

**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**



**ANNUAL REPORT
FISCAL YEAR 2017-2018**

**Scott D. Jackson
Commissioner**



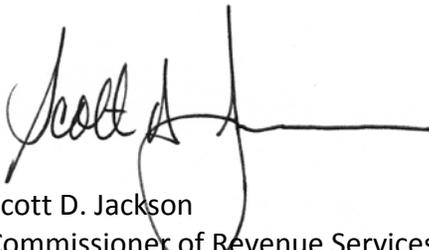
A MESSAGE FROM THE COMMISSIONER

It is my pleasure to present the **Connecticut Department of Revenue Services (CTDRS) Annual Report**, which offers a summary of Fiscal Year 2017-18 statistical data for taxes administered by our agency.

Built into these pages is the work of 555 dedicated employees, who are extraordinarily successful at their jobs. CTDRS endeavors to be the best tax collection agency in the country, and will continue to focus on excellent customer service, superior voluntary tax compliance, and a robust public presence designed to meet taxpayer needs.

CTDRS collects the taxes that keep the State of Connecticut, and its essential programs, running. As such, CTDRS is obligated to provide timely and credible information, and – in addition to our core mission of tax collector and reporter – to contribute leadership in the development of tax policy. The sources and mix of state revenue will always be in close proximity to ongoing policy debates; CTDRS is uniquely positioned to offer guidance and perspective.

I hope you find this Annual Report informative and useful. CTDRS welcomes your comments and suggestions on how we can better serve both the policymakers and consumers of the many services offered by the State of Connecticut.



Scott D. Jackson
Commissioner of Revenue Services

TABLE OF CONTENTS

Directory.....	2
Department Mission.....	3
Legislative Summary 2018 General Assembly Regular Session.....	4
CONNECTICUT’S TAXES	
Connecticut Taxes.....	8
State Revenue Sources.....	9
Admissions and Dues Tax.....	10
Alcoholic Beverages Tax.....	12
Ambulatory Surgical Center Tax.....	13
Attorney Occupational Tax.....	14
Beverage Container Deposits.....	15
Business Entity Tax.....	16
Cigarette Tax.....	17
Controlled Substances Tax.....	18
Controlling Interest Transfer Tax.....	19
Corporation Business Tax and Credits.....	20
Dry Cleaning Establishment Surcharge.....	37
Estate and Gift Tax.....	38
Hospitals Tax.....	43
Income Tax.....	44
Insurance Premiums Taxes.....	51
Intermediate Care Facility User Fee.....	54
Motor Carrier Road Tax.....	55
Motor Vehicle Fuels Tax.....	56
Nursing Home User Fee.....	58
Petroleum Products Gross Earnings Tax.....	59
Prepaid Wireless E-9-1-1 Fee.....	61
Public Service Companies Taxes.....	62
Real Estate Conveyance Tax.....	64
Real Estate Conveyance Tax by Town.....	67
Rental Surcharge.....	72
Repealed Taxes.....	73
Sales and Use Taxes.....	74
Solid Waste Tax.....	83
Tobacco Products Tax.....	84
Tourism Surcharge.....	85
Transportation Network Company Fee.....	86
Unrelated Business Income Tax.....	87
TABLES & CHARTS	
Penalty and Interest Receipts.....	88
Tax Refunds.....	89

DIRECTORY

COMMISSIONER

SCOTT D. JACKSON

(860) 297-4900

Scott.Jackson@po.state.ct.us

GENERAL COUNSEL & FIRST ASSISTANT COMMISSIONER

LOUIS P. BUCARI JR.

(860) 297-5798

Louis.Bucari@po.state.ct.us

ADMINISTRATION BUREAU

JAMES E. NORTON

(860) 297-5608

James.Norton@po.state.ct.us

COMPLIANCE BUREAU

JOHN H. KUTSUKOS

(860) 541-4561

John.Kutsukos@po.state.ct.us

LEGAL SERVICES BUREAU

LOUIS P. BUCARI JR.

(860) 297-5798

Louis.Bucari@po.state.ct.us

OPERATIONS BUREAU

PHILLIP R. SOUCY

(860) 541-5901

Phil.Soucy@po.state.ct.us

OFFICE OF LEGAL AFFAIRS & RESEARCH

MARILEE A. CLARK

(860) 297-5634

Marilee.Clark@po.state.ct.us

COMMUNICATIONS OFFICE

JAMES POLITES

(860) 297-5606

James.Polites@po.state.ct.us

SUSAN B. SHERMAN

(860) 297-5693

Susan.Sherman@po.state.ct.us



The mission of the Department of Revenue Services is to instill public confidence in the integrity and fairness of tax collection; achieve the highest level of voluntary taxpayer compliance; continuously improve agency performance; contribute to the fiscal and economic well being of the state; and provide a positive and professional workplace.

LEGISLATIVE SUMMARY

2018 GENERAL ASSEMBLY REGULAR SESSION

CIGARETTE & TOBACCO PRODUCTS TAXES

Public Act 18-25

- Increases the penalties for Cigarette and Tobacco sales crimes; and
- Modifies the tobacco products tax to clarify, for certain cigar distributors that own cigars located in a fulfillment center in Connecticut, that only cigars sold within CT will be subject to the tax at the time of sale.

CORPORATION BUSINESS TAX

Public Act 18-26

Clarifies that no initial Green Building tax credit vouchers were to have been issued after November 30, 2017.

Public Act 18-49

- Requires businesses, for purposes of the corporation and personal income taxes, to apportion the federal asset expensing deduction over a five-year period;
- Decouples from the federal business interest expense limitation in I.R.C. §163(j). A company may deduct the entire amount of its business interest in the year the interest is paid or accrued; and
- Requires an add-back equal to 5% of the dividend for expenses related to dividends received.

Public Act 18-145

Eliminates the manufacturing facility and enterprise zone credits, but allows businesses that were awarded, before July 1, 2018, the 10-year credits for developing facilities in designated areas to continue to claim them until the end of the 10-year period.

Public Act 18-169

- Requires an add-back equal to 5% of the dividend for expenses related to dividends received; and
- Excludes grants or contributions made by the state or municipalities to corporations from tax.

ESTATE AND GIFT TAX

Public Act 18-81

Extends by three years the phase-in of the estate and gift tax threshold to the federal threshold.

LEGISLATIVE SUMMARY

2018 GENERAL ASSEMBLY REGULAR SESSION

INSURANCE PREMIUMS TAXES

Public Act 18-13

Makes several changes to the Connecticut Life and Health Insurance Guaranty Association.

Public Act 18-151

Allows licensed insurance agents and producers to establish an agency captive insurance company to insure against risks covered by the policies they sell.

MISCELLANEOUS

Public Act 18-08

Creates a blockchain working group lead by the commerce committee to study the blockchain industry. One of its charges is to study and make recommendations regarding tax code changes.

Public Act 18-23

Requires a strategic plan on bioscience to be developed and submitted to the Commission on Economic Competitiveness. DRS is a member of the Commission.

Public Act 18-26

Eliminates the succession tax filing requirements for most estates as of October 1, 2018.

Public Act 18-81

- Modifies the volatility cap; and
- Establishes a panel, of which the Commissioner of DRS is a member, to study and make recommendations regarding the proposals made by the Commission on Fiscal Stability and Economic Growth.

Public Act 18-136

Increases the rental surcharge on machinery rented for a period of less than 365 days from 1.5% to 2.75%. Effective for machinery rented on or after July 1, 2018.

Public Act 18-152

Lowers the threshold for tax offsets by the CT Lottery Corporation from \$5,000 in winnings to \$2,000. Effective July 1, 2018.

LEGISLATIVE SUMMARY

2018 GENERAL ASSEMBLY REGULAR SESSION

Special Act 18-09

Allows for the establishment of the Transportation Center Improvement District in Stamford and exempts the district from all state and local taxes.

PASS-THROUGH ENTITY TAX

Public Act 18-49

Establishes a pass-through entity tax that requires entities to pay tax on their own income at the entity level for taxable years beginning on or after January 1, 2018. Partners in pass-through entities that are subject to this tax will be entitled to a corresponding credit against their own tax liability.

PERSONAL INCOME TAX

Public Act 18-26

- Clarifies that all reportable transactions under the Internal Revenue Code are required to be reported to DRS; and
- Makes clarifying changes to mandatory non-wage withholding.

Public Act 18-49

- Requires individuals receiving income from pass-through businesses to add back the federal bonus depreciation deduction for property placed in service after September 9, 2017, when calculating their CT AGI, but allows them to deduct 25% of the add-back for four succeeding tax years;
- Allows municipalities to provide a property tax credit to taxpayers who make voluntary charitable donations to a “community supporting organization” approved by the municipality;
- Requires businesses, for purposes of the corporation and personal income taxes, to apportion the federal asset expensing deduction over a five-year period;
- Provides Connecticut residents that work in New York a credit for taxes paid to another jurisdiction if their employer elects into New York’s new voluntary employer compensation expense tax; and
- Creates a “convenience of the employer” test for sourcing income of nonresidents that work for a Connecticut employer in the same manner that the taxpayer’s resident state sources income for its nonresidents.

Public Act 18-147

Exempts from the personal income tax certain income received by a manager of a venture capital fund that invests in Connecticut bioscience businesses, as defined in statute.

LEGISLATIVE SUMMARY

2018 GENERAL ASSEMBLY REGULAR SESSION

MOTOR VEHICLE FUELS TAXES

Public Act 18-81

Exempts dyed diesel fuel sold by licensed special fuel distributors if the sale is made directly to licensed owners or operators of marine fuel docks. Effective for sales occurring on or after July 1, 2018

SALES AND USE TAXES

Public Act 18-47

Modifies the definition of “veteran” for purposes of the sales tax exemption for farmers under Conn. Gen. Stat. §12-412 (63) (D).

Public Act 18-81

Establishes a new lower sales tax rate of 2.99% on the sales of boats, boat motors, and trailers used for transporting boats. Effective for sales occurring on or after July 1, 2018.

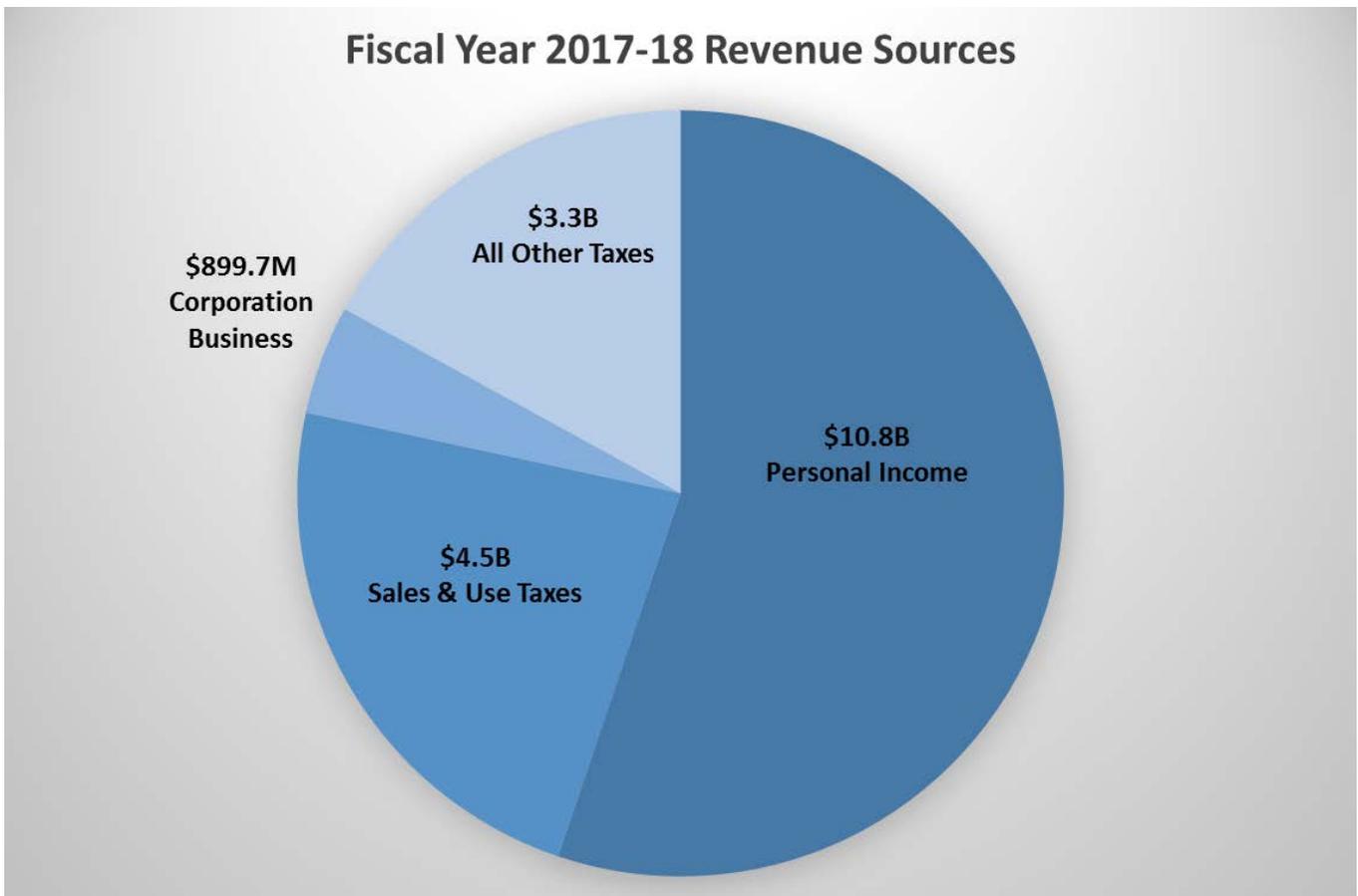
Public Act 18-152

- Amends the definition of “retailer” and “engaged in business in the state” for purposes of the Sales and Use Tax. Any remote seller making at least 200 transactions in the state and having gross receipts of \$250,000 or more for a twelve month period shall be responsible for collecting and remitting the sales and use tax; and
- Establishes definitions for marketplace facilitator and referrer and their various responsibilities. Marketplace facilitators’ collection requirement begins December 1, 2018. Referrer notification requirements also begin December 1, 2018, with additional informational reporting and notice requirements phasing in by January 2020.

CONNECTICUT TAXES

The Department collected \$19.5 billion in state taxes for fiscal year 2017-18.

The Personal Income, Sales and Use and Corporation Business Taxes comprised 83% of all collections.



State Revenue Sources

Tax Type & Citation	FY 2015-2016	FY 2016-2017	FY 2017-2018
Admissions & Dues Tax <i>Ch. 225</i>	\$39,330,813	\$39,508,556	\$40,351,508
Alcoholic Beverages Tax <i>Ch. 220</i>	63,113,361	63,155,221	63,211,086
Ambulatory Surgical Centers <i>Ch. 211a</i>	10,377,388	14,810,087	17,484,454
Beverage Container Deposits <i>Ch. 446d</i>	33,530,941	35,600,873	36,519,543
Business Entity Tax <i>Ch. 213a</i>	6,638,031	44,826,063	14,475,479
Cable, Satellite & Video Companies Tax <i>Ch. 211</i>	70,795,676	70,437,231	60,668,588
Cigarette Tax <i>Ch. 214</i>	361,578,691	367,182,708	357,391,958
Connecticut Estate Tax <i>Ch. 217 (repealed)</i>	43,046	13,076	1,331
Controlled Substances Tax <i>Ch. 228d</i>	27,815	53,141	71,097
Controlling Interest Transfer Tax <i>Ch. 228b</i>	13,877,263	18,380,138	7,141,192
Corporation Business Tax <i>Ch. 208 & 209</i>	869,053,285	988,559,001	899,728,100
Dry Cleaning Surcharge <i>Ch. 211b</i>	774,744	728,065	633,493
Electric Distribution Companies <i>Ch. 212</i>	157,147,427	146,500,947	131,957,173
Electric Generation Tax <i>Ch. 212b (repealed)</i>	87,673	0	0
Estate and Gift Tax <i>Ch. 217& 228c</i>	221,821,138	218,660,130	223,787,857
Gas Companies <i>Ch. 212</i>	66,811,800	62,731,069	63,681,211
Gasoline Motor Vehicle Fuels Tax <i>Ch. 221</i>	373,196,137	378,174,916	378,268,296
Gift Tax <i>Ch. 228c (repealed)</i>	336,697	129,112	337,347
Health Care Centers Tax <i>Ch. 207</i>	2,354,633	2,077,569	2,840,433
Hospitals Tax <i>Ch. 211c</i>	537,955,538	513,784,032	883,885,779
Income Tax <i>Ch. 229</i> and Pass-Through Entity Tax	9,181,708,938	8,988,607,484	10,769,830,624
Insurance Premiums Tax, Domestic <i>Ch. 207</i>	42,234,573	35,093,986	46,373,210
Insurance Premiums Tax, Foreign <i>Ch. 207</i>	167,912,010	157,518,330	152,009,829
Insurance: Nonadmitted/Unauthorized <i>Ch. 698d</i>	6,113,202	6,884,549	7,802,111
Intermediate Care Facility User Fee <i>Ch. 211c</i>	8,350,476	7,845,690	7,437,832
Motor Carrier Road Tax <i>Ch. 222</i> and Transportation Network Carrier Fee <i>Ch. 244c</i>	16,909,309	14,303,964	13,572,067
Nursing Home User Fee <i>Ch. 211c</i>	145,049,484	141,349,377	132,179,528
Occupational Tax <i>Ch. 876</i>	7,491,394	11,076,833	10,463,347
Petroleum Products Gross Earnings Tax <i>Ch. 227</i>	250,170,373	238,354,213	320,890,549
Prepaid Wireless E-9-1-1 Fee <i>Ch. 518a</i>	1,658,219	1,745,782	2,375,445
Public, Educational & Gov. Programming Tax <i>Ch. 289</i>	3,676,706	3,717,465	3,952,365
Railroad Companies Tax <i>Ch. 210</i>	338,427	46,429	924,455
Real Estate Conveyance Tax <i>Ch. 223</i>	182,620,666	191,616,129	195,376,456
Rental Surcharge <i>Ch. 228h</i>	407,484	323,801	269,319
Sales and Use Taxes <i>Ch. 219</i>	4,335,567,554	4,381,614,724	4,530,508,619
Solid Waste Tax <i>Ch. 446d</i>	3,100,569	3,045,726	3,013,079
Special Fuel Tax <i>Ch. 221</i>	128,403,162	106,304,395	109,058,789
Succession Tax <i>Ch. 216 (repealed)</i>	335,254	131,948	121,148
Tobacco Products Tax <i>Ch. 214a</i>	12,255,744	14,594,924	19,481,725
Tourism Surcharge <i>Ch. 228e</i>	5,338,305	5,381,432	5,310,837
Unrelated Business Income Tax <i>Ch. 208a</i>	4,593,450	4,200,458	6,423,832
Total	\$17,333,087,396	\$17,279,069,575	\$19,519,811,091

ADMISSIONS AND DUES TAX

Revenue	
FY 2017-18	\$40,351,508
2016-17	39,508,556
2015-16	39,330,813

Exemptions:

Admissions

- Under \$1
- Non-profit organizations
- Motion pictures for not more than \$5.00
- Live performances at non-profit theaters or playhouses, Gateway's Candlewood Playhouse, and Ocean Beach Park
- Sporting or athletic activities in which patrons participate
- Carnival or amusement rides
- Cabarets
- Interscholastic athletic events held at Rentschler Field
- Events at the XL Center in Hartford. This exemption is eliminated effective December 1, 2017.
- Any event at the Dunkin' Donuts Park in Hartford, from June 2, 2016 through November 30, 2017. The exemption is repealed December 1, 2017.
- Any athletic event presented by a member team of the Atlantic League of Professional Baseball at the New Britain Stadium, effective July 1, 2017 through November 30, 2017. The exemption is repealed beginning December 1, 2017.
- Events at the Webster Bank Arena in Bridgeport. This exemption is repealed effective December 1, 2017.

Dues:

- \$100 or less;
- Lawn Bowling Clubs
- Locker Rental Fees
- Additional charges used to acquire open space land
- Charitable, religious, governmental or non-profit educational institution
- Society, order or association operating under the lodge system or local fraternal organizations among students of a college or university

ADMISSIONS AND DUES TAX (cont.)

Number of Taxpayers / Filing Frequency

596 taxpayers / Monthly

Admissions 392 taxpayers
Dues 310 taxpayers

Note: 106 taxpayers collect both taxes

Basis and Rate

Admissions 6% of the admissions charge to motion picture shows.
10% of the admission charge to any other place of amusement, entertainment, or recreation.

Dues 10% of membership dues or initiation fees to any social, athletic or sporting club organization.

Comparative Data

Tax Due	FY 2015-16	FY 2016-17	FY 2017-18
Motion Picture Admissions	\$5,596,331	\$5,613,402	\$5,689,368
Other Admissions	8,632,451	9,753,551	11,281,629
Dues	25,102,031	24,141,603	23,380,511
Total	\$39,330,813	\$39,508,556	\$40,351,508

ALCOHOLIC BEVERAGES TAX

A tax is imposed on all distributors of alcoholic beverages on the sale of alcoholic beverages within Connecticut. Distributors must report the total number of gallons of each alcoholic beverage sold during the month, the opening and closing inventories and the amount of tax due. Sales of alcoholic beverages are also subject to the Sales and Use Tax.

<u>Revenue</u>	
FY 2017-18	\$63,211,086
2016-17	63,155,221
2015-16	63,113,361

Exemption

Sales of malt beverages which are consumed on the premises of an establishment covered by a manufacturer's permit.

Number of Taxpayers/Filing Frequency

875 distributors/ Monthly

Basis and Rate

Beer	\$7.20 per barrel (31 gallons)
Beer	24¢ per gallon
Still Wines	72¢ per gallon
Small Wineries	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

Comparison of Gallonage

TYPE	FY 2015-16 (gallons)	FY 2016-17 (gallons)	FY 2017-18 (gallons)
Beer - barrels	216,272	220,399	204,360
Beer - gallons	50,627,280	49,361,385	47,730,419
Still Wine	13,500,987	13,267,532	13,018,428
Small Wineries	271,329	299,572	314,501
Sparkling Wine	657,989	712,951	706,500
Distilled Liquor	7,069,342	7,093,791	7,215,014
Liquor Cooler	13,248	11,163	40,104
Alcohol	66,142	64,500	65,414

AMBULATORY SURGICAL CENTERS TAX

A tax is imposed on the gross receipts of each ambulatory surgical center for each calendar quarter. Gross receipts do not include net patient revenue of a hospital that is subject to the Hospitals Tax.

Revenue	
FY 2017-18	\$17,484,454
FY 2016-17	14,810,087
FY 2015-16	10,377,388

Basis and Rate

6%

Number of Taxpayers/Filing Frequency

48/Quarterly

ATTORNEY OCCUPATIONAL TAX

An occupational tax is levied against 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 in Connecticut.

Revenue	
FY 2017-18	\$10,463,347
2016-17	11,076,833
2015-16	7,491,394

Exemptions

- Employees of the State of Connecticut including judges and referees;
- Probate court employees;
- Any attorney employed by a political subdivision of Connecticut;
- Employees of the federal government;
- Any attorney serving on active duty with the United States Armed Forces for more than six months of a given year;
- Attorneys who received less than \$1,000 in compensation during the calendar year;
- Those engaged in practice of law exclusively outside the state;
- Those removed from the roll of attorneys;
- Those who did not work or were not employed as an attorney; and
- Any attorney who has retired from the practice of law or died during the calendar year.

Number of Taxpayers/Filing Frequency

12,220 Attorneys/ Annually

Basis and Rate

\$565 per practicing attorney.

BEVERAGE CONTAINER DEPOSITS

Connecticut requires all deposit initiators, certain distributors or manufacturers who engage in the sale of beverages subject to the Connecticut bottle bill, to collect the five cent deposit per beverage container sold to any person within Connecticut. These deposit initiators must maintain a separate bank account in which to deposit the monies collected. The unclaimed amount is the amount left in the account after refunds paid to customers and bank fees have been deducted. Each deposit initiator files a quarterly report and remits the unclaimed deposits amount to the state.

Revenue	
FY 2017-18	\$36,519,543
2016-17	35,600,873
2015-16	33,530,941

Exemption

Any manufacturer which, on an annual basis, bottles and sells less than 250,000 noncarbonated beverage containers

Number of Taxpayers/Filing Frequency

119 Entities/Quarterly

BUSINESS ENTITY TAX

The following business entities are subject to a Business Entity Tax if they were formed under Connecticut law or are foreign entities that are transacting business in Connecticut and required to register with or obtain a certificate of authority from the Connecticut Secretary of the State:

- S corporations (Qualified subchapter S subsidiaries (QSSS) are not liable);
- Limited liability companies (LLCs or SMLLCs) that are, for federal income tax purposes, either:
 - Treated as a partnership, if it has two or more members; **or**
 - Disregarded as an entity separate from its owner, if it has a single member;
- Limited liability partnerships (LLPs); and
- Limited partnerships (LPs).

Revenue	
FY 2017-18	\$ 14,475,479
2016-17	44,826,063
2015-16	6,638,031

Exemptions

- LLCs and SMLLCs that have elected to be taxed as a corporation for federal tax purposes; and
- Any domestic LP that is not formed under Chapter 610 of the Connecticut General Statutes.

Number of Taxpayers/Filing Frequency

169,425 Entities/Biennially*

* This tax is payable every other year. Tax returns for a biennial period that began January 1, 2015 and ended December 31, 2016 were due on April 15, 2017.

Basis and Rate

\$250 per biennial period.

CIGARETTE TAX

An excise tax is imposed on all cigarettes sold in Connecticut. Payment is indicated by affixing stamps or heat applied decals to each pack of cigarettes. The stamps are sold to licensed dealers and licensed distributors. Sales of cigarettes are also subject to the Sales and Use Tax.

Revenue	
FY 2017-18	\$357,391,958
2016-17	367,182,708
2015-16	361,578,691

Exemption

Cigarettes sold to any state institution other than a correctional institution.
Cigarettes sold on armed services bases.

Number of Taxpayers/ Filing Frequency

34 taxpayers/ Monthly

Basis and Rate*

Effective Date	Rate
7/1/16 -11/30/17	195 mills per cigarette or \$3.90 per pack of twenty
12/1/17 and after	217.5 mills per cigarette or \$4.35 per pack of twenty.

* The tax is reduced by 50% for any product the Secretary of the United States Department of Health and Human Services determines to be a "modified risk tobacco product" pursuant to 21 U.S.C. §387k.

CONTROLLED SUBSTANCES TAX

A tax is levied on marijuana and controlled substances which creates an economic burden on drug dealers. Payment of the tax is indicated by the affixing of stamps to the marijuana or controlled substance. The tax is due and payable immediately upon acquisition or possession of the drug in Connecticut by a dealer.

Revenue	
FY 2017-18	\$71,097
2016-17	53,141
2015-16	27,815

Basis and Rate

\$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.

CONTROLLING INTEREST TRANSFER TAX

A tax is imposed on the transfer of a controlling interest in a corporation, partnership, association, trust or other entity, where an entity owns an interest, directly or indirectly, in Connecticut real property with a value of at least \$2,000. 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.

Revenue	
FY 2017-18	\$ 7,141,192
2016-17	18,380,138
2015-16	13,877,263

Exemptions

- Sales or transfers that effectuate a mere change of identity or form of ownership or organization where there is no change in the beneficial ownership of the entity;
- Sale or transfer of a controlling interest in any entity which possesses an interest in real property located in an enterprise zone;
- Transfers of land resulting from eminent domain proceedings;
- Deeds releasing any property which is a security for a debt or other obligation;
- Mortgage deeds;
- Deeds to or by the United States of America, State of Connecticut or any political subdivision or agency thereof;
- Tax deeds; and
- Deeds to any corporation, trust or other entity, of land to be held in perpetuity for educational, scientific, aesthetic or other equivalent passive uses (pending determination by the Internal Revenue Service).

Filing Frequency / Number of Taxpayers

The month following the month in which the transfer was made.
72 transfers in FY 2017-18.

Basis and Rate

1.11% on the sale or transfer of a controlling interest.

An additional tax which varies between 1% and 10% on the value of open space land, farmland, forestland, and maritime heritage land, depending on the holding period, may also be levied.

CORPORATION BUSINESS TAX

A corporation carrying on or doing business in Connecticut is subject to the Corporation Business Tax. Most corporations in Connecticut must file returns and pay corporation business tax although some corporations are exempt.

Corporations must calculate their tax under two alternate methods and remit the higher tax. If a corporation owes less than \$250 under both methods, it pays the minimum tax of \$250.

Revenue	
FY 2017-18	\$899,728,100
2016-17	988,559,001
2015-16	869,053,285

Basis and Rate

Net Income Base Method

The method under which most Corporation Business Tax revenue is derived is the net income base. Corporations compute their Connecticut net income by starting with federal taxable income and then applying the adjustments allowed or required by Connecticut.

For Connecticut net income purposes, corporations must add back certain items deducted in arriving at federal taxable income, such as:

- Exempt interest income
- State and local income taxes
- Royalties or interest paid to a related member
- Bonus depreciation

Certain other deductions are then allowed, such as:

- Certain dividends
- Capital loss carryovers not deducted in computing federal gain
- Deferred cancellation of debt income.

Companies that conduct business in multiple states are allowed to apportion their net income based upon the percentage of their sales made in Connecticut. Market-based sourcing rules consider sales of services and most intangible property to be made where the customer is located. Special apportionment rules are provided for certain industries such as financial service companies and broadcasters.

CORPORATION BUSINESS TAX (cont.)

Apportioned net operating losses incurred for income years beginning on or after January 1, 2000, may be carried forward for 20 successive income years. Effective for income years beginning on or after January 1, 2015, a taxpayer's net operating loss (NOL) deduction may not exceed 50% of its net income.

Connecticut net income is taxed at the rate of 7.5%.

Capital Base Method

Corporations must also compute their tax under the capital base method. The capital base is the total value of the average capital stock, surplus and undivided profits, and surplus reserves, less the average values of deficits and stockholdings in private corporations. Multi-state corporations multiply their capital base by an apportionment fraction.

The capital base is taxed at a rate of 3.1 mils (\$0.0031) per dollar. Under the capital base method, a corporation is limited to a maximum tax of \$1,000,000. Financial service companies are excluded from the capital base method, but are subject to the minimum tax.

Corporations are subject to tax on the greater of the net income base method or the capital base method calculations.

Minimum Tax

If a corporation's calculation of the tax is less than \$250 under both of the two previous methods, it pays a minimum tax, which is currently \$250. The majority of corporations pay the minimum tax.

Surtax

For income years 2012 through 2017, corporations, other than those paying the minimum tax of \$250, pay a surtax in an amount equal to 20% of the tax due before credits are applied. The surtax rate is reduced to 10% for income year 2018 and eliminated for income year 2019.

Corporations whose gross income is less than \$100 million are exempt from the surtax unless they file as part of a combined unitary return.

The total amount of surtax reported on income year 2016 returns was \$112.7 M.

CORPORATION BUSINESS TAX (cont.)

Combined Unitary Reporting

Effective for income years beginning on or after January 1, 2016, commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the Corporation Business Tax, are required to file their Corporation Business Tax returns on a combined unitary basis.

Under combined unitary filing, a combined group's tax liability, prior to surtax and credits, cannot exceed the amount calculated on a nexus combined basis by more than \$2,500,000. This is referred to as the aggregate maximum tax. If the aggregate maximum tax is less than the tax on the standard combined unitary basis, the group is subject to the aggregate maximum tax. Otherwise, the group is subject to tax on the standard combined unitary basis.

Exemptions

- Cooperative housing corporations;
- Homeowners associations;
- Domestic international sales corporations;
- Insurance companies;
- Certain political organizations or associations exempt from federal income taxes under §527 of the Internal Revenue Code;
- Railroad companies subject to the gross earnings tax;
- Companies whose corporate headquarters are located in the insurance and financial services export zone in the City of Hartford and are conducting all of their business outside the United States;
- Connecticut passive investment companies formed by financial service companies to hold and manage loans secured by real property;
- Non-United States corporations whose sole activity conducted in Connecticut is the trading of stocks, commodities and securities; and
- Subchapter S corporations.

CORPORATION BUSINESS TAX (cont.)

Filing Frequency

Annually with four estimated installments.

Number of Taxpayers

2016 Corporation Business Tax Returns

	Number of Returns	Tax Due Before Tax Credits	Tax Due After Tax Credits
Single Filers			
Net Income	7,628	\$96,889,868	\$85,082,855
Capital Base	3,438	20,104,847	16,046,767
Minimum Tax	16,107	4,024,110	4,023,478
Exempt	3,964	0	0
Combined Unitary			
Net Income	2,296	509,408,153	439,312,027
Minimum Tax Base	2,372	54,045,941	37,568,168
Nexus Combined	8	72,647,213	57,077,836
Total	35,813	\$757,120,132	\$639,111,130

CORPORATION BUSINESS TAX (cont.)

2016 Corporation Business Tax Returns

Industry Sector	Number of Returns	Tax Due Before Credits	Tax Due After Credits
11 Agriculture, Forestry, Fishing and Hunting	128	\$1,436,250	\$1,326,795
21 Mining	33	315,783	268,513
22 Utilities	81	24,191,412	12,566,929
23 Construction	2,585	6,736,356	6,312,091
31-33 Manufacturing	3,248	123,548,398	96,407,767
42 Wholesale Trade	2,153	44,514,239	41,015,170
44-45 Retail Trade	2,788	88,930,816	75,328,452
48-49 Transporting and Warehousing	602	17,417,526	14,573,577
51 Information	889	60,761,347	46,057,494
52 Finance and Insurance	2,452	137,883,690	126,346,069
53 Real Estate and Rental and Leasing	3,465	12,684,936	12,126,086
54 Professional, Scientific and Tech Services	5,305	51,004,821	44,958,049
55 Management of Companies and Enterprises	978	83,480,991	64,214,176
56 Administrative and Support Services	1,052	16,436,433	15,454,843
61-62 Education, Health Care and Social Assistance	1,389	7,291,937	6,284,577
71 Arts, Entertainment, and Recreation	387	1,305,712	888,378
72 Accommodation and Food Services	865	5,746,628	5,543,890
81-92 Other Services	3,366	9,010,321	8,768,512
99 Not Yet Assigned	4,047	64,422,536	60,669,761
Total	35,813	\$757,120,132	\$639,111,130

CORPORATION BUSINESS TAX (cont.)

2016 Corporation Business Tax Returns

Tax Due Before Credits	Number of Returns	Tax Due Before Credits	Tax Due After Credits
Exempt	3,964	\$ 0	\$ 0
\$250 or less	16,785	4,191,252	4,191,252
\$251 to \$999	5,233	2,881,828	2,791,823
\$1000 to \$24,999	7,775	41,062,994	38,708,062
\$25,000 to \$49,999	625	22,275,097	20,510,752
\$50,000 to \$99,999	515	36,990,132	34,134,367
\$100,000 to \$249,999	438	67,783,082	61,284,340
\$250,000 to \$499,999	207	72,974,523	63,804,659
\$500,000 to \$999,999	128	87,417,689	75,041,808
\$1 million to \$2 million	86	118,731,937	96,957,715
\$2 million to \$5 million	36	104,806,171	90,805,697
\$5 million and over	21	198,005,427	150,880,654
Total	35,813	\$757,120,132	\$639,111,130

CORPORATION BUSINESS TAX CREDITS

The State of Connecticut offers many Corporation Business Tax credits which a corporation may take advantage of to reduce its liability to the state.

Generally, the amount of tax credits allowable cannot exceed 50.01% of the amount of tax due or reduce the amount of tax to less than \$250. However, taxpayers may use Research and Development, Research and Experimental Expenditures, and Urban and Industrial Site Reinvestment tax credits that remain after the application of the 50.01% limitation, provided the total of all tax credits applied shall not exceed:

Income Years Beginning In	Limit
2016	55%
2017	60%
2018	65%
2019 and after	70%

Apprenticeship Training

Reference: Conn. Gen. Stat. §12-217g

A corporation that hires apprentices in the manufacturing trades may apply for a credit of up to \$7,500 per apprenticeship. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$6 up to a maximum of either \$7,500 or 50% of the total wages paid during the first half of a two-year program or three-quarters of a four year program.

Pass-through entities may also earn this tax credit for apprenticeships in manufacturing. Their credits may be sold, assigned or transferred in whole or part no more than three times and may be used to offset the Corporation Business, Utilities Companies and Petroleum Products Gross Earnings taxes.

A corporation that hires apprentices in the plastics trades may apply for a credit of up to \$4,800 per apprenticeship. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$4. The credit may not exceed 50% of the actual wages paid or \$4,800, whichever is less.

Corporations that hire apprentices in the construction trades may apply for a credit of up to \$4,000 per apprenticeship completed. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$2. The credit may not exceed \$4,000 or 50% of the actual wages paid over the first four years of the apprenticeship, whichever is less.

CORPORATION BUSINESS TAX CREDITS (cont.)

Digital Animation Production

Reference: Conn. Gen. Stat. §12-217ll

A credit is available for digital animation production activity in the state. Any state-certified digital animation production company incurring production expenses or costs from \$100,000 up to \$500,000 will be eligible for a credit equal to 10% of the production expenses or costs. This credit percentage increases to 15% for costs more than \$500,000 up to \$1 million and a 30% credit for costs over \$1 million.

This tax credit is administered by the Department of Economic and Community Development (DECD). Credits may be claimed in the year the costs were incurred or the three succeeding years after the year the cost were incurred.

Donation of Land

Reference: Conn. Gen. Stat. §§ 12-217dd and 12-217ff

This credit is available in an amount equal to 50% of the use value of the donation of land to be permanently preserved as protected open space or for educational use. Donations of land must be made to the state, a political subdivision of the state, or a nonprofit land conservation organization and may include any discount in the sales price.

Unused credit for donations of land for educational use made prior to the 2013 income year may be carried forward for 15 succeeding income years. All other unused credits for donations of land may be carried forward for up to 25 years.

Electronic Data Processing Equipment

Reference: Conn. Gen. Stat. §12-217t

The Electronic Data Processing Equipment Property Tax credit provides a 100% credit for property tax owed and paid on electronic data processing equipment.

Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Enterprise Zone Credit for Qualifying Corporations

Reference: Conn. Gen. Stat. §12-217v as amended by 2018 Conn. Pub. Acts 145, § 3

A credit is allowed to any qualifying corporation which hires at least 150 local employees qualifying under the Job Training Partnership Act to work within a designated Enterprise Zone. The credit is 100% of the corporation's tax liability for its first three years and 50% of its liability for the next seven.

Beginning with income year 2017, certain bioscience, clean technology, and cybersecurity firms created on or after July 1, 2015, which are located within a designated enterprise zone and meet certain employment criteria also qualify for this credit.

Effective July 1, 2018, the Enterprise Zone Tax Credit for Qualifying Corporations has been repealed.

Film Production

Reference: Conn. Gen. Stat. §12-217jj

Any eligible film production company incurring qualified production expenses or costs from \$100,000 up to \$500,000 is eligible for a credit equal to 10% of the production expenses or costs. This credit percentage increases to 15% for costs more than \$500,000 up to \$1 million and a 30% credit for costs over \$1 million. This tax credit is administered by the Department of Economic and Community Development (DECD).

Credit vouchers may be claimed in the year the costs were incurred or the five succeeding years after the year the costs were incurred. Tax credit vouchers issued before July 1, 2015 may be claimed in the year the expenses were incurred or in the next three income years. These may be sold, assigned or transferred in whole or part no more than three times.

Film Production Infrastructure

Reference: Conn. Gen. Stat. §12-217kk

A tax credit is available to any taxpayer that invests in a capital project to provide basic buildings, facilities, or installations needed for the functioning of the digital media and motion picture industry in this state, provided that the project has been approved by DECD.

A 20% credit is allowed for costs \$3 million and over. Credits may be claimed in the year the costs were incurred or the next three succeeding income years. These may be sold, assigned or transferred in whole or part no more than three times.

CORPORATION BUSINESS TAX CREDITS (cont.)

Fixed Capital Investments

Reference: Conn. Gen. Stat. §12-217w

This credit is based on 5% of the amounts paid or incurred for any new tangible personal property that has a class life of more than four years, is not sold or leased within 12 months, and will be held and used in Connecticut for at least five years. Inventory, land, buildings and mobile transportation equipment are not included. Unused credits may be carried forward for five succeeding income years.

Green Buildings

Reference: Conn. Gen. Stat. §12-217mmas amended by 2018 Conn. Pub. Acts 26, § 2

This tax credit had been available for eligible construction, renovation, or rehabilitation projects designed to meet the applicable requirements for LEED Green Building Rating System gold or platinum certification or another equivalent certification determined by DEEP.

Credit percentages ranged between 5% and 11% and depended on the location and certification level of the project. Credits may be assigned to another taxpayer or taxpayers. Unused credits may be carried forward for five succeeding income years.

The Green Buildings tax credit is sunset as of December 1, 2017.

Historic Homes Rehabilitation

Reference: Conn. Gen. Stat. §10-416

The Department of Economic and Community Development (DECD) may allocate up to \$3 million in vouchers for this credit during any fiscal year. Owners of historic homes must incur qualified rehabilitation expenditures that exceed \$15,000 in order to qualify.

After the work is performed and verified, a tax credit is allowed for 30% of the qualified rehabilitation expenditures. The credit is limited to \$30,000 per dwelling. This maximum is increased to \$50,000 for owners that are nonprofit corporations.

Unused credits may be carried forward for four succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Historic Preservation

Reference: Conn. Gen. Stat. §10-416b

This tax credit was available to owners rehabilitating certified historic buildings with mixed residential and nonresidential uses. After the rehabilitation work was performed and verified, a credit of 25% of the qualified rehabilitation expenditures was allowed. The credit increased to 30% of the qualified expenditures if the rehabilitated building contained affordable housing. Unused credits could be carried forward for five succeeding income years.

The Historic Rehabilitation tax credit effectively consolidates the provisions of the Historic Preservation and the Historic Structures Rehabilitation tax credits. DECD no longer reserves Historic Preservation tax credits.

Historic Rehabilitation

Reference: Conn. Gen. Stat. §10-416c

This tax credit, which effectively consolidated the provisions of the Historic Preservation and the Historic Structures Rehabilitation tax credits, provides for a 25% credit for income years beginning on or after January 1, 2014. The credit is based on the qualified rehabilitation expenditures associated with the rehabilitation of a certified historic structure for either 1) residential use of five units or more, 2) mixed residential and nonresidential use or 3) nonresidential use consistent with the historic character of such property or the district in which such property is located.

The amount of the available credit increases to 30% of the qualified expenditures if at least 20% of the units are rental units and qualify as affordable housing or at least 10% of the units are individual homeownership units and qualify as affordable housing.

Unused credits may be carried forward for five succeeding income years or may be sold, assigned or transferred in whole or part no more than three times.

CORPORATION BUSINESS TAX CREDITS (cont.)

Historic Structures Rehabilitation

Reference: Conn. Gen. Stat. §10-416a

This tax credit was available to owners rehabilitating certified historic structures for residential use. DECD could allocate up to \$15 million in vouchers for this credit during any fiscal year. After the rehabilitation work was performed and verified, a tax credit was allowed for 25% of the qualified rehabilitation expenditures not to exceed \$2.7 million. Unused credits could be carried forward for five succeeding income years.

The Historic Rehabilitation tax credit effectively consolidates the provisions of the Historic Preservation and the Historic Structures Rehabilitation tax credits. DECD no longer reserves Historic Structures Rehabilitation tax credits.

Housing Program Contribution

Reference: Conn. Gen. Stat. §8-395

This tax credit program enables corporations to contribute to housing programs that benefit low and moderate income individuals and families. These programs are sponsored, developed or managed by nonprofit corporations and must be approved by the Connecticut Housing Finance Authority. The credit is the amount of the contribution, not to exceed \$75,000 per business. Unused credits may be carried back to the five preceding income years and forward for five succeeding income years.

Human Capital Investments

Reference: Conn. Gen. Stat. §12-217x

The Human Capital Investments credit is based on 5% of the amounts paid or incurred for various job training and work education programs, child care subsidies to Connecticut employees, day care facility establishment costs and donations to institutions of higher education for improvements to technology. Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Insurance Reinvestment Fund

Reference: Conn. Gen. Stat. §38a-88a

A credit may be applied against the corporation business tax for investments made through a fund manager registered with the Commissioner of Economic and Community Development (DECD). These investments must be specifically earmarked for insurance businesses incorporated in Connecticut that occupy new facilities and create new jobs. The credit is 10% of amounts invested in qualified insurance businesses, beginning 3 years but not later than 7 years from the date of investment. For years 7 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

New eligibility certificates for insurance businesses which enable investors to claim a corporation tax credit cannot be issued on or after July 1, 2010. Any new eligibility certificates issued on or after July 1, 2010 now qualify investors for the Second Insurance Reinvestment Fund tax credit applicable against the insurance premiums tax (Chapter 207); health care centers tax (Chapter 207); and surplus lines brokers tax (Section 38a-743).

Machinery and Equipment

Reference: Conn. Gen. Stat. §12-217o

This credit is based upon the incremental increase in expenditures for machinery and equipment acquired for and installed in Connecticut. The rate of credit is either 5% or 10% depending on the number of full time employees in Connecticut.

Manufacturing Facility in a Targeted Investment Community/Enterprise Zone

Reference: Conn. Gen. Stat. §12-217e as amended by 2018 Conn. Pub. Acts 145, § 1

A business may earn a credit of 50% of its allocable tax for operating a manufacturing facility which meets certain employment criteria and is located within a designated enterprise zone or other area designated as having enterprise zone level benefits. A credit of 25% may be applied against the portion of the Corporation Business tax allocable to a manufacturing facility located within a Targeted Investment Community, but not in an Enterprise Zone.

Certification was required from the Department of Economic and Community Development. Corporations may claim this credit for 10 years beginning with the first year following the year of certification.

This tax credit is being sunset. Only those companies that first claimed the credit on a return for an income year beginning before 2018, may continue to claim the credit.

CORPORATION BUSINESS TAX CREDITS (cont.)

Neighborhood Assistance Act Program

Reference: Chapter 228a of the Conn. Gen. Stat.

The Connecticut Neighborhood Assistance Act (NAA) tax credit program is designed to provide funding for municipal and non-profit organizations. Businesses are granted a tax credit of 60% of the amount contributed to certain approved programs (or 100% in the case of energy conservation programs) conducted by municipal and non-profit organizations. Unused credits may be carried back to the two preceding income years.

The NAA program has several statutory limits. A business is limited to receiving \$150,000 in tax credit annually. A non-profit organization is limited to receiving \$150,000 in contributions in the aggregate. The minimum contribution on which credit can be granted is \$250. The program has a \$5M cap, which if exceeded, results in proration of approved donations.

Research and Development Expenditures

Reference: Conn. Gen. Stat. §12-217n

A credit may be applied against the Corporation Business Tax for expenses of research and development conducted in Connecticut. The amount allowed as credit increases ratably from 1% of the annual research and development expenses paid or incurred, where such expenses equal \$50 million or less, to 6% where expenses exceed \$200 million. The 6% credit is extended to qualified small businesses with a gross income that does not exceed \$100 million.

Qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. Credit refunds are limited to \$1.5 million in any one income year. Unused credits may be carried forward until fully taken.

Research and Experimental Expenditures

Reference: Conn. Gen. Stat. §12-217j

This is a tax credit based on the incremental increase in expenditures for research and experiments conducted in Connecticut. The amount of the credit equals 20% of the amount spent by the corporation directly on research and experimental expenditures that exceeds the amount spent in the preceding income year. Unused credits may be carried forward for fifteen succeeding income years.

Qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. Credit refunds are limited to \$1.5 million in any one income year.

CORPORATION BUSINESS TAX CREDITS (cont.)

Service Facility

Reference: Conn. Gen. Stat. §12-217e

This credit is available to companies with a service facility located in a Connecticut targeted investment community which hire new employees and have an eligibility certificate issued by the Commissioner of Economic and Community Development (DECD). The credit is based on the portion of tax allocable to such facility and the number of new employees working there. Credit percentages range from 15% to 50% depending on the number of new employees. The credit period is ten years.

This tax credit is being sunset. Only those companies that first claimed the credit on a return for an income year beginning before 2018, may continue to claim the credit.

Small Business Guaranty Fee

Reference: Conn. Gen. Stat. §12-217cc

Small businesses with less than \$5 million in gross receipts may claim this credit equal to the amount paid to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing during the income year. Unused credits may be carried forward for four succeeding income years. This credit was repealed for income years beginning on or after January 1, 2014.

Traffic Reduction Programs

Reference: Conn. Gen. Stat. §12-217s

This is a 50% credit for traffic reduction program expenses related to the attainment of federal Clean Air Act standards. The credit cannot exceed \$250 per participating employee. This credit is available for corporations employing 100 or more people located in a severe non-attainment area. Currently, no such area is designated in Connecticut.

Urban and Industrial Site Reinvestment

Reference: Conn. Gen. Stat. §32-9t

This credit is available for investments in eligible urban reinvestment projects and industrial site investment projects. Investments may be made directly or through a registered fund manager and must be certified by the Commissioner of Economic and Community Development. The credit is 10% of the qualified investments, beginning 4 years but not later than 7 years from the date of investment. For years 8 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the number and amount of corporation tax credits claimed by businesses. The figures represent credit claimed on 2016 returns and any credits carried forward from prior years and used in 2016.

Tax Credits Claimed on 2016 Corporation Business Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	13	\$161,302
Digital Animation	4	1,475,222
Donation of Land	4	45,442
Electronic Data Processing	1,002	11,608,713
Film Production	21	21,381,585
Film Production Infrastructure	2	4,462,556
Fixed Capital Investments	1,501	44,961,806
Historic Homes Rehabilitation	1	44,500
Historic Preservation	1	398
Historic Structures Rehabilitation	1	272,149
Housing Program Contribution	1	30,614
Human Capital Investments	88	2,329,617
Machinery and Equipment	49	863,842
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	18	737,036
Neighborhood Assistance	60	1,862,041
Research & Development Expenditures	159	6,343,794
Research & Experimental Expenditures	222	18,008,526
SBA Guaranty Fee	2	323
Urban and Industrial Site Reinvestment	8	3,419,536
Total	3,157	\$118,009,002

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the unused credit amounts reported on 2016 corporation business tax returns as being carried forward to the 2017 income year.

Credits Carried Forward to 2017 Income Year

Type of Credit	Carryforward Amount
Donation of Land	\$2,385,188
Electronic Data Processing	69,163,969
Fixed Capital Investments	283,238,394
Historic Preservation	400,122
Historic Rehabilitation	398
Housing Program Contribution	17,095
Human Capital Investments	4,398,883
Research & Development	1,736,898,172
Research & Experimental Expenditures	593,784,799
SBA Guaranty Fee	165,108
Urban and Industrial Site Reinvestment	3,385,239
Total Carryforward Credits	\$2,693,837,367

DRY CLEANING ESTABLISHMENT SURCHARGE

The Dry Cleaning Establishment Surcharge is used to provide grants to dry cleaning establishments for the containment and removal or mitigation of environmental pollution resulting from dry cleaning activity. Revenue is deposited into the Dry Cleaning Remediation Account, which is used to provide these grants and fund other measures undertaken to prevent pollution.

Dry cleaning establishments are required to renew their registration with DRS each October 1st. Establishments that fail to register or renew their registration are subject to a penalty.

Legislation passed in 2017 provides that the surcharge no longer applies to “drop stores” that only accept clothing or other fabrics to be cleaned elsewhere by a dry cleaning establishment for calendar quarters commencing on or after October 1, 2017.

Revenue	
FY 2017-18	\$633,493
2016-17	728,065
2015-16	774,744

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

477 taxpayers/Quarterly

ESTATE AND GIFT TAX

Resident and nonresident estates of decedents dying during 2018 are liable for the Connecticut Estate Tax on the amount of the Connecticut taxable estate that exceeds \$2.6 million. The estate tax exemption amount increases to \$3.6 million for estates of decedents dying during 2019.

“Connecticut taxable estate” is defined as the sum of the total value of the decedent’s federal gross estate, less allowable deductions, plus the aggregate amount of Connecticut taxable gifts made on or after January 1, 2005. A credit is granted for gift taxes paid on Connecticut taxable gifts made on or after January 1, 2005; however, the credit cannot exceed the amount of the Connecticut estate tax.

For Connecticut taxable gifts, a donor must pay Connecticut gift tax if the aggregate amount of Connecticut taxable gifts made between January 1, 2005 and December 31, 2018, exceeds \$2.6 million. This aggregate amount increases to \$3.6 million during 2019. A credit is allowed against the Connecticut gift tax for Connecticut gift taxes paid on Connecticut taxable gifts made during calendar years beginning on or after January 1, 2005; however, the credit cannot exceed the amount of the Connecticut gift tax.

“Connecticut taxable gifts” are defined as taxable gifts as determined for federal gift tax purposes. These include:

- Gifts of Connecticut real property;*
- Gifts of tangible personal property situated within Connecticut; or*
- Gifts of intangible personal property made by Connecticut residents.*

Taxpayers are required to file a Connecticut Estate and Gift Tax return to report all Connecticut taxable gifts, even if no Connecticut gift tax is due.

The maximum amount of estate and gift tax paid by donors who made taxable gifts between January 1, 2016 and December 31, 2018 or the estates of decedents who died between January 1, 2016 and December 31, 2018 is \$20 million. The payment cap is reduced by the amount of any gift taxes paid on taxable gifts made on or after January 1, 2016.

The payment cap is lowered to \$15 million in 2019.

Revenue	
FY 2017-18	\$223,787,857
2016-17	218,660,130
2015-16	221,821,138

ESTATE AND GIFT TAX (cont.)

Basis and Rate

For gifts made, or the estates of decedents dying **on or after January 1, 2011** to **December 31, 2017** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$2,000,000	None
Over \$2,000,000 but not over \$3,600,000	7.2% of the excess over \$2,000,000
Over \$3,600,000 but not over \$4,100,000	\$115,200 plus 7.8% of the excess over \$3,600,000
Over \$4,100,000 but not over \$5,100,000	\$154,200 plus 8.4% of the excess over \$4,100,000
Over \$5,100,000 but not over \$6,100,000	\$238,200 plus 9.0% of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$328,200 plus 9.6% of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$424,200 plus 10.2% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$526,200 plus 10.8% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$634,200 plus 11.4% of the excess over \$9,100,000
Over \$10,100,000	\$748,200 plus 12% of the excess over \$10,100,000

ESTATE AND GIFT TAX (cont.)

For gifts made, or the estates of decedents dying **on or after January 1, 2018 to December 31, 2018** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$2,600,000	None
Over \$2,600,000 but not over \$3,600,000	7.2% of the excess over \$2,600,000
Over \$3,600,000 but not over \$4,100,000	\$72,000 plus 7.8% of the excess over \$3,600,000
Over \$4,100,000 but not over \$5,100,000	\$111,000 plus 8.4% of the excess over \$4,100,000
Over \$5,100,000 but not over \$6,100,000	\$195,000 plus 10.0% of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$295,000 plus 10.4% of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$399,000 plus 10.8% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$507,000 plus 11.2% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$619,000 plus 11.6% of the excess over \$9,100,000
Over \$10,100,000	\$735,000 plus 12% of the excess over \$10,100,000

ESTATE AND GIFT TAX (cont.)

For gifts made, or the estates of decedents dying **on or after January 1, 2019** to **December 31, 2019** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$3,600,000	None
Over \$3,600,000 but not over \$4,100,000	7.8% of the excess over \$3,600,000
Over \$4,100,000 but not over \$5,100,000	\$39,000 plus 8.4% of the excess over \$4,100,000
Over \$5,100,000 but not over \$6,100,000	\$123,000 plus 10.0% of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$223,000 plus 10.4% of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$327,000 plus 10.8% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$435,000 plus 11.2% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$547,000 plus 11.6% of the excess over \$9,100,000
Over \$10,100,000	\$663,000 plus 12% of the excess over \$10,100,000

Detail of Revenue

For Fiscal Year 2017-18, total Estate and Gift Tax revenue collected was \$223,787,857. Much of this revenue is attributable to prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during Fiscal Year 2017-18 follows.

ESTATE AND GIFT TAX (cont.)

ESTATE AND GIFT TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2017-18

Amount of Taxable Estate		# of Returns	Tax Due	Tax Due After Credits *
More Than	Not Over			
\$2 Million	\$3 Million	297	\$11,726,740	\$8,024,247
\$3 Million	\$4 Million	108	11,157,368	9,531,717
\$4 Million	\$5 Million	67	12,279,398	10,234,452
\$5 Million	\$6 Million	62	17,114,288	14,492,701
\$6 Million	\$7 Million	26	9,672,956	7,206,288
\$7 Million	\$ 8 Million	18	8,276,490	7,015,413
\$ 8 Million	\$10 Million	21	13,216,456	8,627,737
\$ 10 Million	\$15 Million	22	21,701,740	15,714,885
\$15 Million	\$25 Million	11	18,129,075	13,851,433
\$25 Million		24	159,336,547	106,501,747
Total		656	\$282,611,056	\$201,200,620

* Reflects credits for real or tangible personal property located in other jurisdictions and prior gift tax payments.

For Fiscal Year 2017-18, an additional amount of the estate and gift tax was attributable to gift tax returns filed by non-decedents. A breakdown of calendar year 2017 gift tax returns is shown below.

ESTATE AND GIFT TAX RETURNS 2017 GIFT TAX ONLY

Amount of 2017 Taxable Gifts		# of Returns	Tax Due
More Than	Not Over		
	\$2 Million	282	\$2,849,307
\$2 Million		11	3,289,070
Total		293	\$6,138,377

HOSPITALS

Effective July 1, 2017, a new healthcare provider fee was established. A quarterly user fee is imposed on each hospital's net revenue for the provision of inpatient hospital services and for the provision of outpatient hospital services. The old fee sunset as of June 30, 2017.

Revenue	
FY 2017-18	\$883,885,779
2016-17	513,784,032
2015-16	537,955,538

Exemptions

- Specialty hospitals;
- Hospitals which are licensed by the Department of Public Health as children's general hospitals;
- Short-term acute hospitals operated exclusively by the State of Connecticut (other than short-term acute hospitals operated by the state as a receiver); and
- Financial hardship (outpatient services).

Basis and Rate

Effective July 1, 2017 through June 30, 2019, based upon a statutory formula, the effective user fee rate on inpatient hospital services is 6%, and the effective user fee rate on outpatient hospital services is 12.3325%.

Number of Taxpayers/Filing Frequency

26 taxpayers/Quarterly

INCOME TAX

Connecticut imposes a tax on income earned by resident individuals, trusts, and estates. Nonresidents and part-year resident individuals, trusts and estates are also subject to the tax on income derived from or connected with sources within the State. Connecticut taxable income is defined as adjusted gross income for federal tax purposes with certain modifications and exemptions described below.

Revenue	
FY 2017-18	\$10,769,830,624
2016-17	8,988,607,484
2015-16	9,181,708,983

Number of Taxpayers/Filing Frequency

1.84 million taxpayers/Annually

Taxpayers who expect to owe more than \$1,000 in income tax, in addition to income tax withheld, are required to file four estimated tax payments.

Basis and Rate

Connecticut's tax is levied upon Connecticut taxable income, as defined above.

Effective for taxable years commencing on or after January 1, 2015:

Filing Status	Rate and Basis
Single and Married Filing Separately	3% on the first \$10,000 of Connecticut Taxable Income 5% on the excess over \$10,000, but not over \$50,000 5.5% on the excess over \$50,000, but not over \$100,000 6% on the excess over \$100,000, but not over \$200,000 6.5% on the excess over \$200,000, but not over \$250,000 6.9% on the excess over \$250,000, but not over \$500,000 6.99% on the excess over \$500,000
Head of Household	3% on the first \$16,000 of Connecticut Taxable Income 5% on the excess over \$16,000, but not over \$80,000 5.5% on the excess over \$80,000, but not over \$160,000 6% on the excess over \$160,000, but not over \$320,000 6.5% on the excess over \$320,000, but not over \$400,000 6.9% on the excess over \$400,000, but not over \$800,000 6.99% on the excess over \$800,000
Joint Filers	3% on the first \$20,000 of Connecticut Taxable Income 5% on the excess over \$20,000, but not over \$100,000 5.5% on the excess over \$100,000, but not over \$200,000 6% on the excess over \$200,000, but not over \$400,000 6.5% on the excess over \$400,000, but not over \$500,000 6.9% on the excess over \$500,000, but not over \$1,000,000 6.99% on the excess over \$1,000,000

INCOME TAX (cont.)

Exemptions

- \$15,000 for single filers. For taxpayers with Connecticut AGI in excess of \$29,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$44,000;
- \$12,000 for married persons filing separately and filing separately for Connecticut only. For taxpayers with Connecticut AGI in excess of \$24,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$35,000;
- \$19,000 for heads of household. For taxpayers with a Connecticut AGI in excess of \$38,000, the exemption decreases by \$1,000 for each additional \$1,000 of Connecticut AGI. There is no exemption if the taxpayer earns more than \$56,000; and
- \$24,000 for married persons filing jointly, filing jointly for Connecticut only, or qualifying widow(er) with dependent child. The exemption for joint filers decreases by \$1,000, for taxpayers whose Connecticut AGI exceeds \$48,000, for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$71,000.

Benefit Recapture

For taxpayers whose annual Connecticut Adjusted Gross Income exceeds specified thresholds, a recapture provision is imposed to eliminate the benefits they receive from having a portion of their taxable income taxed at lower marginal rates.

The recapture provision starting point is:

- \$400,000 for taxpayers filing jointly;
- \$200,000 for taxpayers filing single and married filing separately; and
- \$320,000 for taxpayers filing as head of household.

The recapture amount is

- \$180 per \$10,000 of Connecticut adjusted gross income over the starting point for taxpayers filing jointly, with a maximum total recapture of \$6,300;
- \$90 per \$5,000 of Connecticut adjusted gross income over the starting point for taxpayers filing single or married filing separately with a maximum total recapture of \$3,150; and
- \$140 per \$8,000 of Connecticut adjusted gross income over the starting point for taxpayers filing as head of household, with a maximum total recapture of \$4,920.

Common Additions

- Interest on state and local obligations other than Connecticut;
- Exempt-interest dividends (other than those derived from obligations of the State of Connecticut or its municipalities);
- Cancellation of debt income;
- The total taxable amount of a lump sum distribution for the taxable year deductible from gross income in calculating federal adjusted gross income; and
- Loss on sale of Connecticut bonds.

INCOME TAX (cont.)

Common Subtractions

- Interest on U.S. obligations;
- Dividends from certain mutual funds consisting of U.S. obligations;
- Social Security Benefit Adjustment;
- Refunds on state and local income taxes;
- Tier 1 and Tier 2 railroad retirement benefits and supplemental annuities;
- 50% of military retirement pay;
- Gain on sale of Connecticut bonds;
- Social Security benefits for single filers and married individuals filing separately whose federal adjusted gross income for the taxable year is less than \$50,000. Social Security benefits for married individuals filing jointly and head of household filers whose federal adjusted gross income for the taxable year is less than \$60,000.
- For taxable years commencing on or after January 1, 2019, social security benefits for single filers and married individuals filing separately whose federal adjusted gross income for the taxable year is less than \$75,000. Social Security benefits for married individuals filing jointly and head of household filers whose federal adjusted gross income for the taxable year is less than \$100,000.
- Federally taxable military retirement pay received from the United States government for a retired member of the Armed Forces of the United States as defined in Section 101 of Title 10 of the U.S. Code or the National Guard, as defined in Section 101 of Title 10 of the U.S. Code;
- Connecticut Higher Education Trust (CHET) contributions of up to \$5,000 for each individual taxpayer whose filing status is single, head of household, married filing separately or civil union filing separately or up to \$10,000 for individuals whose filing status is married filing jointly, civil union filing jointly or qualifying widow(er) with dependent child; and
- Effective for taxable years commencing on or after January 1, 2016, 25% of the pension payments received from the Connecticut teacher's retirement system, provided it was properly included in federal adjusted gross income for federal income tax purposes. For taxable years commencing on or after January 1, 2019, the subtraction modification increases to 50% of pension payments.

Subtraction Modification for Certain Pensions and Annuities

Effective for the taxable year commencing January 1, 2019, any pension or annuity income received, except for tier 1 railroad retirement benefits and Armed Forces or National Guard retirement pay, may be subtracted by the percentages below:

- 14% for taxable years commencing on or after January 1, 2019;
- 28% for taxable years commencing on or after January 1, 2020;
- 42% for taxable years commencing on or after January 1, 2021;
- 56% for taxable years commencing on or after January 1, 2022;
- 70% for taxable years commencing on or after January 1, 2023;
- 84% for taxable years commencing on or after January 1, 2024;

INCOME TAX (cont.)

- 100% for taxable years commencing on or after January 1, 2025.

Subtraction Modification for Expenses and Lost Wages Incurred In Connection With Organ Donation

Effective for taxable years commencing on or after January 1, 2017, taxpayers are allowed a subtraction modification for the amount of lost wages, medical, travel, and housing expenses incurred in connection with the donation of an organ for transplantation on or after January 1, 2017. The amount is not to exceed \$10,000.

Subtraction Modification for Crumbling Foundations

Effective for taxable years commencing on or after January 1, 2017, a subtraction modification is allowed for amounts received related to certain crumbling foundation relief.

Withholding Requirement

Connecticut requires anyone who maintains an office or transacts business in Connecticut, and who is considered an employer for federal income tax withholding purposes, to withhold Connecticut income tax whether or not the payroll department is located in Connecticut.

Estimated Tax Payments

Taxpayers must make estimated payments if their Connecticut income tax (after tax credits) minus Connecticut tax withheld is more than \$1,000.

Connecticut Alternative Minimum Tax

Taxpayers who are subject to, and required to pay, the federal alternative minimum tax are subject to the Connecticut Alternative Minimum Tax. The alternative minimum tax is computed on the lesser of 19% of the adjusted federal tentative minimum tax, or 5½% of adjusted federal alternative minimum taxable income.

Tax Credits

Tax Credit for Property Taxes Paid to a Political Subdivision

Connecticut residents are eligible for an income tax credit for property taxes paid to a Connecticut political subdivision on a primary residence and/or privately owned or leased motor vehicle. Effective for taxable years commencing on or after January 1, 2016, the maximum credit is reduced from \$300 to \$200 per return. The credit cannot exceed the amount of qualifying property taxes paid or the income tax liability.

INCOME TAX (cont.)

Effective for taxable years commencing January 1, 2017, and January 1, 2018, the \$200 credit is allowed only to a Connecticut resident who has attained the age of 65 before the close of the applicable tax year, or who files a federal income tax return for the applicable year and validly claims one or more dependents.

Credit for Income Taxes Paid to Qualifying Jurisdictions

Connecticut residents may claim an income tax credit if any part of their income was taxed by a qualifying jurisdiction. A qualifying jurisdiction includes another state of the United States, a local government within another state or the District of Columbia. A qualifying jurisdiction does not include the State of Connecticut, the United States or a foreign country or its provinces.

Connecticut Earned Income Tax Credit

A Connecticut resident taxpayer may claim an earned income tax credit (CT EITC) against the Connecticut income tax due for the taxable year. For the 2014-2016 taxable years the EITC rate was 27.5%. Effective for taxable years commencing on or after January 1, 2017, the EITC rate is reduced to 23%. If the CT EITC exceeds the taxpayer's Connecticut income tax liability, the excess is considered an overpayment and will be refunded without interest.

Earned Income Tax Credit		
Year	Number of Credits	Amount of Credit
2012	187,043	\$112,153,814
2013	191,760	96,303,193
2014	193,052	107,515,761
2015	194,115	108,359,437
2016	195,137	111,864,353
2017	194,279	94,284,692

Angel Investor Tax Credit

Provides a credit for a cash investment of not less than \$25,000 in the qualified securities of a Connecticut business by an angel investor. The credit is equal to 25% of such investor's cash investment provided the total tax credits allowed to any one investor shall not exceed \$250,000 and shall be claimed in the taxable year in which the cash investment was made.

An *angel investor* is an accredited investor, as defined by the Securities and Exchange Commission, or network of accredited investors who review new or proposed businesses for potential investment who may seek active involvement, such as consulting and mentoring, in a Connecticut business.

The angel investor must apply to Connecticut Innovations, Inc. to reserve a tax credit. The angel investor must choose from a list of Connecticut businesses that Connecticut Innovations Inc. has determined are qualified to receive cash investments eligible for the angel investor tax credit. Tax credits cannot be reserved for any investments made on or after July 1, 2019.

INCOME TAX (cont.)

Additionally, effective for taxable years commencing on or after January 1, 2016, angel investor credits may be assigned, transferred, or sold.

Credit for Prior Year Connecticut Minimum Tax for Individuals

Taxpayers may be able to claim a credit for an alternative minimum tax paid in a prior year.

In addition to the above referenced credits, the following credits are no longer available, however, taxpayers who previously earned the credits may still be claiming them:

Job Expansion Tax (JET) Credit

Reference: Conn. Gen. Stat. §12-217pp

The JET credit was for hiring new employees who reside in Connecticut to fill new jobs after January 1, 2012 but before January 1, 2014. The tax credit is \$500 per month for a new full-time employee and \$900 per month for an armed forces veteran or a qualifying employee. Application was made through the Department of Economic and Community Development. A taxpayer could claim the credit in the income year the credit was earned and the next two income years. The last year to claim the JET credit was 2015, for employees hired in 2013.

Insurance Reinvestment Fund

The insurance reinvestment fund credit is no longer available to individuals under the personal income tax. The new **Second Insurance Reinvestment Fund Tax Credit** replaces the original credit and is only available against insurance premiums taxes. Any credits previously earned under the old insurance reinvestment act are able to be used until they expire.

INCOME TAX (cont.)

Personal Income Tax Credits

2016		
Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	118	\$1,534,529
Insurance Reinvestment Fund	12	22,405
Prior Year CT Minimum Tax	314	984,795
Total	444	\$2,541,729

2015		
Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	134	\$1,534,079
Insurance Reinvestment Fund	19	135,643
Prior Year CT Minimum Tax	363	1,005,892
Job Expansion Tax Credit	136	840,417
Total	652	\$3,516,031

INSURANCE PREMIUMS TAX

Insurance companies, domestic and foreign, are taxed in Connecticut on the total net direct premiums received from policies written on property or risks within the State. Total net direct subscriber charges received on any new or renewal contract or policy by a health care center are also taxed. The State also imposes a tax on premiums for unauthorized insurance. Specifically, insureds who procure nonadmitted insurance are required to remit tax on premiums paid to a nonadmitted insurer. Additionally, risk retention groups are required to pay tax on premiums collected on coverages within the State. Captive insurance companies are now allowed to operate within Connecticut. A captive insurance company is a company that is created and wholly owned by one or more non-insurance companies to insure the risks of its owners as a type of self-insurance.

Revenue	
FY 2017-18	\$209,025,583
2016-17	201,574,434
2015-16	218,614,418

Exemptions

- Premiums sold for ocean and inland marine insurance of nonresident and foreign companies;
- Medicaid, Medicare, HUSKY Plan, and State Employee Health plans from health care centers subscriber charges; and
- New or renewal contracts or policies written to provide health care coverage to retired teachers, spouses or a surviving spouse, employees and retired members and their dependents, of a Connecticut municipality, nonprofit organizations or employees of community action agencies and their dependents, and small employer's employees and their dependents under a plan procured pursuant to Conn. Gen. Stat. §5-259(i), from net direct subscriber charges of health care centers.

Number of Taxpayers/Filing Frequency

1,338 insurance companies/ Annually with four estimated payments:
99 Domestic companies
1,070 Foreign companies
10 Health Care Centers
145 Nonadmitted/Risk Retention Groups
14 Captive Insurers

Basis and Rate

- Prior to January 1, 2018, the rate was 1.75% of net direct premiums received by domestic and foreign insurance companies. Effective January 1, 2018, the rate is reduced to 1.5% of net direct premiums by domestic and foreign insurance companies.
- 4% of gross premiums charged by nonadmitted and unauthorized insurers; and

INSURANCE PREMIUMS TAX (cont.)

- Prior to January 1, 2018, the rate was 1.75% of net direct subscriber charges of health care centers. Effective January 1, 2018, the rate is 1.5% of net direct subscriber charges of health care centers.

Comparative Data

	FY 2015-16	FY 2016-17	FY 2017-18
Domestic	\$42,234,573	\$35,093,986	\$46,373,210
Foreign	167,912,010	157,518,330	152,009,829
Health Care Center	2,354,633	2,077,569	2,840,433
Nonadmitted/ Unauthorized/Captive	6,113,202	6,884,549	7,802,111
Total	\$218,614,418	\$201,574,434	\$209,025,583

Tax Credits

The State of Connecticut provides for several tax credits which may be applied against the Insurance Premiums Tax. Described below is the credit unique to the Insurance Premiums Tax. Please turn to the Corporation Business Tax section of this report for additional information on tax credits.

Insurance Department Assessment Credit

Reference: Conn. Gen. Stat. §12-202

Certain local domestic insurance companies are allowed a credit against the insurance premiums tax in the amount of 80% of the Connecticut Insurance Department assessment paid during the calendar year if their admitted assets do not exceed amounts specified in Conn. Gen. Stat. §12-202.

Calendar Year 2016 Insurance Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	50	\$11,578,872
Insurance Department Assessment	5	433,962
Insurance Reinvestment	24	9,648,501
Second Insurance Reinvestment	15	9,435,667
Neighborhood Assistance	18	1,048,264
Urban & Industrial Site Reinvestment	7	4,005,856
Film Production	31	28,078,951
Film Production Infrastructure	27	20,231,874
Digital Animation	29	10,230,585
Historic Structures Rehabilitation	1	339,265
New Jobs	1	232,889
Total Credits	208	\$95,264,686

INSURANCE PREMIUMS TAX (cont.)

Calendar Year 2017 Insurance Tax Credits Preliminary

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	30	\$8,815,544
Insurance Department Assessment	6	614,981
Insurance Reinvestment	17	9,800,769
Second Insurance Reinvestment	10	7,045,171
Neighborhood Assistance	9	550,714
Urban & Industrial Site Reinvestment	5	4,000,372
Film Production	31	16,095,968
Film Production Infrastructure	15	6,351,273
Digital Animation	18	6,200,740
Total Credits	141	\$59,475,532

INTERMEDIATE CARE FACILITY USER FEE

Effective July 1, 2017, a new intermediate care user fee was established on each residential facility for individuals with intellectual disabilities that meet certain federal requirements, and, in the case of a private facility, is licensed by the Department of Developmental Services. The old fee sunset as of June 30, 2017.

Revenue	
FY 2017-18	\$ 7,437,832
2016-17	7,845,690
2015-16	8,350,476

Basis and Rate

Effective July 1, 2017, the intermediate care facility user fee is \$27.26.

The amount due from each facility is determined by multiplying the user fee by the facility's resident days for the calendar quarter.

Number of Taxpayers/Filing Frequency

68 taxpayers/Quarterly

MOTOR CARRIER ROAD TAX

Connecticut has participated in the International Fuel Tax Agreement (IFTA) since 1996. IFTA is a cooperative agreement among most states and provinces of Canada that simplifies the collection and reporting of fuel use tax by interstate motor carriers. Under IFTA, fuel tax returns are filed in the base jurisdiction of the motor carrier. The base jurisdiction of a motor carrier is where the vehicle is based for registration purposes and where operations are controlled and the vehicle is operated. For IFTA fuel tax reporting, a qualified motor vehicle is a vehicle that is designed to transport persons or property and that has: two axles and a gross vehicle weight or registered gross vehicle weight over 26,000 pounds; or three or more axles regardless of weight; or when used in combination, a combined gross vehicle weight over 26,000 pounds. Motor carriers who meet this qualification, and who travel solely within the State, are not required to file a return, but instead are subject to the tax at the time of purchase.

Revenue	
FY 2017-18*	\$12,795,821
2016-17	14,303,964
2015-16	16,909,309

*Includes collections attributed to the Transportation Network Company Fee. Please see the Transportation Network Company section for a description of the fee.

Exemption

- Any vehicle owned by the United States, the state, any political subdivision thereof, or any school bus.

Number of Taxpayers/Filing Frequency

2,452 IFTA filers/Quarterly
3,006 Intrastate Motor Carriers

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/16 through 6/30/18*	41.7¢
Diesel Fuel 7/1/18 through 6/30/19*	43.9¢
Natural Gas or Propane	26¢

*Each fiscal year the Department is required to calculate the new diesel fuel rate using the average wholesale price per gallon of diesel fuel for the 12 month period ending on the preceding March 31st, as determined by statute.

MOTOR VEHICLE FUELS TAX

Motor fuel used or sold in Connecticut is subject to the Motor Vehicle Fuels Tax. "Fuel" includes gasoline, diesel, gasohol, propane, or any combustible gas or liquid that generates the power needed to propel a motor vehicle.

Revenue	
FY 2017-18	\$487,327,084
2016-17	484,479,311
2015-16	501,599,299

Exemptions

- Fuel sold to United States Government, the State of Connecticut, any Connecticut municipality or transit district, when such fuel is used in vehicles owned and operated, or leased and operated by any of the aforementioned entities;
- Fuel sold exclusively for heating purposes and to furnish gas, water, steam or electricity, if delivered to consumers through mains, lines or pipes;
- Aviation fuel and fuel sold to owners or operators of an aircraft, or to a licensed aviation fuel dealer whose place of business is located at an airport;
- Fuel sold to a municipality for use in a school bus;
- Diesel fuel sold exclusively for use in portable power system generators that are larger than one hundred fifty kilowatts;
- Fuel sold to a farmer who is the holder of a farmer’s exemption permit;
- A company that uses or consumes motor fuels exclusively for hauling waste for the Connecticut Resource Recovery Authority, Mid-Connecticut Project; and
- Fuels sold for use to any vessels displacing over 4,000 dead weight tons or fuel sold for use to any vessels primarily engaged in interstate commerce.

Number of Taxpayers/Filing Frequency

1,015 taxpayers/Monthly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/16 - 6/30/18*	41.7¢
Diesel Fuel 7/1/18 - 6/30/19*	43.9¢
Natural Gas or Propane	26¢

*Each fiscal year the Department is required to calculate the new diesel fuel rate using the average wholesale price per gallon of diesel fuel for the 12 month period ending on the preceding March 31st, as determined by statute.

MOTOR VEHICLE FUELS TAX (cont.)

Comparative Data

	Number of Gallons Sold		
	FY 2015-16	FY 2016-17	FY 2017-18
Special Fuel*	247,002,698	246,172,424	256,774,695
Gasohol	1,498,416,588	1,502,674,317	1,515,022,017
Alternative Fuels**	3,619,661	3,264,975	2,851,886
Total Gallons	1,749,038,947	1,752,111,716	1,774,648,598

* Gallons reported under Special Fuel primarily contain diesel fuel, however, there are minimal amounts of Natural Gas and Propane reported under this category.

** Alternative fuels consist of Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG), and Liquefied Petroleum Gas (Propane).

NURSING HOME USER FEE

Effective July 1, 2017, a new nursing home user fee was established. The nursing home user fee is imposed on each chronic and convalescent nursing home or rest home with nursing supervision that is licensed as a nursing home by the Connecticut Department of Public Health. The old fee sunset as of June 30, 2017.

Revenue	
FY 2017-18	\$132,179,528
2016-17	141,349,377
2015-16	145,049,484

Basis and Rate

The user fee is \$16.13 for municipally-owned facilities and facilities with over 230 beds and \$21.02 for all other nursing homes.

The amount due from each nursing home is determined by multiplying the appropriate user fee by the home's resident days for the calendar quarter.

Number of Taxpayers / Filing Frequency

212 taxpayers/Quarterly

PETROLEUM PRODUCTS GROSS EARNINGS TAX

A tax is levied on the gross earnings from the first sale of companies distributing petroleum products in Connecticut. Petroleum products include but are not limited to gasoline, aviation fuel, kerosene, diesel fuel, number 2 heating oil, greases, lubricants, mineral oils, and motor oil.

Revenue	
FY 2017-18	\$320,890,549
2016-17	238,354,213
2015-16	250,170,373

Exemptions

- Number 2 heating oil used exclusively for heating purposes or in a commercial fishing vessel;
- Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil used in vessels displacing over 4,000 dead weight tons, and used in vessels primarily engaged in interstate commerce;
- Kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket, or to a centrally metered system serving a group of homes;
- Propane gas used exclusively for heating. Effective for sales occurring on or after December 1, 2015, propane that is primarily used for heating purposes is exempt;
- Paraffin and microcrystalline waxes;
- Gross earnings from the sale or use of Number 2 heating oil used exclusively in vessels engaged in interstate commerce and Number 6 fuel oil used by manufacturers;
- Commercial heating oil blend containing not less than 10% alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, including, but not limited to biodiesel or low sulfur dyed diesel fuel and kerosene. Such blended products must be used for commercial heating;
- Diesel fuel other than diesel fuel to be used in an electric generating facility to generate electricity; and
- Cosmetic grade mineral oil.

Number of Taxpayers/Filing Frequency

638 taxpayers/Quarterly

Basis and Rate

8.1%

PETROLEUM PRODUCTS GROSS EARNINGS TAX (cont.)

Cap on Petroleum Products Gross Earnings Tax

Since April 3, 2012 the Petroleum Products Gross Earnings Tax is capped at \$3.00 per gallon on the first sale for gasoline and gasohol. Petroleum products distributors are required to calculate the tax at \$3.00 per gallon even if the price exceeds said amount and any consideration received by the distributor in excess of \$3.00 is exempt from tax.

Connecticut Airport and Aviation Account

Effective October 31, 2017, 2017 Conn. Pub Act 2 (June Special Session) requires the Department of Revenue Services to deposit 75.3% of the petroleum products gross earnings tax received from aviation fuel sources, into the Connecticut airport and aviation account. Just over \$8.2M was deposited into the account in FY 18.

PREPAID WIRELESS E-9-1-1 FEE

A Prepaid Wireless E 9-1-1 Fee is levied on each sale of prepaid wireless telecommunications service by a retailer. A prepaid wireless telecommunications service is a wireless telephone service that a consumer pays for in advance, and that is sold in predetermined units or dollars that decline with use. Prepaid wireless telecommunications includes prepaid wireless phone cards, recharge or refill authorization codes, and prepaid cell phones or other prepaid wireless devices preloaded with airtime minutes.

The fee is determined each June for the upcoming fiscal year by the Connecticut Public Utility Regulatory Authority (PURA). All monies collected are deposited in the Enhanced 9-1-1 Telecommunications Fund. Retailers may retain 1% of the Prepaid Wireless E 9-1-1 Fees they collect.

Revenue	
FY 2017-18	\$2,375,445
2016-17	1,745,782
2015-16	1,658,219

Basis and Rate

\$0.58 for sales made between July 1, 2017 and June 30, 2018.
Beginning July 1, 2018, the fee is \$0.57.

Number of Taxpayers / Filing Frequency

355 Retailers
311 / Monthly
44 / Quarterly

PUBLIC SERVICE COMPANIES TAX

Revenue	
FY 2017-18	\$261,183,792
2016-17	283,433,141
2015-16	298,770,036

Exemptions

- All sales for resale of water, steam, gas, and electricity to public service corporations and municipal utilities;
- Gas and Electric sales to manufacturing in SIC codes 2000 through 3999 or NAICS code sectors 31-33;
- Natural Gas sold to out-of-state users or entities;
- Sales by a gas company of natural gas or propane used as a motor vehicle fuel; and
- Retail sales of steam by utility companies.

Number of Taxpayers/Filing Frequency

71 taxpayers:

52 Public Utility Companies/Quarterly

10 Community Antenna TV & Certified Competitive Video Provider Companies/Quarterly*

2 Satellite TV Companies /Quarterly*

7 Railroad Companies/Annually (July 1)

Basis and Rate

Community Antenna TV*	5.25%
Certified Competitive Video Service Provider*	5.25%
Satellite TV*	5.25%
Railroad	2 - 3.5%
Gas Companies	5%
Gas sales to residential customers	4%
Electric Distribution Companies	6.8% for residential customers 8.5% for nonresidential customers (other than manufacturers)

* Certified Competitive Video Service Providers, Community Antenna TV, and Satellite TV service providers are subject to an additional 0.25% tax for a total tax rate equal to 5.25%. The additional tax is used to fund the Public, Educational and Governmental Programming and Education Technology Investment Account.

PUBLIC SERVICE COMPANIES TAX (cont.)

Residential Credit

Gas companies claimed \$7,175,005 in Fiscal Year 2017-18 under the one-percent credit attributable to the sale of gas and electric power for residential use.

Manufacturing Companies Credit

\$6,808,975 was claimed in credit for Fiscal Year 2017-18 for gas sales used directly by a company engaged in a manufacturing production process.

Comparative Data

	FY 2015-16	FY 2016-17	FY 2017-18
Cable, Satellite & Video	\$70,795,676	\$70,437,231	\$60,668,588
Electric & Power Companies	157,147,427	146,500,947	131,957,173
Gas Companies	66,811,800	62,731,069	63,681,211
Public, Educational & Governmental Programming Tax*	3,676,706	3,717,465	3,952,365
Railroad Companies	338,427	46,429	924,455
Total Tax	\$298,770,036	\$283,433,141	\$261,183,792

* Additional tax on cable, satellite and video for deposit in the public, educational and governmental programming and education technology investment account.

Municipal Electric Utilities

The gross earnings of municipal electric utilities in Connecticut are taxed in the same manner as the gross earnings of electric distribution companies. Municipal electric utilities are subject to gross earnings tax only on their gross earnings from providing electric transmission services and electric distribution services. The rate is 6.8% for transmitting and distributing power to residential customers and 8.5% on nonresidential services.

Fiscal Year 2017-18 Public Service Companies Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	8	\$20,290,551
Neighborhood Assistance	5	620,618
Historic Structures Rehabilitation	2	25,218,856
Historic Preservation	1	4,228,078
Historic Homes	1	1,251,471
Urban Industrial Renovation	1	12,400,000
Housing Program Contribution	3	9,750,000
Total Credits	21	\$73,759,574

REAL ESTATE CONVEYANCE TAX

Connecticut imposes a tax on the conveyance of real property. The tax is assessed on the full purchase price of the property and is determined by the classification of the property being conveyed. Payment of the tax is the responsibility of the seller of the property and must be paid before the deed can be recorded.

Revenue	
FY 2017-18	\$195,376,456
2016-17	191,616,129
2015-16	186,620,666

Exemptions

- Deeds which this state is prohibited from taxing under the constitution or laws of the United States;
- Deeds which secure a debt or other obligation;
- Deeds to which this state or any of its political subdivisions or their respective agencies is a party;
- Deeds of release of property which is security for a debt or other obligation;
- Deeds of partition;
- Deeds made pursuant to mergers of corporations;
- Deeds made by subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock;
- Conveyance of an interest in real property pursuant to a decree of the superior court; as the result of:
 - A. An annulment, dissolved marriage, or legal separation; or
 - B. Partition of joint and common estates;
 - C. Foreclosure by sale;
- Certain exempt corporation transfers;
- All transfers between spouses;
- Any deeds of property located in an entertainment district;
- Conveyances of burial rights;
- Land development rights to agricultural land under the state farmland preservation program;
- Transfers or conveyances of real estate to effectuate a mere change of identity or form of ownership or organization where there is no change in beneficial ownership;
- Employee relocation company or employer re-sales within six months of conveyance from relocated employee;

REAL ESTATE CONVEYANCE TAX (cont.)

Exemptions (cont.)

- Deeds of sale in lieu of foreclosure that transfer the transferor's principal residence;
- Deeds pursuant to a judgment of foreclosure by market sale; and
- Deeds made pursuant to a judgment of loss mitigation;
- Any instrument transferring a transferor's principal residence where the gross purchase price is insufficient to pay the sum of: the mortgages encumbering the property transferred and any real property taxes and municipal utility or other charges for which the municipality may place a lien on the property (such as sewer taxes) and which have priority over the mortgages encumbering the property transferred.

Basis and Rate

Classification	Rate
Unimproved Land	0.75%
Nonresidential property other than Unimproved Land	1.25%
Residential Dwelling:	
Portion \$800,000 or less	0.75%
Portion that exceeds \$800,000	1.25%
Residential Property other than Residential Dwelling	0.75%
Delinquent Mortgage	0.75%

The table on the following page will show the number of conveyances by price of property and the corresponding revenue generated.

REAL ESTATE CONVEYANCE TAX (cont.)
Fiscal Year 2017-18 Conveyances

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances *	Number of Exempt Conveyances	Tax Due
Under \$2,000	0	24,899	7,820	\$ 0
\$ 2,000 to \$ 29,999	1,428	0	43	166,739
\$ 30,000 to \$ 39,999	601	0	23	157,092
\$ 40,000 to \$ 49,999	744	0	32	248,722
\$ 50,000 to \$ 59,999	780	0	29	319,881
\$ 60,000 to \$ 69,999	818	0	45	398,968
\$ 70,000 to \$ 79,999	917	0	46	517,344
\$ 80,000 to \$ 89,999	922	0	35	586,263
\$ 90,000 to \$ 99,999	932	0	33	668,629
\$100,000 to \$109,999	943	0	36	744,648
\$110,000 to \$119,999	1,054	0	48	910,898
\$120,000 to \$129,999	1,429	0	52	1,345,811
\$130,000 to \$139,999	1,461	0	41	1,487,231
\$140,000 to \$149,999	1,499	0	48	1,636,889
\$150,000 to \$159,999	1,819	0	44	2,129,091
\$160,000 to \$169,999	1,736	0	39	2,147,126
\$170,000 to \$179,999	1,717	0	41	2,262,356
\$180,000 to \$189,999	1,654	0	26	2,301,490
\$190,000 to \$199,999	1,509	0	26	2,218,286
\$200,000 to \$249,999	7,211	0	103	12,209,454
\$250,000 to \$299,999	5,678	0	61	11,675,878
\$300,000 to \$399,999	7,503	0	85	19,616,688
\$400,000 to \$499,999	3,815	0	49	12,832,788
\$500,000 to \$599,999	1,998	0	20	8,405,478
\$600,000 to \$699,999	1,382	0	20	6,891,548

* Non-taxable equals no consideration or consideration of less than \$2,000

REAL ESTATE CONVEYANCE TAX
Fiscal Year 2017-18 Conveyances (cont.)

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances *	Number of Exempt Conveyances	Tax Due
\$700,000 to \$799,999	817	0	9	4,760,736
\$800,000 to \$899,999	612	0	5	4,139,026
\$900,000 to \$999,999	374	0	10	3,030,863
\$1,000,000 to \$1,499,999	1,110	0	15	12,833,419
\$1,500,000 to \$2,999,999	1,013	0	15	21,239,969
\$3,000,000 and over	507	0	11	45,597,262
Total	53,983	24,899	8,910	\$183,480,574

* Non-taxable equals no consideration or consideration of less than \$2,000

FY 2017-18 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
ANDOVER	47	63	\$13,652,730	\$ 102,395
ANSONIA	178	238	43,712,455	330,143
ASHFORD	59	84	26,773,370	225,963
AVON	186	389	156,824,766	1,255,788
BARKHAMSTED	52	56	14,899,549	118,364
BEACON FALLS	70	107	24,092,188	180,691
BERLIN	186	309	93,413,045	792,248
BETHANY	61	79	23,319,550	180,827
BETHEL	169	341	116,533,355	914,239
BETHLEHEM	50	49	13,588,836	105,916
BLOOMFIELD	194	284	103,989,584	809,197
BOLTON	53	86	22,008,618	168,146
BOZRAH	28	34	6,796,900	54,102
BRANFORD	409	529	162,097,898	1,299,492
BRIDGEPORT	966	1,489	286,129,889	2,277,027
BRIDGEWATER	17	32	23,777,300	214,090
BRISTOL	614	948	183,143,311	1,469,745
BROOKFIELD	207	326	150,238,978	1,328,653
BROOKLYN	107	166	34,923,795	264,503
BURLINGTON	79	160	56,856,221	437,488
CANAAN	21	21	4,996,859	37,796
CANTERBURY	71	89	16,533,716	124,003
CANTON	114	195	59,775,427	468,820
CHAPLIN	24	30	5,461,985	42,465
CHESHIRE	238	473	156,125,576	1,221,594
CHESTER	34	53	28,066,900	212,027
CLINTON	181	256	70,733,428	546,149
COLCHESTER	141	276	68,894,465	533,433
COLEBROOK	29	28	6,144,200	47,482
COLUMBIA	47	90	22,180,172	175,206
CORNWALL	22	34	13,204,850	107,036
COVENTRY	167	286	67,081,922	519,046
CROMWELL	125	269	76,619,375	597,070
DANBURY	569	1,118	511,138,117	3,974,952
DARIEN	182	334	548,457,427	5,550,656
DEEP RIVER	58	90	26,632,208	230,749
DERBY	122	193	33,356,840	256,536
DURHAM	63	103	30,482,580	238,269
EASTFORD	28	35	7,181,050	53,858
EAST GRANBY	56	90	27,941,980	244,708
EAST HADDAM	165	196	42,444,563	327,325
EAST HAMPTON	167	270	62,890,739	499,776
EAST HARTFORD	429	710	132,612,595	1,149,294

FY 2017-18 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
EAST HAVEN	334	461	\$ 97,931,493	\$ 771,014
EAST LYME	231	397	130,048,356	1,022,025
EASTON	77	147	81,714,019	627,475
EAST WINDSOR	113	198	58,398,610	506,685
ELLINGTON	139	253	65,484,226	495,943
ENFIELD	341	710	298,809,303	3,113,367
ESSEX	88	159	76,081,697	636,543
FAIRFIELD	457	1,023	720,518,965	6,241,790
FARMINGTON	297	500	181,864,516	1,477,231
FRANKLIN	38	25	5,031,217	38,234
GLASTONBURY	334	608	215,981,087	1,677,324
GOSHEN	61	72	17,681,712	132,775
GRANBY	110	208	65,897,610	508,482
GREENWICH	554	939	1,968,106,093	21,061,110
GRISWOLD	174	186	36,373,596	299,384
GROTON	343	549	168,150,339	1,334,255
GUILFORD	287	407	162,643,592	1,272,238
HADDAM	73	125	33,294,727	250,325
HAMDEN	531	894	265,396,890	2,106,018
HAMPTON	34	31	6,235,500	46,766
HARTFORD	535	809	241,795,051	2,080,299
HARTLAND	31	25	4,994,490	37,459
HARWINTON	61	75	16,982,929	129,797
HEBRON	77	167	42,902,317	322,467
KENT	41	60	36,846,850	346,551
KILLINGLY	248	384	75,173,558	592,775
KILLINGWORTH	46	135	38,261,450	289,361
LEBANON	105	147	29,735,162	224,264
LEDYARD	140	307	68,103,855	518,478
LISBON	55	70	13,122,318	101,667
LITCHFIELD	110	165	49,204,080	393,356
LYME	47	60	26,190,100	206,575
MADISON	241	378	178,445,355	1,432,698
MANCHESTER	454	859	269,764,203	2,570,509
MANSFIELD	163	231	74,311,852	665,059
MARLBOROUGH	60	98	27,967,474	227,671
MERIDEN	601	829	144,923,629	1,166,489
MIDDLEBURY	76	142	49,425,198	378,164
MIDDLEFIELD	50	79	21,317,549	166,908
MIDDLETOWN	405	660	200,736,894	1,573,025
MILFORD	555	990	385,951,051	3,179,615
MONROE	169	296	110,422,406	875,380
MONTVILLE	229	287	78,072,204	648,802

FY 2017-18 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
MORRIS	30	39	16,823,856	\$ 142,414
NAUGATUCK	312	431	69,530,831	549,366
NEW BRITAIN	543	812	158,158,237	1,333,120
NEW CANAAN	173	332	487,276,418	4,910,163
NEW FAIRFIELD	157	232	88,693,994	708,372
NEW HARTFORD	67	109	25,515,985	191,370
NEW HAVEN	956	898	405,426,806	3,696,726
NEWINGTON	287	469	128,296,300	1,133,816
NEW LONDON	256	307	68,224,674	575,758
NEW MILFORD	305	510	151,955,456	1,280,176
NEWTOWN	248	508	201,556,414	1,560,077
NORFOLK	40	41	14,308,381	114,219
NORTH BRANFORD	152	184	46,839,483	358,846
NORTH CANAAN	28	46	8,936,933	70,597
NORTH HAVEN	223	346	139,416,795	1,209,539
NORTH STONINGTON	71	101	24,944,731	199,440
NORWALK	588	1,229	789,972,765	7,222,849
NORWICH	437	570	95,177,297	752,768
OLD LYME	173	204	71,716,050	545,670
OLD SAYBROOK	189	280	139,196,603	1,230,087
ORANGE	123	210	114,046,881	1,020,905
OXFORD	143	202	72,991,020	580,713
PLAINFIELD	197	279	98,080,832	1,007,291
PLAINVILLE	183	312	60,814,406	487,471
PLYMOUTH	150	215	37,373,188	295,011
POMFRET	61	76	19,474,776	147,038
PORTLAND	117	189	45,803,109	366,228
PRESTON	91	113	21,401,196	161,060
PROSPECT	101	164	43,365,012	326,200
PUTNAM	121	194	34,293,490	272,663
REDDING	72	120	64,576,495	516,672
RIDGEFIELD	217	458	307,595,512	2,535,696
ROCKY HILL	168	298	76,396,281	617,273
ROXBURY	50	47	33,255,548	300,641
SALEM	48	95	23,923,040	190,073
SALISBURY	59	110	59,549,455	508,224
SCOTLAND	14	17	2,936,841	22,026
SEYMOUR	180	264	61,344,587	480,559
SHARON	40	72	42,637,973	390,444
SHELTON	342	660	281,890,437	2,321,143
SHERMAN	53	81	41,536,884	349,257
SIMSBURY	184	454	170,860,250	1,302,377
SOMERS	77	154	43,808,808	339,121

FY 2017-18 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
SOUTHBURY	239	475	120,617,958	\$ 921,436
SOUTHINGTON	531	732	207,768,575	1,656,579
SOUTH WINDSOR	241	461	164,455,475	1,470,890
SPRAGUE	29	29	5,815,200	43,614
STAFFORD	170	224	32,591,911	251,053
STAMFORD	866	1638	1,139,532,024	9,890,763
STERLING	50	85	15,896,172	128,471
STONINGTON	267	410	174,001,162	1,519,024
STRATFORD	548	921	293,326,178	2,619,164
SUFFIELD	173	248	75,159,003	574,068
THOMASTON	72	103	21,914,401	187,408
THOMPSON	142	184	38,946,627	301,225
TOLLAND	128	213	56,013,656	434,302
TORRINGTON	424	592	84,829,117	687,232
TRUMBULL	306	551	229,835,529	1,824,754
UNION	21	27	7,039,867	57,174
VERNON	239	439	90,209,534	749,928
VOLUNTOWN	41	42	7,077,651	53,082
WALLINGFORD	420	679	221,731,753	1,896,227
WARREN	22	28	24,187,363	239,020
WASHINGTON	78	85	57,563,974	525,842
WATERBURY	1,105	1,275	206,081,417	1,889,350
WATERFORD	270	389	98,302,834	772,892
WATERTOWN	251	359	83,160,848	659,561
WESTBROOK	264	180	57,543,383	490,193
WEST HARTFORD	461	986	336,511,046	2,599,863
WEST HAVEN	452	670	137,473,193	1,073,199
WESTON	88	150	116,904,151	968,122
WESTPORT	281	518	760,683,967	7,640,336
WETHERSFIELD	277	458	124,007,576	1,016,207
WILLINGTON	56	68	24,320,619	184,367
WILTON	131	248	196,644,833	1,716,834
WINCHESTER	112	160	29,764,072	230,591
WINDHAM	167	255	43,355,204	380,156
WINDSOR	255	451	132,829,275	1,203,282
WINDSOR LOCKS	126	228	98,491,341	1,039,762
WOLCOTT	192	207	46,822,917	369,097
WOODBIDGE	82	124	48,411,222	369,430
WOODBURY	104	166	48,273,082	378,486
WOODSTOCK	119	204	48,257,683	372,030
TOWN UNKNOWN	83	136	41,428,954	338,477
TOTAL	33,809	53,983	\$21,053,727,611	\$183,480,574

RENTAL SURCHARGE

The Rental Surcharge is imposed on the rental of machinery by a rental company. The surcharge is imposed on machinery rented for a period of less than 365 days, or under an open-ended contract for an undefined period. Prior to July 1, 2018, the rate was 1.5%. The rate increased to 2.75% effective July 1, 2018.

Legislation enacted in 2017 repealed the 3% surcharge on rentals of passenger motor vehicles and rental trucks as of January 1, 2018.

Revenue	
FY 2017-18	\$ 269,319
2016-17	323,801
2015-16	407,484

Exemptions

- Rentals by an agency of United States Government; and
- Rentals by a person that is not a rental company.

Number of Taxpayers / Filing Frequency

89 taxpayers for the FY 18 (this includes motor vehicle and truck rental companies who will not be filing for FY 19 forward) / Annually

Basis and Rate

1.5% of the total rental charges on machinery prior to July 1, 2018. Rate increased to 2.75% on July 1, 2018.

3% for passenger motor vehicle and truck rentals prior to January 1, 2018, and repealed after said date.

Comparative Data

Gross collections of the surcharge by rental companies during 2017 amounted to \$8,694,450. Rental companies retained the difference between gross collections and the amount remitted to reimburse personal property taxes and titling and registration fees paid in Connecticut.

REPEALED TAXES

CONNECTICUT ESTATE TAX

The Connecticut Estate Tax was equal to the amount that the federal government allowed as a tax credit for state death taxes. A credit was allowed for the amount of Connecticut Succession Tax imposed and paid. The Connecticut Estate Tax was replaced by the Estate and Gift Tax and does not apply to estates of decedents dying on or after January 1, 2005.

Revenue collected for Fiscal Year 2017-18: \$ 1,331

GIFT TAX

The Connecticut Gift Tax applied to Connecticut taxable gifts made prior to January 1, 2005 that had been taxable for federal purposes. The Gift Tax was replaced by the Estate and Gift Tax for taxable gifts made on or after January 1, 2005.

Revenue collected for Fiscal Year 2017-18: \$ 337,347

SUCCESSION TAX

The Succession Tax was levied on the transfer of property after death, with rates that varied depending on the size of the estate and the relationship of the decedent to the beneficiary. The Connecticut Succession Tax has been repealed and does not apply to estates of decedents dying on or after January 1, 2005.

Revenue collected for Fiscal Year 2017-18: \$ 121,148

SALES AND USE TAXES

Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property at retail, from the rental or leasing of tangible personal property, and on the gross receipts from the rendering of certain services.

Revenue	
FY 2017-18	\$ 4,530,508,619
2016-17	4,381,614,724
2015-16	4,335,567,554

Basis and Rate

6.35% on the gross receipts from the sale, rental or leasing of tangible personal property, and the rendering of certain services (general rate);

7.75% This tax rate applies to:

- Most motor vehicles with a sales price of more than \$50,000;
- Items of jewelry with a sales price of more than \$5,000; and;
- Articles of clothing or footwear or a handbag, luggage, umbrella, wallet or watch, with a price of more than \$1,000.

4.5% on the sale of a motor vehicle to a nonresident member of the United States armed forces serving on active duty in Connecticut;

1.0% on computer and data processing services;

9.35% for the rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less;

2.99% for sales and purchases of vessels, motors for vessels, and trailers used for transporting a vessel. Effective July 1, 2018.

11.0% for occupancy in bed and breakfast establishments on or after October 1, 2017;

15.0% for the rental of rooms in a hotel or lodging house.

SALES AND USE TAXES (cont.)

Exemptions

Conn. Gen. Stat. §12-412 provides for various exemptions from the sales and use taxes for the sale of, storage, use or other consumption of numerous goods and services. The following table provides a summary of the major exemptions claimed by businesses during Fiscal Year 2017-18.

FY 2017-18 SALES TAX EXEMPTIONS (In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Sale for Resale - Goods	\$91,678.6	\$361.3	\$92,039.9	\$5,849.6
Sale for Resale - Leases and Rentals	1,925.3	550.1	2,475.4	164.9
Sale for Resale - Labor and Services	2,852.6	0.0	2,852.6	181.1
Magazines by Subscription and All Newspapers	158.1	0.0	158.1	10.0
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	150.4	0.0	150.4	9.6
Food Products for Human Consumption	7,003.1	0.0	7,003.1	444.7
Fuel for Motor Vehicles	6,959.7	0.0	6,959.7	441.9
Electricity/Gas/Heating Fuel (residential)	2,537.6	0.0	2,537.6	161.1
Electricity (\$150 monthly per business)	50.8	0.0	50.8	3.2
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	757.2	0.0	757.2	48.1
Aviation Fuel	224.4	0.0	224.4	14.2
Sales of Tangible Personal Property to Farmers	87.7	0.0	87.7	5.6
Machinery/Materials/Tools/Fuel - Mfg. Product	1,803.7	0.0	1,803.7	114.5

SALES AND USE TAXES (cont.)

FY 2017-18 SALES TAX EXEMPTIONS (cont.)

(In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Machinery/Materials/ Equip. - Printing	60.3	0.0	60.3	3.8
Machinery/Materials/ Tools/Fuel - Comm. Fishing	8.2	0.0	8.2	0.5
Out-of-State - Sale of Goods	40,570.5	62.3	40,632.8	2,581.1
Out-of-State - Leases/Rentals	822.0	37.2	859.2	55.1
Out-of-State - Labor and Services	13,177.0	0.0	13,177.0	836.7
Sales of Motor Vehicles, Vessels to Nonresidents	768.1	212.4	980.5	65.2
Prescription Medicines	6,157.3	0.0	6,157.3	391.0
Nonprescription Drugs and Medicines	81.5	0.0	81.5	5.2
Charitable/Religious - Sale of Goods	1,257.8	1.2	1,259.0	80.0
Charitable/Religious - Leases and Rentals	61.6	0.0	61.6	3.9
Charitable/Religious - Labor and Services	954.3	0.0	954.3	60.6
Government - Sale of Goods	11,565.1	1.6	11,566.7	734.5
Government- Leases and Rentals	74.3	0.7	75.1	4.8
Government- Labor and Services	6,314.0	0.0	6,314.0	400.9
Pollution Abatement	20.3	0.0	20.3	1.3
Non-Taxable Labor and Services	17,980.2	0.0	17,980.2	1,141.7
Business Services/Parent Owned Subs.	1,039.6	0.0	1,039.6	66.0
Trade-ins of Like-Kind Personal Property	129.9	166.1	296.0	21.1
Taxed Goods returned within 90 days	769.2	0.9	770.1	48.9

SALES AND USE TAXES (cont.)

FY 2017-18 SALES TAX EXEMPTIONS (cont.)

(In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Oxygen, Plasma, Prostheses, etc.	261.4	0.0	261.4	16.6
Funeral Expenses up to \$2,500	96.1	0.0	96.1	6.1
Repair or Replacement Parts/Repair Services to Aircraft	1,135.9	0.0	1,135.9	72.1
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the Full and 3% Rates)	26.5	0.0	26.5	1.7
Sales of Machinery, Equipment, Tools, Fuel, and Supplies used in the Biotechnology Industry	155.4	0.0	155.4	9.9
Sales of Repair and Maintenance Service to Vessels	62.9	0.0	62.9	4.0
Computer and Data Processing Services (Difference between the Full and 1% Rates)	3,970.7	0.0	3,970.7	252.1
Renovation Services to Residential Property	563.2	0.0	563.2	35.8
Sales to Direct Payment Permit Holders	822.7	0.2	822.8	52.3
Sales of College Textbooks	12.6	0.0	12.6	0.8
Sales Tax Holidays	42.7	0.0	42.7	2.7
Motor Vehicles Sold to Armed Forces (Difference between the Full and 4.5% Rates)	9.3	0.9	10.2	0.7

SALES AND USE TAXES (cont.)

FY 2017-18 SALES TAX EXEMPTIONS (cont.)

(In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Purchases of Cigarettes Taxed by a Distributor	663.6	0.0	663.6	42.1
Other Adjustments - Sales of Goods	8,286.0	8.2	8,294.2	526.8
Other Adjustments - Leases and Rentals *	384.3	12.5	418.4	27.4
Other Adjustments - Labor and Services	1,848.7	0.0	1,848.7	117.4
TOTAL	\$236,342.4	\$1,415.6	\$237,779.7	\$15,119.5

* Includes deductions for the 9.35% tax rate.

Number of Taxpayers/Filing Frequency

149,875 Sales and Use Taxpayers
 60,812 / Monthly
 44,294 / Quarterly
 44,769 / Annually

1,865 Business Use Taxpayers

 690 Room Occupancy Taxpayers
 628 / Monthly
 62 / Quarterly

SALES AND USE TAXES (cont.)

Comparative Data

Table I provides a summary of collection amounts attributed to each component of the Sales and Use taxes. Revenue from required license payments are included in both Sales and Use and Room Occupancy collections.

TABLE I:

Sales and Use Tax Collections - Fiscal Years 2016 - 2018

	FY 2015-16	FY 2016-17	FY 2017-18
Sales and Use	\$4,122,248,483	\$4,173,154,923	\$4,331,587,576
Business Use	69,199,911	63,464,312	56,522,460
Individual Use	24,377,328	22,205,637	12,697,224
Room Occupancy	119,741,832	122,789,852	129,701,359
Total Tax	\$4,335,567,554	\$4,381,614,724	\$4,530,508,619

Table II provides a summary of all gross receipts reported under the sales and use taxes attributable to various components. Note that the figures are gross, and do not necessarily represent taxable receipts.

Table II:

Gross Receipts Reported on Sales Tax Returns Periods Ending in Fiscal Year 2017-18 *(In Millions)*

Gross Receipts Attributable to:	6.35% Tax Rate	7.75% Tax Rate
Sales of Tangible Personal Property	\$241,335.7	\$2,074.7
Leasing/Rental of Tangible Personal Property	3,769.5	289.3
Rendering of Services	51,563.1	0

SALES AND USE TAXES (cont.)

Table III provides a summary of taxable receipts reported under the sales and use taxes attributable to room occupancy and the rental or leasing of passenger motor vehicles for a period of 30 consecutive calendar days or less.

Table III:

Taxable Receipts		
Periods Ending in Fiscal Year 2017-18		
<i>(In Millions)</i>		
Taxable Receipts Attributable to:	Tax Rate	Taxable Receipts
Room Occupancy	11% / 15%	\$856.7
Rental or Leasing of Motor Vehicles for 30 days or Less	9.35%	242.7

Table IV provides a summary of taxable purchases subject to business use taxes.

Table IV:

Purchases Subject to Business Use Tax			
Periods Ending in Fiscal Year 2017-18			
<i>(In Millions)</i>			
	6.35%	7.75%	9.35%
	Tax Rate	Tax Rate	Tax Rate
Purchases of Tangible Personal Property	\$4,167.2	\$0.5	\$0
Leasing/Rental of Tangible Personal Property	41.2	0.1	0.1
Purchases of Services	1,024.3	0	0

SALES AND USE TAXES (cont.)

Table V below, provides a summary of retail sales of goods for the state of Connecticut over the past three fiscal years. These sales include those goods which are exempt from the sales and use tax.

Data is provided for the Retail Trade subsectors within the North American Industry Classification System (NAICS). Approximately 44% of all the sales and use tax revenue is generated by the retail trade sector.

TABLE V: Retail Sales Volume - Fiscal Years 2016 - 2018
(In Millions)

	FY 2015-16	FY 2016-17	FY 2017-18
Motor Vehicle and Parts Dealers (NAICS 441)	\$9,898.6	\$10,072.3	\$10,140.8
Furniture and Home Furnishings Stores (NAICS 442)	1,897.6	2,009.3	2,003.9
Electronics and Appliance Stores (NAICS 443)	1,643.8	1,656.5	1,633.7
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)	3,034.6	3,020.9	3,187.3
Food and Beverage Stores (NAICS 445)	10,964.2	11,045.6	10,588.4
Health and Personal Care Stores (NAICS 446)	5,074.7	5,274.6	4,291.3
Gasoline Stations (NAICS 447)	3,196.1	3,297.8	3,729.1
Clothing and Clothing Accessories Stores (NAICS 448)	3,083.1	3,035.6	3,084.0
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	1,084.9	1,125.1	1,047.9
General Merchandise Stores (NAICS 452)	5,503.2	5,419.0	5,523.3
Miscellaneous Store Retailers (NAICS 453)	5,773.9	5,978.1	6,989.2
Non-store Retailers (NAICS 454)	4,204.1	4,095.5	4,641.6
TOTAL RETAIL TRADE (NAICS 44-45)	\$55,358.8	\$56,030.3	\$56,860.5

Table VI on the following page provides total sales and use taxes revenues by the economic activities sectors of the North American Industry Classification System (NAICS) for Fiscal Year 2017-18. The revenues are from regular payments and represent 95% of the total sales and use taxes collected in FY 2017-18.

SALES AND USE TAXES (cont.)

TABLE VI: Sales & Use Tax - From Periods Ending in Fiscal Year 2017-18
(In Millions)

	NAICS Code	Tax Due at 6.35%	Tax Due at 7.75%	Total Tax Due (Incl. 9.35% rate)
Utilities	22	\$137.3	\$0.0	\$137.3
Construction	23	159.7	0.3	160.0
Manufacturing	31-33	201.4	0.3	201.7
Wholesale Trade	42	216.9	0.4	217.3
<i>Motor Vehicle and Parts Dealers</i>	441	\$411.8	\$45.0	\$457.2
<i>Furniture and Home Furnishings</i>	442	104.8	0.0	104.8
<i>Electronics and Appliance Stores</i>	443	71.6	0.0	71.6
<i>Building Material and Garden Equipment</i>	444	175.7	0.0	175.7
<i>Food and Beverage Stores</i>	445	213.5	0.0	213.5
<i>Health and Personal Care Stores</i>	446	40.1	0.0	40.1
<i>Gasoline Stations</i>	447	25.7	0.7	26.4
<i>Clothing and Clothing Accessories Stores</i>	448	172.2	10.8	183.0
<i>Sporting Goods, Hobby, Book Stores</i>	451	52.4	0.0	52.4
<i>General Merchandise Stores</i>	452	233.0	0.2	233.2
<i>Miscellaneous Store Retailers</i>	453	214.9	3.1	218.0
<i>Non-store Retailers</i>	454	132.7	0.2	132.8
Retail Sector Subtotal	44-45	1,848.4	59.9	1,908.7
Information	51	267.7	1.0	268.7
Finance and Insurance	52	61.9	0.1	62.0
Real Estate and Rental and Leasing	53	114.8	11.6	145.7
Professional, Scientific and Technical Services	54	180.2	0.1	180.3
Administrative and Support	56	200.2	0.0	200.2
Arts, Entertainment & Recreation	71	37.2	0.1	37.2
Accommodation and Food Services	72	394.5	0.1	394.6
Other Services (except Public Admin)	81	180.1	1.2	181.4
All Other Businesses		179.3	3.8	185.5
TOTAL SALES & USE TAX REVENUE		\$4,179.7	\$78.8	\$4,280.7

SOLID WASTE ASSESSMENT

The Solid Waste Assessment is levied on the owners of commercial resources recovery facilities that process municipal solid waste to reclaim energy.

Revenue	
FY 2017-18	\$3,013,079
2016-17	3,045,726
2015-16	3,100,569

Number of Taxpayers / Filing Frequency

5 taxpayers / Quarterly

Basis and Rate

\$1.50 per ton of solid waste processed.

TOBACCO PRODUCTS TAX

An excise tax is imposed on all non-cigarette tobacco products such as cigars, stogies, snuff, pipe and chewing tobacco. The tax is imposed when the tobacco products are manufactured, imported, or purchased by distributors. Distributors must be licensed annually and remit the tax on a monthly basis.

Revenue	
FY 2017-18	\$19,422,020
2016-17	14,594,924
2015-16	12,255,744

Exemptions

- Tobacco products exported from the State; and
- Tobacco products sold to the federal government.

Number of Taxpayers/Filing Frequency

349 distributors/Monthly

Basis and Rate*

Tobacco products are taxed at 50% of the wholesale sales price, except for cigars and snuff.

Cigars are taxed at 50% of the wholesale sales price, not to exceed 50¢ per cigar.

Effective for sales occurring on or after December 1, 2017, snuff tobacco products are taxed at \$3.00 per ounce. Prior to December 1, 2017, snuff tobacco products were taxed at a rate of \$1.00 per ounce.

* The tax on tobacco products is reduced by 50% for any product the Secretary of the United States Department of Health and Human Services determines to be a “modified risk tobacco product” pursuant to 21 U.S.C. §387k.

Type	FY 2015-16	FY 2016-17	FY 2017-18
Other Tobacco Products*	\$6,346,391	\$7,549,972	\$8,126,536
Snuff Tobacco Products	4,807,575	5,336,724	10,134,250
Cigars in excess of \$1.00 per cigar	1,090,566	1,052,101	1,101,007

* Other Tobacco Products consists of all taxable tobacco products other than snuff and cigars in excess of \$1.00 per cigar.

TOURISM SURCHARGE

A surcharge is levied on the rental and leasing of passenger motor vehicles for a period of thirty consecutive calendar days or less. Revenues generated by the surcharge are deposited into the General Fund.

Revenue	
FY 2017-18	\$5,310,837
2016-17	5,381,432
2015-16	5,338,305

Exemption

The rental or leasing of a motor vehicle pursuant to a written agreement, which has a term of more than thirty days.

Number of Taxpayers / Filing Frequency

20 taxpayers / Monthly
65 taxpayers / Quarterly

Basis and Rate

\$1.00 per day or portion of a day, for the rental or lease of a passenger motor vehicle delivered to a lessee in Connecticut (regardless of where the vehicle is subsequently used) for a term of 30 consecutive calendar days or less.

TRANSPORTATION NETWORK COMPANY FEE

Effective January 1, 2018, 2017 Conn. Pub. Acts 2 (June Special Session) established a fee per ride on transportation network companies. Each transportation network company shall pay a fee of twenty-five cents on each prearranged ride that originates in this state. The fee is paid over to the Department of Revenue Services and the revenue is reported with the Motor Carrier Road Tax collections for fiscal year 2018.

Number of Taxpayers/Filing Frequency

4 /Quarterly

Basis and Rate

25¢ on each prearranged ride that originates in this state.

UNRELATED BUSINESS INCOME TAX

The Unrelated Business Income Tax is imposed on any trade or business conducted by a tax-exempt organization that does not substantially relate to its tax-exempt purpose. The tax is paid at the same rate as the Corporation Business Tax.

Revenue	
FY 2017-18	\$ 6,423,832
2016-17	4,200,458
2015-16	4,593,450

Number of Taxpayers / Filing Frequency

500 organizations / Annually

Basis and Rate

7.5% of the unrelated business income of the organization. A surtax of 20% applies to organizations whose gross income is \$100 million or more for the 2012 through 2017 income years. The surtax rate is reduced to 10% for income year 2018 and eliminated for income year 2019.

No minimum tax is required.

Credits

For the 2016 income year, 26 taxpayers claimed \$10,499 in Electronic Data Processing Property Tax Credits.

PENALTY AND INTEREST RECEIPTS

Failure to pay taxes or file tax returns in a timely manner generally results in a penalty to the taxpayer of \$50 or 10% of the tax due, whichever is greater. If the taxpayer is subject to a penalty for late payment, the late filing penalty is not applicable.

Penalties for late electronic funds transfer (EFT) payments are:

- 2% of the tax due for EFT payments not more than 5 days late;*
- 5% for EFT payments more than 5 days but not more than 15 days late; and*
- 10% for EFT payments more than 15 days late.*

The penalty for the late payment of Sales and Use taxes is 15% of the amount due, or \$50, whichever is greater. The penalty for failure to pay the use tax with the Connecticut income tax return is 10%, reduced from 15%, to parallel the rate for the income tax.

Interest is also charged on any amount of tax due that is not paid on or before the due date or on the underpayment of estimated tax requirements. Interest is charged on a monthly basis at a rate of 1% per month from the due date.

Penalty and Interest Revenue By Tax Source

Tax Type		FY 2015-16	FY 2016-17	FY 2017-18
Corporation Business Tax	Penalty	\$2,420,355	\$3,960,069	\$3,054,874
	Interest	9,020,240	24,981,371	22,394,444
Income Tax	Penalty	22,462,812	24,138,590	29,550,680
	Interest	47,875,149	55,208,314	71,897,567
Sales & Use	Penalty	14,351,874	14,270,375	15,630,783
	Interest	22,103,875	23,980,568	33,445,511
All Other Taxes	Penalty	4,603,676	4,299,590	5,093,318
	Interest	6,231,647	7,153,519	7,967,057
Total	Penalty	\$43,838,717	\$46,668,624	\$53,329,655
	Interest	\$85,230,912	\$111,323,771	\$135,704,579

TAX REFUNDS

The Department of Revenue Services issues refunds to taxpayers when an overpayment of tax liability has been made. The refund is charged to the fund to which such tax, penalty or interest was previously credited. Due to statutory allowances, refunds for Motor Fuel Taxes are allowed in certain cases involving fuel sold to a Connecticut motorbus company or company engaged in livery service.

Refunds of the Personal Income Tax owed to any person or entity with a debt obligation to Connecticut, the Internal Revenue Service or another reciprocating state may be withheld to offset the outstanding debt. There were 57,764 external offsets totaling \$22,942,600 in Fiscal Year 2017-18, compared to 62,933 external offsets that totaled \$24,815,479 in Fiscal Year 2016-17.

AMOUNT OF TAXES REFUNDED			
	FY 2015-16	FY 2016-17	FY 2017-18
Admissions & Dues Tax	\$178,015	\$94,587	\$104,576
Alcoholic Beverages	12,327	3,959	21,521
Beverage Container Deposits	31,608	469,404	-13,968
Business Entity Tax	1,229,200	738,862	1,067,941
Business Use Tax	1,775,424	8,249,360	5,399,359
Cable, Satellite & Video Companies Tax	152,398	-67	714,144
Cigarette Tax	1,757,278	1,506,756	437,584
Controlling Interest Transfer Tax	1,155,290	1,824,975	1,252,677
Corporation Business	103,561,001	140,338,266	142,395,150
Corporation R&D Credit Buyback	7,623,243	5,485,268	5,664,350
Electric & Power Companies	383,402	163,472	320,418
Estate & Gift Tax	26,664,666	32,925,012	35,608,089
Gas Companies	18,992	15,504	101,856
Gasoline Motor Vehicle Fuels Tax	5,180,894	5,282,508	5,947,297
Health Care Centers Tax	2,021,638	2,464	642,095
Hospitals Tax	0	143,390	155,268
Income Tax	1,013,042,778	1,029,115,162	1,036,572,691
Insurance Premiums Tax, Domestic	962,855	2,393,940	1,919,912
Insurance Premiums Tax, Foreign	8,756,733	10,959,115	8,940,180
Insurance, Non-admitted/Unauthorized	14,594	15,252	169,360
Motor Carrier Road Tax	2,012,305	1,348,285	1,019,228
Nursing Home User Fee	683,684	777,871	129,033
Occupational Tax	177,385	207,178	333,469
PEG Account	3,590	0	41,652
Petroleum Products Gross Earnings Tax	16,144,556	6,193,926	2,948,094
Real Estate Conveyance Tax	1,165,048	2,844,080	779,120
Room Occupancy Tax	156,851	60,248	164,325
Sales & Use Taxes	43,711,393	19,984,880	23,065,922
Special Fuel Tax	127,818	411,642	135,254
Tobacco Products Tax	52,077	6,151	62,389
Unrelated Business Income Tax	163,079	799,904	560,323
Withholding	9,287,183	10,263,620	8,808,644
Miscellaneous	58,755	39,971	27,397
Total	\$1,248,300,349	\$1,282,732,495	\$1,285,529,688

**FY 2017-18 ANNUAL REPORT
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

PREPARED BY: TAX RESEARCH UNIT

Susan B. Sherman
Ernest Adamo
Michael J. Galliher