroleum Companies Gross Earnings Tax	**361.0**	**370.7**	**681.6**	**-**
	Cigarette and Tobacco Products Taxes				

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
	Exemptions				
140	Sales To US Government	-	-	-	-
140	Cigarettes Sold In Any Institution	-	-	-	-
141	Exempt/Exported Tobacco Products	13.9	13.3	13.3	-
141	Cigarettes Brought Into The State	-	-	-	-
	Total Cigarette and Tobacco Products Taxes	**13.9**	**13.3**	**13.3**	**-**
	Alcoholic Beverages Tax				
	Exclusions				
142	United States Military	-	-	-	-
142	Alcoholic Beverages Transported Out Of State	-	-	-	-
143	Malt Beverages Consumed On Premises	-	-	-	-
143	Alcoholic Beverages and Ethyl Alcohol	-	-	-	-
143	Alcoholic Beverages Brought into This State	-	-	-	-
	Total Alcoholic Beverages Tax	**-**	**-**	**-**	**-**
	Admissions and Dues Taxes				
	Admission Tax Exemptions and Exclusions				
144	Charges less than $1.00 and Movies less than $5.00	Less than 0.1	Less than 0.1	Less than 0.1	-
144	Daily Charges For Athletic Participation	-	-	-	-
145	Nonprofit Charities	9.7	9.7	9.7	-
	Admission to events held at:				
145	Hartford Civic Center, New Haven Coliseum, New Britain Beehive Stadium, New Britain Veterans Memorial Stadium, Tennis Foundation, O'Neill Convocation Center, Stafford Motor Speedway, Thompson Speedway, Waterford Speedbowl, Lime Rock Park, Bridgeport Harbor Yard Stadium	4.0	-	-	-
146	Centers For Elderly Persons				

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
		1.4	1.4	1.4	-
146	Nonprofit Theater or Playhouse, Gateway's Candlewood House and Ocean Beach Park	-	-	-	-
146	Carnival or Amusement Rides	1.6	1.6	1.6	-
147	Health Club Charges	1.2	1.2	1.2	-
147	Charges For Instruction	0.8	0.8	0.8	-
	Subtotal Admissions Tax	*18.7*	*14.7*	*14.7*	-
	Dues Tax Exemptions				
148	Annual Dues Less Than $100	-	-	-	-
148	Clubs, Lodges, or Fraternal Organizations Sponsored By Charitable Or Religious Organization, Governmental Agency, Nonprofit Educational Institution, Or At A College/University	3.7	3.7	3.7	-
148	Charges For Athletic Instruction	2.7	2.7	2.7	-
148	Special Assessment For Construction Or Furnishings	-	-	-	-
149	Lawn Bowling Clubs	0.4	0.4	0.4	-
149	Portion Of Dues Used To Acquire Open Space	-	-	-	-
149	Club Locker Rentals	-	-	-	-
	Subtotal Dues Tax	*6.8*	*6.8*	*6.8*	-
	Total Admissions and Dues Taxes	**25.5**	**21.5**	**21.5**	**-**
	Electric Generation Tax				
	Exemptions				
151	Fuel Cell and Alternative Energy Systems	1.3	1.3	1.3	-
151	Generation By A Resource Recovery Facility	1.9	1.9	1.9	-
151	Generation By Customer-Side Distributed Resources	1.0	1.0	1.0	-
	Total Electric Generation Tax				

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates 4.2	FY 13 Estimates 4.2	Revenue Gain in FY 13 If Repealed 4.2	Difference from FY 13 Estimates -
	Tax on Hospital Net Revenue				
	Exemptions				
153	Financially Distressed Hospitals	5.7	5.7	5.7	-
153	Other Hospitals	-	-	-	-
	Total Tax on Hospital Net Revenue	**5.7**	**5.7**	**5.7**	**-**
	Motor Fuels and Motor Carrier Road Taxes				
	Exemptions to Motor Fuels Tax				
154	US Government	1.0	1.0	1.0	-
155	Municipal Contractors, Municipalities, Transit Districts and the State	18.7	18.7	18.7	-
155	Fuel Distributors	666.6	666.6	666.6	-
156	Fuel Transferred or Exported Out of State	317.1	317.1	317.1	-
156	Farmers and Other Exempt Purchasers, Aviation Fuel	685.1	685.1	685.1	-
	Subtotal Motor Fuels Tax Exemptions	*1,688.5*	*1,688.5*	*1,688.5*	-
	Refunds of Motor Fuels Tax				
160	Vehicles not Operated on Public Highways	1.2	1.2	1.2	-
160	CT Motor Bus Companies and Other Livery Services	0.6	0.6	0.6	-
162	Fuel Used In High-Occupancy Motor Vehicles	0.1	0.1	0.1	-
162	Meals on Wheels for Seniors	Less Than 0.1	Less Than 0.1	Less Than 0.1	-
	Subtotal Refunds of Motor Fuels Tax	*1.9*	*1.9*	*1.9*	-
162	Credit for Motor Carrier Road Tax on Motor Fuels Tax Paid in State	80.0	80.0	-	-
	Total Motor Fuels and Motor Carrier Road Taxes	**1,770.4**	**1,770.4**	**1,690.4**	**-**

Appendix A: Comprehensive List of State Fiscal Impacts (Major and Otherwise) and Revenue Estimates

Refer to Page(s)		FY 12 Estimates	FY 13 Estimates	Revenue Gain in FY 13 If Repealed	Difference from FY 13 Estimates
	Miscellaneous Taxes				
	Exemptions and Exclusions				
164	Marijuana and Controlled Substances	-	-	-	-
164	Motor Vehicle Rental Surcharge	-	-	-	-
164	Occupational Tax	5.5	5.5	5.5	-
165	Tourism Account Surcharge	-	-	-	-
	Subtotal Refunds of Miscellaneous Taxes	5.5	5.5	5.5	-
	Grand Total—Major Identifiable State Tax Expenditures	**6,607.3**	**6,769.2**	**6,408.9**	**(181.5)**

Please note that in the table above a dash (-) indicates an indeterminate estimate or no fiscal impact. For further information please refer to the page reference above.

APPENDIX B: UNUTILIZED TAX CREDITS

There are a number of credits that, though they exist in law, are not anticipated to be utilized in the current biennium based on the most current data. These tax credits are estimated to result in no revenue loss during the current biennium, and therefore do not benefit any taxpayers. They are:

1. Credit for insurance guaranty fund payments

Citation: CGS Sec. 38a-866(h)

Description: The credit is 100% of payments made to the CT Insurance Guaranty and the CT Life and Health Insurance Guaranty Associations

History: PA 93-239 enacted the credit. PA 00-174 increased the amount from 50% to 100% effective 1/1/01.

Rationale: Incentive.

2. Displaced worker credit

Citation: CGS Sec. 12-217hh

Description: The credit is available to companies that hire workers who: (1) were employed in Connecticut and (2) were let go by a previous employer as a direct result of a business restructuring in which at least 10 Connecticut workers were terminated by the same employer. The credit amount is $1,500 per worker and it must be taken during the income year in which the displaced worker completes his first 12 months of employment with the taxpayer. To receive the credit, the new employer must: (1) pay the workers at least 75% of their previous annual wages or salary for the first 12 months of employment and (2) not be related to the old employer. Only one displaced worker credit is allowed per qualifying worker and the employer may not claim this credit and the credit under CGS 12-217bb (displaced electric worker) for the same employee. The credit amount cannot exceed the total tax due from the taxpayer. There are no carryback or carryforward provisions.

History: PA 06-186 enacted the credit effective for the 2006 income year.

Rationale: Incentive.

3. Donation of open space land

Citation: CGS Sec. 217dd

Description: The credit is available for the value of land donated to: (1) the state, (2) a municipality, (3) a non-profit land conservation organization, or (4) a water company. The land must be permanently preserved space or as Class I or Class II water company land to qualify for the credit. The credit is 50% of the use value of the donated open space land and the amount received for such land. Unused credits may be carried forward 20 years.

History: PA 99-173 enacted the credit effective with the 1999 income year. PA 00-203 defined "use value" of the donated land and provided a 10-year carryforward. PA 04-200 changed the carryforward period to 15 years and added water companies to the list of recipients of donated land. PA 09-3 (JSS) extended the carry forward period for unused credits from 15 to 20 years effective with the 2000 income year.

Rationale: Incentive and Expediency.

4. Employment expansion

Citation: CGS Sec. 12-217gg

Description: The credit is available to pass-through businesses such as partnerships, limited partnerships, and limited liability companies in which one or more corporations are general or limited partners. A pass-through business that sponsors a qualifying employment expansion project may pass through to its constituent corporations any corporation tax credits for which it would qualify if it were a corporation. An employment expansion project is one that: (1) creates at least 400 new permanent, full-time in-state jobs; (2) needs the credit pass-through to attract it to the state; (3) will be economically viable and provide economic benefits to the state; and (4) meets certain strategic economic development priorities. The credit is administered by the Department Economic and Community Development. The constituent corporations are entitled to share the tax credits on a pro rata basis. They may assign their share of pass-through credits to another corporate constituent of the same pass-through business.

History: PA 06-187 enacted the credit effective 9/1/05. PA 06-189 amended the several provisions of the original act.

Rationale: Incentive and Expediency.

5. Small business guarantee fee

Citation: CGS Sec. 12-217cc

Description: The credit is available for guarantee fees paid when obtaining financing from the Small Business Administration (SBA). Unused credits may be carried forward 4 years.

History: PA 99-173 enacted the credit. PA 10-75 eliminated the credit for income years beginning on or after January 1, 2014.

Rationale: Expediency and Perceived Equity.

6. Traffic reduction

Citation: CGS Sec. 12-217s

Description: The credit is available to companies that participate in traffic reduction programs intended to achieve federal Clean Air Act standards. It is administered by the Department of Transportation. The credit is 50% of qualifying expenses with an annual maximum of $250 per participating employee. The annual limit for all firms is $1.5 million. There are no carryback or carryforward provisions.

History: PA 94-4 MSS enacted a credit.

Rationale: Incentive and Conformity.

7. Vocational rehabilitation job creation tax credit

Citation: CGS Sec. 12-217oo

Description: The credit is available to businesses hiring Connecticut residents receiving vocational rehabilitation services from the Department of Social Services' Bureau of Rehabilitative Services or the Board of Education Services for the Blind (BESB). The credit is $200 per month for each new employee.

History: PA 10-75 established the credit. PA 11-1 (OSS) phases out three pre-existing tax credit programs for business that create jobs (Jobs Creation, Qualified Small Business Job Creation, and Vocational Rehabilitation Job Creation tax credits) and replaces them with the Job Expansion Tax Credit.

Rationale: Incentive.