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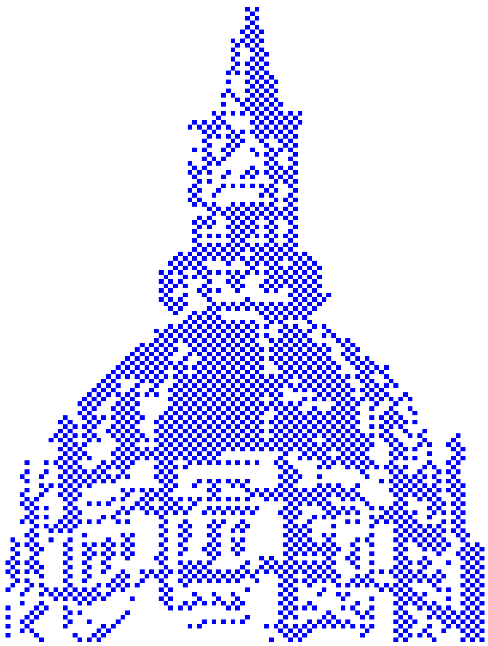
Connecticut General Assembly

OLR ACTS AFFECTING

TAXES



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NOTICE TO READERS

This report provides highlights of new laws affecting taxes enacted during the 2011 regular and special legislative sessions. It does not include vetoed acts.

Not all provisions of the acts are included here. Complete summaries of all 2011 public acts passed will be available when OLR's Public Act Summary book is published; most are already available on OLR's webpage: http://www.cga.ct.gov/olr/OLRPASums.asp

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, the House Clerk's Office, or the General Assembly's website: http://www.cga.ct.gov.

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CORPORATION TAX

Surcharge

A new law imposes a 20% corporation tax surcharge for the 2012 and 2013 income years. The surcharge applies to companies that have more than $250 in corporation tax liability and either (1) have at least $100 million in annual gross income in those years or (2) file combined or unitary returns.

(PA 11-6, effective upon passage and applicable to income years starting on or after that date)

Credit Limit

For the 2011 and 2012 income years, an act allows companies that add new employees to use tax credits to reduce their annual corporation tax liability beyond the 70% limit set in law. The additional offset equals $6,000 times the company's average net monthly increase in employees, up to 100% of its total tax liability.

(PA 11-6, effective upon passage and applicable to income years starting on or after January 1, 2011)

Economic Nexus

A new law (1) requires a company to meet both, rather than one, of the existing criteria to have economic nexus in Connecticut and thus be liable for corporation tax and (2) exempts certain foreign corporations from economic nexus in conformity with the Department of Revenue Services' (DRS) current policy.

(PA 11-61, effective upon passage and applicable to income years starting on or after January 1, 2011)

New Manufacturing Reinvestment Account

A new law requires the Department of Economic and Community Development (DECD) commissioner to establish a Manufacturing Reinvestment Account (MRA) program under which small manufacturers with 50 or fewer employees can defer corporation business taxes on the money they save for training, developing, and expanding their workforce or purchasing machinery, equipment, or facilities.

Up to 100 manufacturing companies may participate in the program. Each company may deposit up to (1) $50,000 in an MRA during the 2011 income year and (2) $100,000 for income years starting on or after January 1, 2012.

(PA 11-140, as amended by PA 11-1, October Special Session (OSS), effective July 1, 2011 and applicable to income years starting on or after that date)

INCOME TAX

Rate Increase

New legislation increases the marginal income tax rates for those with taxable incomes over (1) $100,000 for joint filers, (2) $50,000 for single filers and married people filing separately, and (3) $80,000 for heads of household. It also phases out the lowest (3%) income tax bracket for taxpayers over certain adjusted gross income thresholds and imposes a "recapture provision" to eliminate the benefits taxpayers with higher incomes receive from having a portion of their income taxed at lower marginal rates.

The DRS commissioner must issue new withholding tables applicable for the 2011 tax year as soon as possible. Those paying estimated taxes must adjust their September 2011 payment to reflect the changes.

(PA 11-6, effective upon passage and applicable to tax years starting on or after January 1, 2011)

Earned Income Tax Credit

A new law establishes a refundable state earned income tax credit equal to 30% of the federal credit and, to the extent allowed under federal law, specifies that the refund is not counted in determining eligibility for or the amount of aid under any need-based state or federal program.

(PA 11-6, as amended by PA 11-1, June Special Session, effective upon passage and applicable to tax years starting on or after January 1, 2011)

Property Tax Credit Reduction

A new law reduces, from $500 to $300, the maximum property tax credit against the personal income tax and phases out the credit at a steeper rate, thus reducing the number of taxpayers eligible for the credit.

(PA 11-6, effective upon passage and applicable to tax years starting on or after January 1, 2011)

INSURANCE PREMIUM TAX

Nonadmitted Insurance Premium Tax

In accordance with the 2010 federal Nonadmitted and Reinsurance Reform Act (NRRA), an act limits the policies subject to the state's 4% tax on gross premiums charged by nonadmitted insurers on insurance policies procured independently or through licensed surplus lines brokers.

It also (1) modifies how individuals and brokers must pay the tax, (2) allows the DRS and insurance commissioners to enter into an agreement with other states regarding the allocation of premium taxes among the states in cases where the policy covers multiple states,

(3) exempts certain commercial purchasers from certain filing requirements, and (4) modifies the penalty and interest due on unpaid tax payments.

(PA 11-61, effective upon passage and applicable to nonadmitted insurance coverage procured, continued, or renewed on or after July 1, 2011)

Credit Limit

A new law lowers, from 70% to 30%, the amount by which an insurer can reduce its annual insurance premium tax liability for 2011 and 2012 through tax credits. It exempts from this 30% limit (1) insurance reinvestment fund, (2) digital animation, (3) film production, and (4) film infrastructure investment tax credits. It also allows an insurer to offset additional tax liability in these income years if it adds employees.

It establishes the maximum tax liability that an insurer can offset in 2011 and 2012 by claiming one or more types of credits and specifies the order in which these credit types must be claimed.

(PA 11-6, as amended by PA 11-61 and PA 11-1, OSS, effective upon passage and applicable to calendar years starting on or after January 1, 2011)

Captive Insurance Companies

An act revises and expands the laws which permit a captive insurance company to be licensed and domiciled in Connecticut. Among other things, it:

1. establishes a reinsurance premium tax requirement,
2. requires 11% of all captive premium taxes to be transferred to the newly created captive insurance regulatory and supervision account,
3. allows 2% of the premium taxes to be transferred to DECD to promote the captive industry, and
4. establishes a $7,500 nonrefundable tax credit for a captive's first taxable year.

(PA 11-1, OSS, effective July 1, 2012)

MISCELLANEOUS TAX CHANGES

Admissions Tax Exemptions

An act eliminates exemptions from the 10% admissions tax for various facilities and events, including the Hartford Civic Center, New Britain Stadium, and Connecticut Convention Center.

(PA 11-6, effective January 1, 2012 and applicable to charges imposed on or after that date)

Alcoholic Beverages Tax

A new law increases the excise tax on alcoholic beverages (e.g., beer, wine, liquor) by 20%. It requires sellers to pay an additional one-time tax on the alcoholic beverages in their inventories as of the opening of business on July 1, 2011. The tax on inventory is payable by August 15, 2011.

(PA 11-6, effective upon passage and applicable to sales on or after July 1, 2011)

Cigarette and Tobacco Products Taxes

An act increases the tax on (1) cigarettes from $3 to $3.40 per pack, (2) snuff tobacco from 55 cents to $1 per ounce, and (3) all other tobacco products from 27.5% to 50% of the wholesale price. It caps the tax on cigars at 50 cents each.

It also imposes a one-time inventory tax of 40 cents per pack on cigarettes in a dealer's inventory as of the opening of business on July 1, 2011. The inventory tax is payable by August 15, 2011.

(PA 11-6, as amended by PA 11-61, effective July 1, 2011 and applicable to sales on or after that date)

Diesel Fuels Tax

An act increases the base tax on diesel fuel from 26 cents to 29 centers per gallon. It imposes a three-cent inventory tax on each gallon of diesel that licensed sellers had in inventory as of either the close of business or 11:59 p.m. on June 30, 2011, whichever was earlier. Dealers must pay the inventory tax by August 1, 2011.

(PA 11-6, effective July 1, 2011, except the inventory tax is effective upon passage)

Electric Generation Tax

A new law imposes a temporary tax on electric generation facilities of ¼ of a cent per net kilowatt hour of electricity generated and uploaded into the regional bulk power grid at Connecticut facilities. The tax applies to all electricity except that generated (1) by a resources recovery facility, (2) by customer-side distributed resources, or (3) through use of a fuel cell or alternative energy system, such as a solar or wind system. The tax expires on June 30, 2013.

(PA 11-6, as amended by PA 11-61, effective July 1, 2011)

Estate and Gift Taxes

A new law lowers the estate and gift tax threshold from $3.5 million to $2 million and extends the existing 7.2% rate to estates and gifts valued at between $2 million and $3.5 million. It makes a conforming change in requirements for (1) filing estate tax returns with the probate court and (2) releasing estate tax liens. It also validates probate court lien release certificates issued and recorded in town records where the property is located before May 4, 2011 (the new law's effective date) for estates of those who died on or after January 1, 2011, and whose Connecticut taxable estates were valued at between $2 million and $3.5 million.

(PA 11-6, as amended by PA 11-61, effective upon passage, and applicable to deaths occurring and gifts made on or after January 1, 2011)

Hospital Tax

An act establishes a new quarterly tax on hospital "net patient revenue." Net patient revenue is the amount of accrued payments a hospital earns for providing inpatient and outpatient services. The amount of the tax is the maximum allowed by federal law (up to 5% through September 30, 2011 and 6% as of October 1, 2011). The new law requires hospitals to file the returns and pay the taxes electronically.

(PA 11-6, as amended by PA 11-44 and PA 11-61, effective July 1, 2011 and applicable to calendar quarters starting on or after that date)

Real Estate Conveyance Tax

A new law (1) increases the state real estate conveyance tax rates by 0.25% and (2) makes permanent the 0.25% base municipal real estate conveyance tax, previously scheduled to expire on June 30, 2011.

(PA 11-6, effective July 1, 2011 and applicable to conveyances occurring on or after that date)

Business Entity Tax

Effective with tax years beginning on or after January 1, 2013, a new law makes the $250 business entity tax payable every other year rather than every year, effectively reducing the annual tax by 50%.

(PA 11-1, OSS, effective upon passage)

PROPERTY TAX

Truck and MME Property Tax Exemptions

Beginning with the October 1, 2011 assessment year, a new law exempts all eligible manufacturing machinery and equipment (MME) from local property taxes regardless of when it was purchased or acquired. This property was previously exempt under three separate programs for MME purchased or acquired (1) on or before October 1, 2006, (2) between October 2, 2006 and October 1, 2011, and (3) on or after October 1, 2011.

(PA 11-61, effective July 1, 2011 and applicable to assessment years starting on or after October 1, 2011)

Manufacturing Transition Grants

A new law eliminates the payments in lieu of taxes (PILOTs) for MME and commercial trucks for assessment years that begin on or after October 1, 2011. To mitigate the loss of the PILOTs, the act requires the state to distribute "manufacturing transition grants" to municipalities. The grants must equal the PILOT grant amounts each municipality received in FY 11. The act allocates a portion of the sales, luxury, and state conveyance tax to fund these grants.

The state must distribute any remaining funds to municipalities as follows: 50% on a per capita basis and 50% according to an existing property tax relief formula.

(PA 11-6, as amended by PA 11-61, effective July 1, 2011)

Ten Mill Program

A new law allows an owner of forest land enrolled in the state's "10 mill program" to convert to the state's forest preservation program ("490 program") without penalty if the land's sale or donation to a nonprofit land preservation organization or a permanent conservation easement on the land occurs before the conversion.

It also specifies that woodlands retaining a 10 mill classification on their 50th-year revaluation will be assessed at a tax rate not to exceed the similar properties classified as "forestland" under the 490 program.

(PA 11-198, effective upon passage)

Telecommunications Companies

A new law allows municipal tax collectors to bill telecommunications companies for half the personal property taxes due in 2011 before they would otherwise be due. It allows them to mail or deliver the bill in two installments, the first one before the July 1, 2011 due date and the second on or after that date. The first installment must equal half the company's 2010 assessment multiplied by the municipality's mill rate for FY 11. The second installment must equal the other half of the 2010 assessment multiplied by the municipality's FY 12 mill rate.

The act subjects telecommunications companies to generally applicable property tax collection laws for assessment years beginning on or after October 1, 2011.

(PA 11-1, effective upon passage)

Municipal Tax Bills

An act allows local tax collectors to send property tax bills and statements by email, as long as the (1) taxpayer consents in writing to receive them electronically and (2) community imposing the tax (a) posts its email address on its website and (b) establishes procedures to ensure that any such taxpayer receives the bill and statement and is provided the community's return email address.

(PA 11-185, effective October 1, 2011, and applicable to assessment years starting on or after October 1, 2011)

Optional Property Tax Incentives for Rehabilitation Areas

A new law allows municipalities to defer an increased property tax assessment on property located in a designated rehabilitation area if the property is a brownfield site and the owner agrees to build a new common interest community or mixed-use or commercial structure on it. Municipalities can already defer an assessment increase on property located in a designated rehabilitation area if the owner agrees to rehabilitate the property or build new multifamily rental or cooperative housing on it.

(PA 11-96, effective October 1, 2011)

Personal Property Declarations

New legislation allows owners of taxable personal property to electronically sign and file their annual personal property declarations with municipal assessors for property tax purposes. They can do so as long as the municipality (1) has the technological capability to accept electronic signatures and (2) agrees to accept electronic signatures.

It also allows assessors to send blank declaration forms to nonresident property owners electronically, as long as the taxpayer has made a written request to receive the electronic forms. Assessors must mail or electronically send the blank declaration forms at least 30 days before the filing deadline, rather than 15 days before as required under prior law.

(PA 11-69, effective October 1, 2011 and applicable to assessment years beginning on or after that date)

Interest Waiver for Certain U.S. Armed Forces Members

A new law (1) expands, to those serving in Afghanistan, an existing property tax interest waiver for certain U.S. armed forces members called to active service in Iraq and (2) authorizes municipalities' legislative bodies to vote to waive property tax interest for certain U.S. armed forces members who have been called to active service outside the state.

(PA 11-62, effective October 1, 2011, and applicable to assessment years beginning on or after that date)

Revaluation Delays

An act allows Cromwell, East Windsor, Orange, Farmington, Stamford, and Windham to delay a revaluation until the 2012 assessment year with the approval of their respective legislative bodies. The subsequent revaluation must recommence at the point in the schedule that the municipality was following prior to the delay.

(PA 11-239, effective upon passage)

Filing Deadline Waivers

An act allows taxpayers in certain towns to receive property tax exemptions even through they missed the statutory deadlines for the exemptions. The exemptions are for manufacturing machinery and equipment, commercial trucks, and nonprofit organization property.

(PA 11-239, effective upon passage)

Hartford Property Tax Program

A new law requires Hartford to make annual adjustments to the assessment ratios for residential and apartment property, as long as the assessment ratio for any property class does not exceed 70%. It also allows voters in Hartford to petition for a referendum on any budget that increases the tax levy by more than 2.6% over that for the prior fiscal year.

(PA 11-212, effective upon passage)

SALES TAX

Rate Increase

New legislation increases the general sales and use tax rate from 6% to 6.35% and the hotel tax rate from 12% to 15%. It maintains the existing lower rates for sales of (1) motor vehicles to active duty U.S. military members stationed in Connecticut (4.5%) and (2) computer and data processing services (1%).

(PA 11-6, as amended by PA 11-61, effective July 1, 2011 and applicable to (1) sales on or after that date and (2) sales of services billed to customers for any period that includes that date)

Luxury Goods

An act imposes a 7% sales and use tax on the full sales price of passenger cars, boats, jewelry, clothing, and footwear costing more than:

1. $50,000 for motor vehicles, with certain exceptions;
2. $100,000 for boats;
3. $5,000 for jewelry (real or imitation); and
4. $1,000 for clothing, footwear, handbags, luggage, umbrellas, wallets, and watches.

(PA 11-6, as amended by PA 11-61, effective July 1, 2011 and applicable to (1) sales on or after that date and (2) sales of services billed to customers for any period that includes that date)

Rental Car Surcharge

An act imposes an additional 3% sales and use tax (9.35% total) on short-term car rentals (30 days or less).

(PA 11-6, as amended by PA 11-61, effective July 1, 2011 and applicable to (1) sales on or after that date and (2) sales of services billed to customers for any period that includes that date)

Exemptions Eliminated

The legislature eliminated sales tax exemptions for the following goods and services:

1. hazardous waste containment and removal,
2. valet parking at any airport,
3. yoga instruction at a yoga studio,
4. clothing and footwear costing less than $50,
5. nonprescription drugs and medicine,
6. cloth or fabric for noncommercial sewing,
7. yarn, and
8. smoking cessation products.

(PA 11-6, as amended by PA 11-61, effective July 1, 2011 and applicable to sales on or after that date)

New Taxable Services

New legislation extends the sales tax to the following services:

1. motor vehicle storage, towing, and road services;
2. packing and crating;
3. intrastate transportation with a driver (with certain exclusions);
4. pet grooming, boarding, and obedience classes;
5. cosmetic medical procedures, excluding reconstructive surgery;
6. manicure, pedicure, and other nail services; and
7. spa services

(PA 11-6, as amended by PA 11-61, effective July 1, 2011 and applicable to sales on or after that date)

Exemption for Used Motor Vehicles Containing Tax-Exempt Special Equipment

A new law exempts from sales and use tax any part of the sale price of a vehicle that has special equipment for the exclusive use of a person with physical disabilities already installed, if the vehicle is sold to such a person.

(PA 11-61, effective upon passage and applicable to all open tax periods)

Sales Tax Collection by Remote Sellers

New legislation requires certain remote sellers, including such online retailers as Amazon.com and Overstock.com, who have no physical presence in Connecticut to collect sales tax on their taxable sales in the state. The requirement applies to retailers who make more than $2,000 worth of sales in the state through certain agreements with people located in Connecticut. The agreements must provide that, in return for the resident referring potential customers to the retailer, he or she will receive a commission or other compensation from that retailer.

(PA 11-6, as amended by PA 11-61, effective upon passage and applicable to sales occurring on or after May 4, 2011)

SPECIAL TAXING DISTRICTS

Ferry Service

An act expands the list of purposes for which residents may vote to establish special taxing districts to include providing ferry service. The law already allows them to establish districts providing a wide range of public services and infrastructure.

(PA 11-61, effective upon passage)

Improvement Districts in Windsor

New legislation allows voters in Windsor to form special taxing districts to finance roads, sewers, and other infrastructure for new development and pay for the services needed to support them. The districts are to be named the Great Pond Improvement District and Millbrook Green Improvement District. The act delineates the districts' geographic boundaries, but the districts come into existence only if the voters approve their formation.

(SA 11-8, effective July 1, 2011)

TAX ADMINISTRATION AND ENFORCEMENT

Reciprocal Tax Refund Agreements with Other States

An act eliminates certain notice and certification requirements when the DRS commissioner withholds a taxpayer's Connecticut tax refund at the request of another state where the taxpayer owes taxes. Specifically, it eliminates the requirement that the other state include a detailed statement showing the tax, interest, and penalty for each taxable period in its request for taxes owed.

Prior law also required the DRS commissioner to notify the taxpayer whenever he receives such a request. The new law requires him to do so only if the taxpayer is otherwise entitled to a Connecticut tax refund. It also eliminates a requirement that the commissioner include a copy of the other state's certification with the notice.

(PA 11-61, effective upon passage)

Estimated Corporation Tax Overpayments

A new law gives a company that overpays its estimated corporation tax for the year the option to apply the overpayment to its estimated tax payments in the following year instead of receiving a refund. (DRS policy already allows companies to do this.) It requires the excess to be applied to the first installment due in the next income year and to any subsequent installments in the order they are due.

(PA 11-61, effective October 1, 2011, and applicable to estimated corporation tax payments for income years starting on or after January 1, 2012)

Electronic Funds Transfer Requirements for Withholding Taxes

A new law allows the DRS commissioner to require payers that withhold Connecticut income tax from nonpayroll amounts to pay the withholding tax to DRS electronically on the same basis as employers.

(PA 11-61, effective July 1, 2011 and applicable to tax periods ending on or after that date)

Successor Liability for Withholding Taxes

An act requires a successor who buys a business or its entire stock from an employer to withhold enough funds from the purchase price to cover any withholding tax due until the employer produces either a DRS receipt for the tax payment or a DRS certificate that no taxes are due.

(PA 11-61, effective July 1, 2011 and applicable to sales of businesses and stock occurring on or after that date)

Withholding Tax Deficiency Assessment Deadline

An act extends from three to six years the deadline for DRS to send a tax deficiency assessment notice to any employer or pass-through entity that omits from its withholding tax return more than 25% of includable adjusted gross income withheld from employee wages or payments to nonresident members, respectively.

(PA 11-61, effective upon passage and applicable to tax years starting on or after January 1, 2011)

Penalty for Failing to Pay Taxes Electronically

A new law establishes maximum penalties on taxpayers who, for the first or second time, fail to make tax payments electronically when required to do so. By law, the DRS commissioner may require taxpayers and employers to pay taxes by electronic funds transfer if they have (1) $4,000 or more in annual tax liability or (2) more than $2,000 in annual withholding tax payments.

(PA 11-61, upon passage and applicable to tax periods starting on or after January 1, 2012)

Waiver of Electronic Filing Requirements

An act allows the DRS commissioner to waive electronic tax filing or payment requirements if he finds, based on information a waiver applicant provides, that it would be an undue hardship for a taxpayer to comply with the requirement.

(PA 11-145, effective October 1, 2011 and applicable to tax periods starting on or after that date)

Illegal Use of Dyed Diesel Fuel

Federal law exempts diesel fuel used for certain non-highway purposes from federal fuel taxes and requires exempt diesel fuel to be dyed red so it can be identified.

A new law imposes a fine of up to $1,000 on anyone who uses dyed diesel fuel in a motor vehicle, other than a passenger or combined passenger-commercial vehicle, on a public highway. It imposes the same penalty on anyone who refuses to allow an authorized DRS or other state official to inspect such a vehicle's fuel tank upon request.

(PA 11-61, effective July 1, 2011)

Cigarette Tax Violations

An act reduces penalties for certain cigarette dealers who continue to sell cigarettes or taxed tobacco products after their licenses expire. Under prior law, the penalty for each knowing violation was a fine of up to $500, up to three months in jail, or both. The act reduces the penalty to an infraction, with a $90 fine, for any cigarette dealer who operates for no more than 90 days after his or her license expires.

An act also reduces penalties for certain cigarette dealers who possess cigarettes that do not have required Connecticut tax stamps. Under prior law, the penalty for any knowing violation was a fine of up to $1,000, up to one year in jail, or both. Under the act, if it is the dealer's first violation and he or she possesses no more than 600 unstamped cigarettes, the penalty is reduced to an infraction, with a $90 fine.

(PA 11-61, effective July 1, 2011)

Tax Security Requirements for Nonresident Contractors

A new law revamps the tax security requirements for nonresident contractors doing work in the state. Among other things, it requires (1) DRS, upon request, to verify whether nonresident contracts and subcontractors are in compliance with applicable registration, filing, and bond requirements and (2) general contractors, rather than customers, to hold back a portion of the contract price from their subcontractors to provide security for tax payment.

(PA 11-61, effective October 1, 2011)

TAX CREDITS AND INCENTIVES

First Five Program

A new law creates the "First Five Program" providing substantial financial assistance for business projects creating at least 200 jobs and developing facilities within certain timeframes. The assistance includes up to 100% funding under the Manufacturing Assistance Act and business tax credits. The program can fund up to five projects per year in FY 12 and FY 13.

(PA 11-86, effective July 1, 2011)

Insurance Reinvestment Fund Program

An act authorizes taxpayers to transfer insurance reinvestment fund program tax credits to an affiliated business or entity. Under this program, eligible taxpayers receive insurance premium, corporation, and personal income tax credits for investing in insurance businesses through a state-certified insurance reinvestment fund.

(PA 11-140, effective upon passage)

Extension of Economic Development Incentives

A new law extends several economic development incentives that were previously targeted to enterprise zones and targeted investment communities (TIC) to more types of businesses. It extends the incentives (which include certain property tax exemptions, corporation tax credits, and job creation grants) to a range of businesses, including those within a DECD-designated industry cluster and economic-base businesses.

It also requires the DECD commissioner to adopt regulations for certifying whether service businesses qualify for enterprise zone or TIC incentives.

(PA 11-140, effective July 1, 2011)

Neighborhood Assistance Act (NAA) Tax Credits

A new law changes the NAA, which provides business tax credits to companies that invest in certain municipally approved community activities and programs, by (1) extending NAA eligibility to companies subject to the state's business entity tax, (2) increasing the total amount of credits a company can claim per year, and (3) eliminating charitable contribution requirements.

(PA 11-140, effective October 1, 2011)

Enterprise Zone Tax Benefits in Plainville

A new law extends enterprise zone tax benefits to certain businesses and commercial properties in sections of Plainville.

(PA 11-140, effective July 1, 2011)

Learn Here, Live Here Program

An act authorizes a new program that provides incentives to students enrolled in Connecticut colleges and universities to remain in the state after graduation. Under the program, DRS segregates eligible graduates' income tax payments to into an account for up to 10 years, which graduates can then use to purchase their first homes here.

(PA 11-140, effective July 1, 2011)

Historic Preservation Tax Credits

New legislation (1) expands the range of eligible property and eligible reuses under the state's historic preservation tax credit programs, (2) makes several programmatic and procedural changes in the programs, and (3) transfers their administration from the Connecticut Commission on Culture and Tourism to DECD.

(PA 11-148, effective July 1, 2011 and applicable to income years beginning on or after that date)

Tax Incentives for Aerospace and Defense Plants

An act extends certain business tax incentives to aerospace and defense plant facilities that were vacant as of its effective date and previously employed at least 800 people.

(PA 11-61, effective upon passage)

Film Production Tax Credit

A new law limits the percentage of a film production tax credit companies may transfer in one income year to (1) 50% of any credit allowed for the 2011 income year and (2) 25% of any credit allowed for the 2012 and or any subsequent income year.

It exempts from the transfer limitations (1) those by companies subject to the corporation or insurance premium tax, (2) those by companies not subject to the corporation or insurance premium tax if they own, directly or indirectly, at least 50% of another entity subject to the business entity tax, and (3) credits issued for any production that the DECD commissioner determines is created in whole or significant part in a "qualified production facility."

It also retroactively increases, from 25% to 50%, the minimum share of principal photography days a production company must spend in the state on or after January 1, 2010 to qualify for a film production tax credit. By law, a production company can also qualify for a credit if it spends at least (1) 50% or (2) $1 million of its post-production costs in Connecticut on or after January 1, 2010.

(PA 11-6, as amended by PA 11-61, effective upon passage and applicable to income years beginning on or after January 1, 2011, except for the exemption for companies not subject to the corporation and insurance premium tax, which is effective July 1, 2011)

Relocated Television Productions

A new law 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 were not previously eligible for film production tax credits.

(PA 11-1, OSS, effective upon passage)

Film Infrastructure Investment Tax Credits

Prior law allowed taxpayers claiming film infrastructure tax credits to carry forward excess credits for three income years. An act 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.

By law, unchanged by the act, taxpayers to which a film infrastructure tax credit has been assigned (i.e., sold or transferred) may claim the credit only in the year in which the investments were made.

(PA 11-1, OSS, effective upon passage)

Job Creation Tax Credits

Prior law authorized three tax credit programs for businesses that create new jobs – jobs creation, qualified small business job creation, and vocational rehabilitation job creation tax credits. A new law phases out these programs and replaces them with a new job expansion tax credit program, a three-year credit against the insurance premium, corporation, utility company, or personal income tax 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 50 or fewer full-time employees in Connecticut) qualify for a credit if they create at least one new job. Businesses that employ between 51 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.

The job expansion tax credits are subject to the same aggregate annual cap that previously applied to the three existing tax credit programs. An act increases this cap from $11 to $20 million.

(PA 11-1, OSS, effective January 1, 2012 and applicable to income or tax years beginning on or after that date; PA 11-6 and PA 11-86, effective July 1, 2011)

Urban and Industrial Site Reinvestment Tax Credits

Business taxpayers investing in certain business development projects may qualify for both state Urban and Industrial Sites Reinvestment tax credits and federal New Markets tax credits. A new law aligns some of the rules for the state tax credits with the federal ones for projects receiving investments eligible for both credits. It requires these projects to meet the state and federal eligibility criteria and subjects them to the federal rules for recapturing (i.e., repaying) tax credits.

(PA 11-78, effective July 1, 2011)

Angel Investor Tax Credit

An act reduces, from $100,000 to $25,000, the minimum cash investment a taxpayer must make to qualify for the angel investor income tax credit.

(PA 11-1, OSS, effective upon passage)

Airport Development Zones

A 2010 law created a development zone around Bradley International Airport and extended enterprise zone property tax exemptions and corporation business tax credits to manufacturers and other specified businesses that develop or acquire property in the zone. A new law allows the Connecticut Airport Authority (CAA) to establish additional airport development zones, upon the recommendation of the DECD commissioner.

The act extends enterprise zone benefits to businesses in these airport zones under current procedures for processing these benefits. Unlike for facilities in enterprise zones, CAA, rather than DECD, must determine whether a facility in an airport development zone qualifies for the tax benefits.

(PA 11-1, OSS, effective upon passage)

RP:ts