

# **STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES**



## **FISCAL YEAR 2016-2017 ANNUAL REPORT**

**Kevin B. Sullivan  
Commissioner**

**Dannel P. Malloy  
Governor**



## A MESSAGE FROM THE COMMISSIONER

I am pleased to present our Annual Report. DRS continues to make our agency leaner, smarter and more responsive.

Rather than new taxes, our focus is closing the “tax gap” between what is due and what is paid.

DRS continues to ramp up our efforts to protect taxpayers and fight tax fraud. The agency has been much more active and visible in offering better and more accessible taxpayer information and assistance. We completed implementation of tax reforms that are helping Connecticut-based businesses be more competitive. DRS also continues to level the playing field for in-state retailers competing with on-line retailers.

This Annual Report offers summary statistical data for the taxes we administer. More information is available at our website at [www.ct.gov/drs](http://www.ct.gov/drs) and from our Research Unit at [drs.taxresearch@po.state.ct.us](mailto:drs.taxresearch@po.state.ct.us).

We hope you find this report helpful and we welcome any comments or suggestions. We are here to help.

Sincerely,

*Kevin B. Sullivan*

**Kevin B. Sullivan**  
Commissioner of Revenue Services

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# DIRECTORY

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## COMMISSIONER

KEVIN B. SULLIVAN  
(860) 297-4900

[Kevin.Sullivan@po.state.ct.us](mailto:Kevin.Sullivan@po.state.ct.us)

## DEPUTY COMMISSIONER

JOSEPH W. MOONEY  
(860) 297-5801  
[Joseph.Mooney@po.state.ct.us](mailto:Joseph.Mooney@po.state.ct.us)

## GENERAL COUNSEL & FIRST ASSISTANT COMMISSIONER

LOUIS P. BUCARI JR.  
(860) 297-5798  
[Louis.Bucari@po.state.ct.us](mailto:Louis.Bucari@po.state.ct.us)

---

### ADMINISTRATION BUREAU

JAMES E. NORTON  
(860) 297-5608  
[James.Norton@po.state.ct.us](mailto:James.Norton@po.state.ct.us)

### COMPLIANCE BUREAU

JOHN H. KUTSUKOS  
(860) 541-4561  
[John.Kutsukos@po.state.ct.us](mailto:John.Kutsukos@po.state.ct.us)

### LEGAL SERVICES BUREAU

LOUIS P. BUCARI JR.  
(860) 297-5798  
[Louis.Bucari@po.state.ct.us](mailto:Louis.Bucari@po.state.ct.us)

### OPERATIONS BUREAU

PAMELA DOOLAN  
(860) 297-5901  
[Pam.Doolan@po.state.ct.us](mailto:Pam.Doolan@po.state.ct.us)

### OFFICE OF LEGAL AFFAIRS & RESEARCH

MARILEE A. CLARK  
(860) 297-5634  
[Marilee.Clark@po.state.ct.us](mailto:Marilee.Clark@po.state.ct.us)

### COMMUNICATIONS OFFICE

JAMES A. CARSON  
(860) 297-5613  
[James.Carson@po.state.ct.us](mailto:James.Carson@po.state.ct.us)

### SUSAN B. SHERMAN

(860) 297-5693  
[Susan.Sherman@po.state.ct.us](mailto: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**

## **2017 GENERAL ASSEMBLY REGULAR & SPECIAL SESSIONS**

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### **ADMISSIONS TAX**

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#### **Public Act 17-147**

Establishes conditions under which DRS may impose bond requirements under the admissions tax.

#### **Public Act 17-2, June Special Session**

- Expands the local option admissions tax to certain places of entertainment; and
- Eliminates the admissions tax exemptions for events at the following venues: XL Center; Webster Bank Arena in Bridgeport; Dunkin Donuts Park in Hartford, and New Britain Stadium. Effective December 1, 2017.

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### **CIGARETTE & TOBACCO PRODUCTS TAXES**

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#### **Public Act 17-147**

- Expands successor liability for the cigarette and tobacco products taxes;
- Codifies federal exemption for cigarette sales on armed services bases;
- Requires access to tobacco products records on premises; and
- Adds tobacco products to the Corrupt Organizations and Racketeering Activity Act (C.O.R.A.) statute.

#### **Public Act 17-2, June Special Session**

- Increases the cigarette tax from \$3.90 a pack to \$4.35 a pack. Effective for sales on or after December 1, 2017 ;
- Establishes a floor tax due and payable December 15, 2017 for inventory as of November 30, 2017;
- Increases the tax on snuff tobacco from \$1 per ounce to \$3 per ounce, effective December 1, 2017; and
- Provides for a 50% reduction in either the cigarette or tobacco products tax rate for any product recognized by the Secretary of the United States Department of Health and Human Services as a “modified risk tobacco product.” Effective for sales on or after December 1, 2017.

## 2017 LEGISLATIVE SUMMARY (cont.)

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### CORPORATION BUSINESS TAX

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#### **Public Act 17-147**

Provides corporations one month from their federal due date to file their state return, or, where no federal return is required, the due date is the fifteenth day of the fifth month following the close of the income year.

#### **Public Act 17-2, June Special Session**

- Creates brownfield revitalization ("7/7") credits, effective for income years commencing on or after January 1, 2017;
- Extends the FAS 109 corporation income tax deduction for publicly-traded companies over 30 years. This provision was further amended in Public Act 17-4, June Special Session (see below); and
- Requires the Department of Economic Development (DECD) to administer programs to allow businesses to use stranded research and development (R&D) tax credits in exchange for undertaking certain capital projects, or making certain venture capital investments. Additionally, requires DECD, in consultation with the Department of Revenue Services (DRS) and Connecticut Innovations, Inc., to hold tax credit auctions or enter into agreements to allow taxpayers holding stranded incremental and nonincremental R&D tax credits to use the credits in exchange for making investments in their corporate venture capital fund.

#### **Public Act 17-4, June Special Session**

Delays the first year in which certain publicly-traded companies may claim the FAS 109 corporation income tax deduction from the 2018 income year to the 2021 income year.

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### ESTATE AND GIFT TAX

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#### **Public Act 17-2, June Special Session**

- Increases the gift and estate tax threshold over three years to: \$2.6 million for decedents dying on or after January 1, 2018; \$3.6 million for decedents dying on or after January 1, 2019; and, the federal exclusion amount for decedents dying on or after January 1, 2020; and
- Effective for taxable gifts made and estates of decedents dying on or after January 1, 2019, the \$20M payment cap is reduced to \$15M.

## **2017 LEGISLATIVE SUMMARY (cont.)**

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### **HOSPITAL NET REVENUE TAX**

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#### **Public Act 17-2, June Special Session and Public Act 17-4, June Special Session**

The hospital net revenue, nursing home, and intermediate care facilities taxes are sunset as of June 30, 2017. Effective July 1, 2017, new health provider taxes are established.

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### **INSURANCE PREMIUMS TAXES**

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#### **Public Act 17-125**

The bill allows the insurance commissioner to designate a domestic insurance company as a domestic surplus lines insurer, which is subject to a 4% gross premiums tax.

#### **Public Act 17-198**

The bill reduces the minimum unimpaired paid-in capital and surplus requirement a sponsored captive insurance company must have in order to obtain or retain a license from \$500,000 to \$225,000.

#### **Public Act 17-2, June Special Session**

- Allows for the creation of a special captive insurance company to provide assistance to homeowners affected by crumbling foundations;
- Reduces the insurance premiums tax from 1.75% to 1.5%. Effective for income years commencing on or after January 1, 2018;
- Extends and makes permanent the three-tiered tax credit cap that expired for income years on or after January 1, 2017; and
- Prohibits the film and digital media production credits from being used on motion pictures that are not state-certified, prior to July 1, 2013.

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### **INTERMEDIATE CARE FACILITY USER FEE**

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#### **Public Act 17-2, June Special Session and Public Act 17-4, June Special Session**

The hospital net revenue, nursing home, and intermediate care facilities taxes are sunset as of June 30, 2017. Effective July 1, 2017, new health provider taxes are established.

## **2017 LEGISLATIVE SUMMARY (cont.)**

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### **MISCELLANEOUS TAXES**

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#### **Public Act 17-140**

This bill establishes regulations for Transportation Network Companies.

#### **Public Act 17-147**

- Changes the application of payments to satisfy penalty, then tax, and, lastly, interest. Currently, penalty and interest are satisfied before the principal (tax);
- Requires taxpayers, who the commissioner determines must pay on a weekly basis, to do one of two options: deposit the tax collected in a separate bank account in trust for the state, or contract with a certified service provider who will remit the tax to the state;
- Requires reporting entities as defined in I.R.C. §6050W (e.g., payment settlement entities) to file a duplicate copy of the 1099-K that they filed with the IRS to DRS within thirty days of their federal filing;
- With respect to warrants issued by the department, provides for a continuous order to withhold for up to 180 days;
- Defines terms and prohibits tax preparers and facilitators from charging excess fees and engaging in other unfair practices. Requires non-accountants and other nonregulated tax preparers to register with DRS. Excludes accountants, enrolled agents, and attorneys;
- Exempts from the dry cleaning surcharge businesses that accept clothing or other fabrics to be dry cleaned by another establishment (“drop stores”); and
- Provides for a one year statute of limitations on penalty waiver requests.

#### **Public Act 17-214**

This bill specifies that the CT Brownfield Land Bank is not subject to local or state taxes on revenue it may receive.

#### **Public Act 17-2, June Special Session**

- Creates brownfield revitalization (“7/7”) credits, effective for income years commencing on or after January 1, 2017;
- Makes permanent the \$5M Neighborhood Assistance Act tax credit cap. The program cap was slated to increase to \$10M in 2017;
- Eliminates the Green Buildings tax credit;

## **2017 LEGISLATIVE SUMMARY (cont.)**

### **Public Act 17-2, June Special Session (cont.)**

- Establishes a 10.5% tax on the gross receipts of fantasy sports contest operators. This provision is contingent upon amending the current gaming agreements between the Tribes and the state, and whether the amendments are approved by the state legislature and federal Department of the Interior. Effective for income and taxable years commencing on or after July 1, 2019;
- Eliminates the 3% motor vehicle rental surcharge. The bill allows companies to instead charge lessees certain itemized charges and fees. Effective January 1, 2018;
- Establishes a 25¢ fee per ride on transportation network companies, to be paid quarterly. Effective January 1, 2018;
- Establishes a “Fresh Start” compliance initiative for non-filers and underreporters. The program runs from the bill’s passage through November 30, 2018, and is open for any tax return due on or before December 31, 2016. The program covers all taxes except for the motor carrier road tax. Under the program, all penalties and 50% of interest are waived.
- Requires the Office of Policy and Management, in consultation with the DRS and DECD to examine existing state expenditures, prioritize said expenditures, and identify sources to pay for them. They must report their findings to the Finance Committee by February 1, 2018; and
- Establishes a credit revenue bond program through the State Treasurers Office. The bonds would be based on withholding tax payments that are pledged as collateral for the bonds. The bill requires DRS to deposit the withholding tax revenues into a special account. Effective upon passage (October 31, 2017).

### **Public Act 17-219**

This bill modifies the process requiring legislative approval for projects using Urban and Industrial Renovation tax credits. Legislative approval would be required for tax credits approved in excess of \$20 million, but less than \$30 million. Current law requires legislative approval for credits in excess of \$20 million. The bill also establishes Auditor of Public Accounts requirements pertaining to DECD.

### **Public Act 17-226**

This bill expands the legislative oversight of economic development programs, and certain programs administered by DECD, particularly state programs that provide tax incentives to businesses, including those administered by other state agencies.

## **2017 LEGISLATIVE SUMMARY (cont.)**

### **Public Act 17-244**

This bill allows for the Invest CT Fund tax credit to be sold, assigned, or otherwise transferred to one or more taxpayers.

### **Special Act 17-16**

This bill establishes a working group to study legislative and programmatic initiatives and develop a roadmap to foster the microbiome sector in the state. The Commissioner of DRS is a member of the working group. The group must make a presentation to the Governor and the General Assembly no later than February 1, 2018.

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### **NURSING HOME USER FEE**

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### **Public Act 17-2, June Special Session and Public Act 17-4, June Special Session**

The hospital net revenue, nursing home, and intermediate care facilities taxes are sunset as of June 30, 2017. Effective July 1, 2017, new health provider taxes are established.

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### **PERSONAL INCOME TAX**

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### **Public Act 17-110**

This bill expands the eligibility for the angel investor tax credit to investments in any business, and no longer restricts the credit to the industries specified under current law. The bill also restricts the amount of credit that can be claimed for investments made in emerging technology.

### **Public Act 17-147**

- Requires a taxpayer who has deferred compensation under I.R.C. §457A to include such “repatriated” income for purposes of the Connecticut income tax’;
- Allows for a bond requirement for the withholding tax;
- Mandates income tax withholding for pensions for federally taxable distributions to CT residents;
- Requires payers of nonpayroll amounts to annually provide each payee a written statement showing the amount paid and deducted and withheld, and to file certain informational returns with DRS by January 31, annually;
- Clarifies ownership requirements for sourcing of income from real property; and
- Establishes an income tax check-off box for the mental health community investment account, established under this bill.

## **2017 LEGISLATIVE SUMMARY (cont.)**

### **Public Act 17-2, June Special Session**

- Creates brownfield revitalization (“7/7”) credits, effective for income years commencing on or after January 1, 2017;
- Establishes a \$500 tax credit for individuals who are employed in Connecticut, and receive a bachelor’s, master’s, or doctorate degree in the fields of science, technology, engineering or math (STEM credit). Individuals must reside in Connecticut, or move to Connecticut, within two years of receiving such degree. The credit may be claimed for five successive taxable years after the date of graduation, provided the requirements are met in each taxable year. Effective for taxable years commencing on or after January 1, 2019;
- Establishes an income tax subtraction modification for financial assistance received from the Crumbling Foundation Assistance Program established under the act. Effective for taxable years commencing on or after January 1, 2017;
- Increases the thresholds for the social security income tax 100% exemption from \$50,000 to \$75,000 for single filers and married filing separately, and from \$60,000 to \$100,000 for joint filers. Originally effective for taxable years commencing on or after January 1, 2018, however, the provision was further amended in P.A. 17-4, June Special Session (see below);
- Creates a subtraction modification under the personal income tax for expenses related to donating an organ for transplants. The deduction is for up to \$10,000 in expenses. Effective for taxable years commencing on or after January 1, 2017;
- Maintains the subtraction modification for 25% of the income received through the teacher’s retirement system through the 2018 taxable year. The subtraction modification now increases to 50% for taxable years commencing on or after January 1, 2019;
- Creates, and phases in, a subtraction modification for pension and annuity income, starting at 14% for taxable years commencing on or after January 1, 2019, then 28%, 42%, 56%, 70%, 84%, and 100% for taxable years commencing on or after January 1, 2025;
- Limits eligibility for the income tax credit for property taxes paid to individuals who are 65 years of age or older before the end of the applicable year, or validly claim at least one dependent on their federal income tax return for that year. Effective for taxable years commencing on or after January 1, 2017; and
- Reduces the EITC from 30% to 23%, effective for taxable years commencing on or after January 1, 2017.

## **2017 LEGISLATIVE SUMMARY (cont.)**

### **Public Act 17-4, June Special Session**

Delays the start of the 100% exemption for social security benefits that was scheduled to begin with the 2018 taxable year. The start of threshold increases is now effective for taxable years commencing on or after January 1, 2019.

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### **PUBLIC SERVICE COMPANIES TAXES**

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### **Public Act 17-147**

Revises the utility companies tax to match PURA terminology and provide for determination of income for purposes of the tax.

### **Public Act 17-2, June Special Session**

- Effective for income year commencing January 1, 2018, any film credit that is sold, assigned or otherwise transferred, in whole or in part, to one or more taxpayers, is allowed to be claimed against the taxes imposed under Chapter 211. The credits may be claimed only if there is common ownership of at least 50% between such taxpayer and the eligible production company that sold, assigned or otherwise transferred such credit. Such taxpayer may only claim 92% of the amount of such credit entered on their tax credit voucher;

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### **SALES AND USE TAXES**

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### **Public Act 17-147**

- Effective October 1, 2017, sales tax permits are renewed every two years. Previously, renewals were every five years;
- Applies a uniform 11% room occupancy tax rate on bed and breakfast establishments (B&Bs) instead of the current practice of 6.35% on meals and 15% on the room;
- Establishes conditions under which DRS may impose bond requirements under the sales and use tax; and
- Allows DRS to impose a penalty, of up to \$500 per violation, for failure to comply with the requirements to file informational reports on taxable goods and services relating to the use tax.

### **Public Act 17-2, June Special Session**

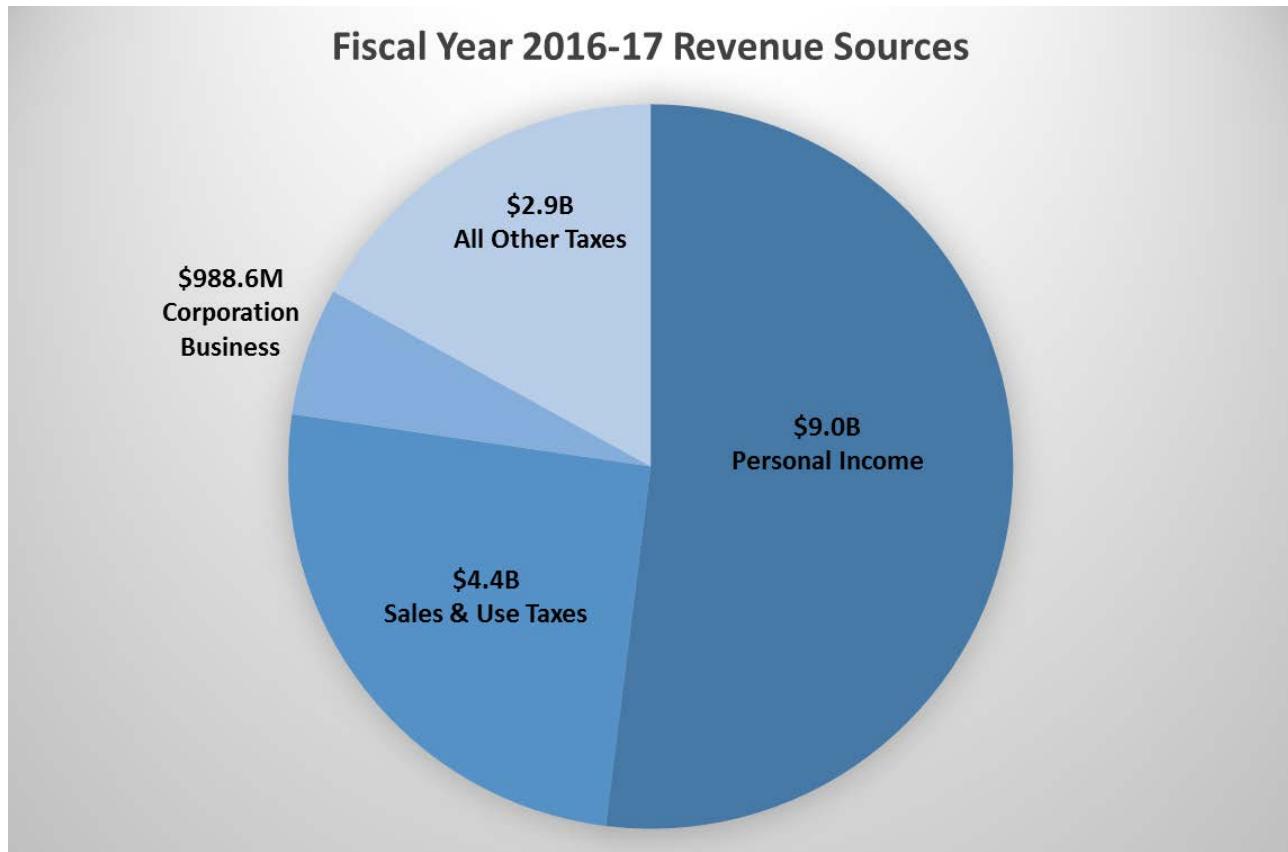
- Expands the sales and use tax exemption for services rendered between parent and subsidiaries from businesses that own a 100% controlling interest in the other, to at least 80% ownership threshold, for media businesses organized as corporations or single-member LLCs, and who are principally located in the state. Effective July 1, 2019.

# CONNECTICUT TAXES

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*The Department collected \$17.3 billion in state taxes for fiscal year 2016-17.*

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



## State Revenue Sources

<b>Tax Type &amp; Citation</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016</b>	<b>FY 2016-2017</b>
Admissions & Dues Tax <i>Ch. 225</i>	\$38,606,444	\$39,330,813	\$39,508,556
Alcoholic Beverages Tax <i>Ch. 220</i>	61,611,937	63,113,361	63,155,221
Ambulatory Surgical Centers <i>Ch. 221a</i>	0	10,377,388	14,810,087
Beverage Container Deposits <i>Ch. 446d</i>	30,599,746	33,530,941	35,600,873
Business Entity Tax <i>Ch. 213a</i>	43,917,190	6,638,031	44,826,063
Cable, Satellite & Video Companies Tax <i>Ch. 211</i>	73,925,969	70,795,676	70,437,231
Cigarette Tax <i>Ch. 214</i>	348,169,977	361,578,691	367,182,708
Connecticut Estate Tax <i>Ch. 217 (repealed)</i>	0	43,046	13,076
Controlled Substances Tax <i>Ch. 228d</i>	50,978	27,815	53,141
Controlling Interest Transfer Tax <i>Ch. 228b</i>	9,058,982	13,877,263	18,380,138
Corporation Business Tax <i>Ch. 208 &amp; 209</i>	766,105,922	869,053,285	988,559,001
Dry Cleaning Surcharge <i>Ch. 211b</i>	833,935	774,744	728,065
Electric Distribution Companies <i>Ch. 212</i>	144,615,302	157,147,427	146,500,947
Electric Generators Tax <i>Ch. 212b (repealed)</i>	7,269	87,673	0
Estate and Gift Tax <i>Ch. 217&amp; 228c</i>	176,763,127	221,821,138	218,660,130
Gas Companies <i>Ch. 212</i>	61,278,960	66,811,800	62,731,069
Gasoline Motor Vehicle Fuels Tax <i>Ch. 221</i>	361,445,078	373,196,137	378,174,916
Gift Tax <i>Ch. 228c (repealed)</i>	258,477	336,697	129,112
Health Care Centers Tax <i>Ch. 207</i>	6,304,926	2,354,633	2,077,569
Hospitals Tax <i>Ch. 211a</i>	300,060,728	537,955,538	513,784,032
Income Tax <i>Ch. 229</i>	9,148,678,853	9,181,708,938	8,988,607,484
Insurance Premiums Tax, Domestic <i>Ch. 207</i>	44,052,248	42,234,573	35,093,986
Insurance Premiums Tax, Foreign <i>Ch. 207</i>	143,708,618	167,912,010	157,518,330
Insurance: Nonadmitted/Unauthorized <i>Ch. 698d</i>	6,354,243	6,113,202	6,884,549
Intermediate Care Facility User Fee <i>Ch. 319y</i>	8,774,012	8,350,476	7,845,690
Motor Carrier Road Tax <i>Ch. 222</i>	19,322,938	16,909,309	14,303,964
Nursing Home User Fee <i>Ch. 319x</i>	146,173,499	145,049,484	141,349,377
Occupational Tax <i>Ch. 876</i>	9,407,881	7,491,394	11,076,833
Petroleum Products Gross Earnings Tax <i>Ch. 227</i>	337,903,492	250,170,373	238,354,213
Prepaid Wireless E-9-1-1 Fee <i>Ch. 518a</i>	1,979,765	1,658,219	1,745,782
Public, Educational & Gov. Programming Tax <i>Ch. 289</i>	3,034,630	3,676,706	3,717,465
Railroad Companies Tax <i>Ch. 210</i>	212,580	338,427	46,429
Real Estate Conveyance Tax <i>Ch. 223</i>	176,896,115	182,620,666	191,616,129
Rental Surcharge <i>Ch. 228h</i>	237,191	407,484	323,801
Sales and Use Taxes <i>Ch. 219</i>	4,217,708,383	4,335,567,554	4,381,614,724
Solid Waste Tax <i>Ch. 446d</i>	3,454,245	3,100,569	3,045,726
Special Fuel Tax <i>Ch. 221</i>	136,096,381	128,403,162	106,304,395
Succession Tax <i>Ch. 216 (repealed)</i>	301,174	335,254	131,948
Tobacco Products Tax <i>Ch. 214a</i>	10,883,016	12,255,744	14,594,924
Tourism Surcharge <i>Ch. 228e</i>	5,232,982	5,338,305	5,381,432
Unrelated Business Income Tax <i>Ch. 208a</i>	4,715,550	4,593,450	4,200,458
<b>Total</b>	<b>\$16,848,742,742</b>	<b>\$17,333,087,396</b>	<b>\$17,279,069,575</b>

## **ADMISSIONS AND DUES TAX**

<b>Revenue</b>	
FY 2016-17	\$39,508,556
2015-16	39,330,813
2014-15	38,606,444

### **Exemptions:**

#### **Admissions**

- under \$1
- Non-profit organizations
- Motion pictures at 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.
- Athletic events at the Ballpark at Harbor Yard in Bridgeport presented by an Atlantic League team from July 1, 2015 to June 30, 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**

578 taxpayers / Monthly

Admissions 365 taxpayers  
Dues 304 taxpayers

Note: 91 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**

<b>Tax Due</b>	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Motion Picture Admissions	\$5,246,035	\$5,596,331	\$5,613,402
Other Admissions	8,413,330	8,632,451	9,753,551
Dues	24,947,079	25,102,031	24,141,603
<b>Total</b>	<b>\$38,606,444</b>	<b>\$39,330,813</b>	<b>\$39,508,556</b>

## 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.

Revenue		
FY 2016-17	\$63,155,221	
2015-16	63,113,361	
2014-15	61,611,937	

### 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

710 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 2014-15 (gallons)	FY 2015-16 (gallons)	FY 2016-17 (gallons)
Beer - barrels	211,540	216,272	220,399
Beer - gallons	49,714,527	50,627,280	49,361,385
Still Wine	13,370,257	13,500,987	13,267,532
Small Wineries	229,331	271,329	299,572
Sparkling Wine	586,406	657,989	712,951
Distilled Liquor	6,773,312	7,069,342	7,093,791
Liquor Cooler	9,902	13,248	11,163
Alcohol	68,298	66,142	64,500

## **AMBULATORY SURGICAL CENTERS TAX**

*A tax is imposed on the gross receipts of each ambulatory surgical center for each calendar quarter commencing on or after October 1, 2015. Gross receipts do not include net patient revenue of a hospital that is subject to the Hospitals Tax.*

<b>Revenue</b>	
FY 2016-17	\$14,810,087
FY 2015-16	10,377,388

### **Basis and Rate**

6%

### **Number of Taxpayers/Filing Frequency**

49/Quarterly

### **Credit Data**

No credits were claimed in fiscal year 2016-17.

## **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.*

<b>Revenue</b>	
FY 2016-17	\$35,600,873
2015-16	33,530,941
2014-15	30,599,746

### **Exemption**

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

### **Number of Taxpayers/Filing Frequency**

109 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).

<b>Revenue</b>	
FY 2015-16	\$ 44,826,063
2015-16	6,638,031
2014-15	43,917,190

### 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

171,245 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 2016-17	\$367,182,708
2015-16	361,578,691
2014-15	348,169,977

### 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
Prior to 10/1/15	170 mills per cigarette or \$3.40 per pack of twenty
10/1/15 – 6/30/16	182.5 mills per cigarette or \$3.65 per pack of twenty
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.*

<b>Revenue</b>	
FY 2016-17	\$53,141
2015-16	27,815
2014-15	50,978

### **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 2016-17	\$ 18,380,138
2015-16	13,877,263
2014-15	9,058,982

## 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.  
90 transfers in FY 2016-17.

## 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.*

*Commencing with the 2016 income year, certain corporations are required to file a group return on a combined unitary basis.*

*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 2016-17	\$988,559,001
2015-16	869,053,285
2014-15	766,105,922

## 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
- Domestic production activities deduction.

Certain other deductions are then allowed, such as:

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

Beginning in income year 2016, companies that conduct business in multiple states are allowed to apportion their net income based upon the percentage of their sales made in Connecticut. Prior to income year 2016, most businesses were required to also include their Connecticut property and payroll in the apportionment calculation. Special apportionment

## **CORPORATION BUSINESS TAX (cont.)**

rules are provided for certain industries such as financial service companies and broadcasters.

Beginning in income year 2016, market-based sourcing rules consider sales of services and most intangible property to be made where the customer is located. Prior to income year 2016, sales of services and most intangible property were considered to be made at the location of the seller.

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.

## **CORPORATION BUSINESS TAX (cont.)**

### **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 is reduced to 10% in income year 2018.

Corporations whose gross income is less than \$100 million are exempt from the surtax unless they file as part of a combined or elective unitary return (through income year 2015) or as part of a combined unitary return after income year 2015.

The total amount of surtax reported on income year 2015 returns was \$126.3M.

### **Combined Returns**

If a corporation is permitted to file a federal consolidated return, it may elect to file a combined return in Connecticut. Filing a combined return allows a group of corporations engaged in business in Connecticut to file jointly. Their combined Connecticut tax liability is determined after each corporation individually apportions its income to Connecticut.

Taxpayers may no longer file combined returns for income years beginning on or after January 1, 2016.

### **Preference Tax**

A preference tax had been imposed on corporations filing a combined return. These corporations were not entitled to the first \$500,000 of tax savings over what they would pay if they filed separately. Combined filers determined the total tax due as if they were filing separately. The difference, up to \$500,000, between this amount and the total combined tax was the preference tax and must be added to the total combined tax.

The total tax due for income year 2015 combined filers had they filed separate single returns would have been \$ 626.2M. The preference tax due by these filers was \$33.7M. The total tax due before credits for combined filers was \$421.3M, including the \$33.7M in preference tax.

Taxpayers are no longer subject to the preference tax for income years beginning on or after January 1, 2016.

# **CORPORATION BUSINESS TAX (cont.)**

## **Elective Unitary Returns**

Elective unitary tax returns measure the entire net income of all of the corporations included in the unitary group as if they were one corporation. Corporations that are subject to the add back of interest expenses paid to related members may elect to calculate their tax on a unitary basis provided there are substantial inter-corporate business transactions among the included corporations. Taxpayers may otherwise petition DRS for approval. The combined entire net income of the unitary group is apportioned to Connecticut as if it was one corporation.

Taxpayers may no longer file elective unitary returns for income years beginning on or after January 1, 2016.

## **Combined Unitary Reporting Required Beginning in 2016**

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. Taxpayers may no longer file combined returns or elective unitary returns for income years beginning on or after January 1, 2016.

## **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

#### 2015 Corporation Business Tax Returns

	Number of Returns	Tax Due Before Tax Credits	Tax Due After Tax Credits
Single Filers			
Net Income	10,976	\$324,649,044	\$286,404,661
Capital Base	4,057	37,186,984	30,707,889
Minimum Tax	20,447	5,117,383	5,115,580
Exempt	4,166	0	0
Combined Filers			
Net Income	405	372,785,222	233,666,956
Capital Base	258	38,796,621	25,961,388
Minimum Tax	391	9,757,528	6,923,268
Unitary Filers			
Net Income	184	120,346,521	94,830,086
Capital Base	52	7,416,341	5,631,455
Minimum Tax	144	600,204	600,088
<b>Total</b>	<b>41,080</b>	<b>\$916,655,848</b>	<b>\$689,841,371</b>

## CORPORATION BUSINESS TAX (cont.)

### 2015 Corporation Business Tax Returns

<b>Industry Sector</b>	<b>Number of Returns</b>	<b>Tax Due Before Credits</b>	<b>Tax Due After Credits</b>
11 Agriculture, Forestry, Fishing and Hunting	138	\$ 949,212	\$ 901,202
21 Mining	46	494,345	443,701
22 Utilities	102	23,062,130	12,219,082
23 Construction	2,818	7,799,519	7,473,447
31-33 Manufacturing	3,873	325,620,245	201,651,432
42 Wholesale Trade	2,582	40,434,130	36,710,535
44-45 Retail Trade	3,237	62,715,232	53,329,568
48-49 Transporting and Warehousing	730	13,960,512	12,388,480
51 Information	1,052	43,412,261	30,616,420
52 Finance and Insurance	3,062	117,827,122	96,448,093
53 Real Estate and Rental and Leasing	3,797	19,547,922	19,189,863
54 Professional, Scientific and Tech Services	6,226	47,251,059	41,675,936
55 Management of Companies and Enterprises	1,029	74,305,588	56,046,694
56 Administrative and Support Services	1,307	40,775,373	31,483,499
61-62 Education, Health Care and Social Assistance	1,664	8,903,585	7,973,328
71 Arts, Entertainment, and Recreation	410	1,715,035	1,068,370
72 Accommodation and Food Services	945	4,763,743	4,657,765
81-92 Other Services	3,615	10,514,878	10,044,766
99 Not Yet Assigned	4,447	72,603,956	65,519,189
<b>Total</b>	<b>41,080</b>	<b>\$916,655,848</b>	<b>\$689,841,371</b>

## CORPORATION BUSINESS TAX (cont.)

### 2015 Corporation Business Tax Returns

Tax Due Before Credits	Number of Returns	Tax Due Before Credits	Tax Due After Credits
Exempt	4,166	\$ 0	\$ 0
\$250 or less	20,440	5,112,643	5,112,643
\$251 to \$999	5,558	3,070,311	2,971,052
\$1000 to \$24,999	8,591	47,438,288	44,774,473
\$25,000 to \$49,999	823	29,144,700	26,892,919
\$50,000 to \$99,999	563	39,925,714	36,373,201
\$100,000 to \$249,999	472	73,467,009	65,119,843
\$250,000 to \$499,999	215	74,425,017	65,517,401
\$500,000 to \$999,999	133	90,379,251	78,529,367
\$1 million to \$2 million	75	102,218,122	82,550,213
\$2 million to \$5 million	27	85,280,417	64,832,900
\$5 million and over	17	366,194,375	217,167,359
Total	41,080	\$916,655,848	\$689,841,371

## 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*

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 cyber-security 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.

### 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. §12-217mm*

Up to \$25 million in tax credits are available for eligible construction, renovation, or rehabilitation projects that are 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 range between 5% and 11% and depend 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. 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).

### **Job Expansion**

*Reference: Conn. Gen. Stat. §12-217pp*

This tax credit program was established for taxpayers that hired new employees who reside in Connecticut to fill new jobs after January 1, 2012 and before January 1, 2014. The amount of 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.

A business had to apply to DECD for this tax credit and cannot claim any other tax credit with respect to the same employees. A taxpayer can claim this tax credit in the income year the credit is earned and the next two income years.

### **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.

## CORPORATION BUSINESS TAX CREDITS (cont.)

### Manufacturing Facility in a Targeted Investment Community/Enterprise Zone

*Reference: Conn. Gen. Stat. §12-217e*

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 is 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.

### Neighborhood Assistance Act Program

*Reference: Chapter 228a of the Conn. Gen. Stat. as amended by 2015 Conn. Pub. Acts 5 (June Spec. Sess.)*

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.

### New Jobs Creation

*Reference: Conn. Gen. Stat. §12-217ii*

The tax credit was available to businesses that created at least 10 new jobs. To qualify, the taxpayer must have submitted an application with the Department of Economic and Community Development. The credit allowed is an amount up to 60% of the Connecticut income tax deducted and withheld from the wages of new employees. For each new employee, credits may be granted for five successive income years.

As of January 1, 2012, the Commissioner of Economic and Community Development may no longer issue eligibility certificates for this tax credit.

## CORPORATION BUSINESS TAX CREDITS (cont.)

### **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.

### **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.

## CORPORATION BUSINESS TAX CREDITS (cont.)

### **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 2015 returns and any credits carried forward from prior years and used in 2015.

### Tax Credits Claimed on 2015 Corporation Business Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	19	\$239,781
Digital Animation	8	1,772,912
Donation of Land	5	163,299
Electronic Data Processing	1,128	12,336,801
Film Production	16	27,920,225
Film Production Infrastructure	9	683,640
Fixed Capital Investments	1,750	74,973,813
Green Buildings	2	5,329,254
Historic Homes Rehabilitation	1	17
Historic Preservation	1	1,976,407
Historic Structures Rehabilitation	1	1,669,820
Housing Program Contribution	1	3,196
Human Capital Investments	102	4,470,769
Insurance Reinvestment	1	1,399,405
Job Expansion	6	231,798
Machinery and Equipment	58	571,401
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	20	1,755,452
Neighborhood Assistance	72	2,349,017
New Jobs Creation	1	2,284
Research & Development Expenditures	162	64,941,509
Research & Experimental Expenditures	214	21,236,613
SBA Guaranty Fee	1	1,391
Service Facility	1	422
Urban and Industrial Site Reinvestment	9	2,785,252
<b>Total</b>	<b>3,587</b>	<b>\$226,814,477</b>

## CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the unused credit amounts reported on 2015 corporation business tax returns as being carried forward to the 2016 income year.

### Credits Carried Forward to 2016 Income Year

Type of Credit	Carryforward Amount
Donation of Land	\$ 2,146,095
Electronic Data Processing	86,004,683
Fixed Capital Investments	294,108,892
Green Buildings	565,633
Historic Homes	44,500
Historic Preservation	400,000
Historic Structures Rehabilitation	272,149
Housing Program Contribution	4
Human Capital Investments	3,712,129
Research & Development	1,744,999,718
Research & Experimental Expenditures	557,693,259
SBA Guaranty Fee	182,416
Urban and Industrial Site Reinvestment	6,518,388
<b>Total Carryforward Credits</b>	<b>\$2,696,647,866</b>

## **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 1<sup>st</sup>. 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.*

<b>Revenue</b>	
FY 2016-17	\$728,065
2015-16	774,744
2014-15	833,935

### **Basis and Rate**

1% of gross receipts at retail.

### **Number of Taxpayers/Filing Frequency**

521 taxpayers/Quarterly

## ESTATE AND GIFT TAX

*Resident and nonresident estates of decedents are liable for the Connecticut Estate Tax on the amount of the Connecticut taxable estate that exceeds \$2 million.*

*"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.*

*The maximum amount of gift and estate tax that will be paid by donors or the estates of residents and non-residents who die on or after January 1, 2016 is \$20 million. The \$20 million cap is reduced by the amount of any gift taxes paid on taxable gifts made by the decedent, the decedent's estate, or the decedent's spouse on or after January 1, 2016. Public Act 17-2 (JSS) reduces the payment cap to \$15 million for estates of decedents dying on or after January 1, 2019.*

*For Connecticut taxable gifts, a donor must pay Connecticut gift tax if the aggregate amount of Connecticut taxable gifts made on or after January 1, 2005, exceeds \$2 million. 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. They 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 gift tax payable on taxable gifts donors make on or after January 1, 2016 is \$20 million. Public Act 17-2 (JSS) reduces the payment cap to \$15 million for taxable gifts made on or after January 1, 2019.*

Revenue	
FY 2016-17	\$218,660,130
2015-16	221,821,138
2014-15	176,763,127

## ESTATE AND GIFT TAX (cont.)

### Basis and Rate

For gifts made, or the estates of decedents dying **on or after January 1, 2011** 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

### Detail of Revenue

For Fiscal Year 2016-17, total Estate and Gift Tax revenue collected was \$218,660,130. Much of this revenue is attributable to prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during Fiscal Year 2016-17 follows.

## ESTATE AND GIFT TAX (cont.)

### ESTATE AND GIFT TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2016-17

Amount of Taxable Estate <b>More Than</b>	Not Over	# of Returns	Tax Due	Tax Due After Credits *
\$2 Million	\$3 Million	251	\$ 7,546,645	\$ 6,648,933
\$3 Million	\$4 Million	106	11,388,314	9,378,355
\$4 Million	\$5 Million	72	13,713,367	11,024,804
\$5 Million	\$6 Million	50	13,416,035	9,807,911
\$6 Million	\$7 Million	16	5,893,107	4,301,676
\$7 Million	\$8 Million	12	5,582,613	3,454,990
\$8 Million	\$10 Million	16	9,929,338	8,287,454
\$10 Million	\$15 Million	17	16,029,600	12,844,700
\$15 Million	\$25 Million	21	39,468,282	29,183,982
\$25 Million		17	76,128,942	56,277,558
<b>Total</b>		<b>578</b>	<b>\$199,096,242</b>	<b>\$151,210,364</b>

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

For Fiscal Year 2016-17, an additional amount of the estate and gift tax was attributable to gift tax returns filed by non-decedents. A breakdown of calendar year 2016 returns is shown below.

### ESTATE AND GIFT TAX RETURNS 2016 GIFT TAX ONLY

Amount of 2016 Taxable Gifts <b>More Than</b>	Not Over	# of Returns	Tax Due
	\$2 Million	320	\$4,947,665
\$2 Million	\$3 Million	15	1,526,523
\$3 Million	\$5 Million	10	2,723,394
\$4 Million		9	15,109,077
<b>Total</b>		<b>354</b>	<b>\$24,306,659</b>

# HOSPITALS TAX

*A tax is imposed on each health care facility or institution, which is licensed as a short-term general hospital by the Department of Public Health. The tax sunset as of June 30, 2017. Effective July 1, 2017, a new healthcare provider tax is established.*

Revenue	
FY 2016-17	\$513,784,032
2015-16	537,955,538
2014-15	300,060,728

## Exemptions

- 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

The Department of Social Services determines the amount of net patient revenue and tax due from each hospital.

## Number of Taxpayers/Filing Frequency

26 taxpayers/Quarterly

## Credit Data

A total of \$33,900,000 in Urban and Industrial Site Renovation credits were applied against the Hospitals Tax in fiscal year 2016-17.

# 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 2016-17	\$8,988,607,484
2015-16	9,181,708,938
2014-15	9,148,678,853

## 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 *prior* to 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 6.7% on the excess over \$250,000
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 6.7% on the excess over \$400,000
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 6.7% on the excess over \$500,000

## INCOME TAX (cont.)

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

<b>Filing Status</b>	<b>Rate and Basis</b>
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

### **Exemptions**

- \$14,500 for taxable years commencing on or after January 1, 2015 but prior to January 1, 2016. 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 \$43,000. For taxable years commencing on or after January 1, 2016, the exemption increases to \$15,000, and 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.

## INCOME TAX (cont.)

### **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.

### **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

## INCOME TAX (cont.)

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;
- 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,

## **INCOME TAX (cont.)**

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.

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.

## INCOME TAX (cont.)

### 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 is 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
2011	181,620	\$109,194,583
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

### 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.

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

## INCOME TAX (cont.)

### 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.

The JET credit replaced the **Qualified Small Business Job Creation** program. The Qualified Small Business Job Creation Tax credit could only be claimed for income years 2012 through 2014.

### 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

<b>2015</b> <b>Personal Income Tax Credits</b>		
<b>Credit</b>	<b>Number of Credits Claimed</b>	<b>Amount of Credit</b>
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
<b>Total</b>	<b>652</b>	<b>\$3,516,031</b>

<b>2014</b> <b>Personal Income Tax Credits</b>		
<b>Credit</b>	<b>Number of Credits Claimed</b>	<b>Amount of Credit</b>
Angel Investor	151	\$2,021,836
Insurance Reinvestment Fund	14	256,268
Prior Year CT Minimum Tax	427	871,406
Qualified Small Business Job Creation	55	186,042
Job Expansion Tax Credit	392	5,517,373
<b>Total</b>	<b>1,039</b>	<b>\$8,852,925</b>

# 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.*

<b>Revenue</b>	
FY 2016-17	\$201,574,434
2015-16	218,614,418
2014-15	200,420,035

## 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

1,374 insurance companies/ Annually with four estimated payments:

- 103 Domestic companies
- 1,108 Foreign companies
- 10 Health Care Centers
- 140 Nonadmitted/Risk Retention Groups
- 13 Captive Insurers

## Basis and Rate

- Prior to January 1, 2018, the rate is 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 is 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

	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Domestic	\$44,052,248	\$42,234,573	\$35,093,986
Foreign	143,708,618	167,912,010	157,518,330
Health Care Center	6,304,926	2,354,633	2,077,569
Nonadmitted/ Unauthorized/Captive	6,354,243	6,113,202	6,884,549
<b>Total</b>	<b>\$200,420,035</b>	<b>\$218,614,418</b>	<b>\$201,574,434</b>

### 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 2015 Insurance Tax Credits

<b>Type of Credit</b>	<b>Number of Credits</b>	<b>Amount of Credit Claimed</b>
Electronic Data Processing	56	\$11,346,152
Insurance Department Assessment	5	463,214
Insurance Reinvestment	28	16,937,098
Second Insurance Reinvestment	13	7,856,822
Neighborhood Assistance	21	1,323,843
Urban & Industrial Site Reinvestment	6	3,647,691
Film Production	36	26,630,573
Film Production Infrastructure	28	12,478,036
Digital Animation	34	17,992,253
Historic Structures Rehabilitation	1	186,088
Job Expansion	1	68,326
<b>Total Credits</b>	<b>229</b>	<b>\$98,930,096</b>

## **INSURANCE PREMIUMS TAX (cont.)**

### **Calendar Year 2016 Insurance Tax Credits Preliminary**

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	32	\$8,627,307
Insurance Department Assessment	5	433,962
Insurance Reinvestment	25	10,360,123
Second Insurance Reinvestment	9	5,760,991
Neighborhood Assistance	8	539,558
Urban & Industrial Site Reinvestment	4	3,520,691
Film Production	17	10,337,521
Film Production Infrastructure	22	7,586,116
Digital Animation	23	6,428,842
Historic Structures Rehabilitation	1	339,265
New Jobs	1	166,324
<b>Total Credits</b>	<b>147</b>	<b>\$54,100,700</b>

## **INTERMEDIATE CARE FACILITY USER FEE**

*A fee is imposed on each residential facility for individuals with intellectual disabilities that meets certain federal requirements, and, in the case of a private facility, is licensed by the Department of Developmental Services. The tax sunset as of June 30, 2017. Effective July 1, 2017, a new healthcare provider tax is established.*

<b>Revenue</b>	
FY 2016-17	\$ 7,845,690
2015-16	8,350,476
2014-15	8,774,012

### **Basis and Rate**

The intermediate care facility user fee is determined by the Department of Social Services on or before July first, either annually or biennially. During fiscal year 2016-17, the user fee was \$27.76.

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

### **Number of Taxpayers/Filing Frequency**

66 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 2016-17	\$14,303,964
2015-16	16,909,309
2014-15	19,322,938

## Exemption

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

## Number of Taxpayers/Filing Frequency

2,239 IFTA filers/Quarterly  
3,029 Intrastate Motor Carrier filers

## Basis and Rate

Rate per Gallon	
Gasoline	25¢
Gasohol	25¢
Diesel Fuel -7/1/15 - 6/30/16*	50.3¢
Diesel Fuel -7/1/16 - 6/30/17*	41.7¢
Diesel Fuel -7/1/17 - 6/30/18*	41.7¢
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 31<sup>st</sup>, 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.*

<b>Revenue</b>	
FY 2016-17	\$484,479,311
2015-16	501,599,299
2014-15	497,541,459

### 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

	<b>Rate per Gallon</b>
Gasoline	25¢
Gasohol	25¢
Diesel Fuel -7/1/15 - 6/30/16*	50.3¢
Diesel Fuel -7/1/16 - 6/30/17*	41.7¢
Diesel Fuel -7/1/17 - 6/30/18*	41.7¢
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 31<sup>st</sup>, as determined by statute.

## MOTOR VEHICLE FUELS TAX (cont.)

### Comparative Data

	Number of Gallons Sold		
	FY 2014-15	FY 2015-16	FY 2016-17
Special Fuel*	237,779,507	247,002,698	246,172,424
Gasohol	1,452,242,979	1,502,674,317	1,495,303,841
Alternative Fuels**	2,981,813	3,619,661	3,264,975
<b>Total Gallons</b>	<b>1,693,004,299</b>	<b>1,753,296,676</b>	<b>1,744,741,240</b>

\* Gallons reported under Special Fuel contain a small amount of gallons reported for Natural Gas and Propane.

\*\* Alternative fuels not broken out on tax return until July 2014. Alternative fuels consist of Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG), and Liquefied Petroleum Gas (Propane).

## NURSING HOME USER FEE

*A 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 tax sunset as of June 30, 2017. Effective July 1, 2017, a new healthcare provider tax is established.*

Revenue	
FY 2016-17	\$141,349,377
2015-16	145,049,484
2014-15	146,173,499

### Basis and Rate

The nursing home user fee is determined by the Department of Social Services on or before July 1 annually or biennially. During Fiscal Year 2016-17 the user fee was set at \$16.13 for municipally-owned facilities and facilities with over 230 beds and at \$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

215 taxpayers/Quarterly

# 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 2016-17	\$11,076,833
2015-16	7,491,394
2014-15	9,407,881

## 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

12,110 Attorneys/ Annually

## Basis and Rate

\$565 per practicing attorney.

# 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 2016-17	\$238,354,213
2015-16	250,170,373
2014-15	337,903,492

## 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. Effective for the first sale on or after July 1, 2013.

## Number of Taxpayers/Filing Frequency

677 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, 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.

## **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.*

<b>Revenue</b>	
FY 2016-17	\$1,745,782
2015-16	1,658,219
2014-15	1,979,765

### **Basis and Rate**

\$0.47 for sales made between July 1, 2016 and June 30, 2017. Beginning on or after July 1, 2017, the fee is \$0.58.

### **Number of Taxpayers/Filing Frequency**

402 Retailers  
319 / Monthly  
83 / Quarterly

# PUBLIC SERVICE COMPANIES TAX

Revenue	
FY 2016-17	\$283,433,141
2015-16	298,770,037
2014-15	283,067,440

## 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

82 taxpayers:

- 58 Public Utility Companies/Quarterly
- 11 Community Antenna TV & Certified Competitive Video Provider Companies/Quarterly\*
- 3 Satellite TV Companies /Quarterly\*
- 10 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 \$6,676,049 in Fiscal Year 2016-17 under the one-percent credit attributable to the sale of gas and electric power for residential use.

### Manufacturing Companies Credit

\$6,672,588 was claimed in credit for Fiscal Year 2016-17 for gas sales used directly by a company engaged in a manufacturing production process.

### Comparative Data

	FY 2014-15	FY 2015-16	FY 2016-17
Cable, Satellite & Video Companies	\$73,925,969	\$70,795,676	\$70,437,231
Electric & Power Companies	144,615,302	157,147,427	146,500,947
Gas Companies	61,278,960	66,811,800	62,731,069
Public, Educational & Governmental Programming Tax*	3,034,630	3,676,706	3,717,465
Railroad Companies	212,580	338,427	46,429
<b>Total Tax</b>	<b>\$283,067,441</b>	<b>\$298,770,036</b>	<b>\$283,433,141</b>

\* 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 2016-17 Public Service Companies Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	6	\$1,292,733
Neighborhood Assistance	3	272,637
Historic Structures Rehabilitation	2	5,573,647
Historic Preservation	1	9,104,870
Urban Industrial Renovation	1	18,000,000
Housing Program Contribution	2	836,250
<b>Total Credits</b>	<b>15</b>	<b>\$35,080,137</b>

# 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 2016-17	\$191,616,129
2015-16	186,620,666
2014-15	176,896,115

## 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 (effective October 1, 2016);
- 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**

<b>Classification</b>	<b>Rate</b>
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 conveyance tax revenue generated for the same price increments.

## REAL ESTATE CONVEYANCE TAX (cont.)

### Fiscal Year 2016-17 Conveyances

<b>Amount of Consideration</b>	<b>Number of Taxable Conveyances</b>	<b>Number of Non- Taxable Conveyances *</b>	<b>Number of Exempt Conveyances</b>	<b>Tax Remitted</b>
Under \$2,000	0	25,202	8,815	\$ 0
\$ 2,000 to \$ 29,999.99	1,461	0	35	175,346
\$ 30,000 to \$ 39,999.99	731	0	33	190,445
\$ 40,000 to \$ 49,999.99	741	0	21	248,596
\$ 50,000 to \$ 59,999.99	886	0	49	362,114
\$ 60,000 to \$ 69,999.99	955	0	25	464,876
\$ 70,000 to \$ 79,999.99	1,039	0	55	588,945
\$ 80,000 to \$ 89,999.99	995	0	34	631,691
\$ 90,000 to \$ 99,999.99	947	0	34	674,721
\$100,000 to \$109,999.99	1,085	0	44	860,110
\$110,000 to \$119,999.99	1,152	0	37	996,943
\$120,000 to \$129,999.99	1,411	0	33	1,335,659
\$130,000 to \$139,999.99	1,459	0	56	1,478,848
\$140,000 to \$149,999.99	1,480	0	56	1,619,849
\$150,000 to \$159,999.99	1,729	0	40	2,022,621
\$160,000 to \$169,999.99	1,676	0	48	2,078,873
\$170,000 to \$179,999.99	1,691	0	42	2,231,598
\$180,000 to \$189,999.99	1,631	0	39	2,269,632
\$190,000 to \$199,999.99	1,412	0	34	2,078,644
\$200,000 to \$249,999.99	6,892	0	36	11,651,180
\$250,000 to \$299,999.99	5,570	0	108	11,481,020
\$300,000 to \$399,999.99	7,158	0	63	18,659,483
\$400,000 to \$499,999.99	3,513	0	74	11,855,612
\$500,000 to \$599,999.99	2,025	0	45	8,528,496
\$600,000 to \$699,999.99	1,300	0	23	6,458,053
\$700,000 to \$799,999.99	945	0	15	5,156,794
\$800,000 and over	3,503	0	40	87,831,901
<b>Total</b>	<b>53,387</b>	<b>25,202</b>	<b>9,909</b>	<b>\$181,932,050</b>

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

## FY 2016-17 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
ANDOVER	41	41	\$ 9,937,112	\$ 74,528
ANSONIA	173	229	47,835,175	406,619
ASHFORD	38	72	16,281,229	124,534
AVON	214	386	165,146,721	1,330,711
BARKHAMSTED	26	42	10,220,700	77,850
BEACON FALLS	69	98	25,957,598	195,257
BERLIN	223	287	76,616,581	623,401
BETHANY	70	87	27,791,629	218,969
BETHEL	191	337	119,620,284	969,357
BETHLEHEM	36	50	14,141,951	113,965
BLOOMFIELD	214	314	104,198,642	926,611
BOLTON	55	73	19,704,979	154,802
BOZRAH	42	34	7,653,829	62,054
BRANFORD	372	506	147,972,086	1,162,224
BRIDGEPORT	1,089	1,346	267,935,411	2,346,475
BRIDGEWATER	22	40	15,929,432	125,171
BRISTOL	610	874	168,617,556	1,347,282
BROOKFIELD	194	350	132,275,289	1,087,499
BROOKLYN	107	163	31,644,056	244,419
BURLINGTON	96	168	57,226,206	436,036
CANAAN	29	22	4,997,796	38,608
CANTERBURY	62	84	15,254,648	114,410
CANTON	103	207	61,485,809	466,148
CHAPLIN	23	43	8,366,875	62,752
CHESHIRE	219	443	138,418,670	1,085,614
CHESTER	30	56	15,691,483	118,936
CLINTON	187	266	73,627,638	603,211
COLCHESTER	162	285	69,026,703	526,975
COLEBROOK	21	30	6,106,400	45,798
COLUMBIA	53	79	17,855,595	134,142
CORNWALL	27	37	14,362,704	125,470
COVENTRY	171	222	45,095,660	338,217
CROMWELL	179	269	90,237,971	831,656
DANBURY	555	1,097	407,867,068	3,212,538
DARIEN	181	341	523,377,477	5,283,287
DEEP RIVER	36	69	18,181,890	148,909
DERBY	128	163	36,030,572	321,396
DURHAM	74	124	38,249,580	300,647
EASTFORD	41	32	6,007,500	45,056
EAST GRANBY	68	119	30,350,636	229,355
EAST HADDAM	173	187	43,418,920	328,492
EAST HAMPTON	146	249	58,149,942	439,325
EAST HARTFORD	492	644	134,419,844	1,218,949

## FY 2016-17 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
EAST HAVEN	336	461	\$ 87,983,118	\$ 690,338
EAST LYME	234	371	110,468,836	851,361
EASTON	65	108	59,002,799	455,683
EAST WINDSOR	131	209	54,538,649	461,647
ELLINGTON	172	235	69,052,299	522,667
ENFIELD	416	675	227,947,684	2,154,008
ESSEX	122	130	57,531,825	491,298
FAIRFIELD	472	1,006	705,165,055	6,102,652
FARMINGTON	280	461	231,643,677	1,864,238
FRANKLIN	27	36	7,728,752	58,211
GLASTONBURY	358	637	293,129,456	2,564,943
GOSHEN	66	92	36,162,068	296,416
GRANBY	97	197	53,558,963	404,642
GREENWICH	552	972	2,015,986,887	21,622,769
GRISWOLD	142	174	26,908,385	209,705
GROTON	344	635	162,774,738	1,300,103
GUILFORD	317	396	178,006,420	1,471,286
HADDAM	104	146	40,691,416	309,012
HAMDEN	603	882	305,522,497	2,676,302
HAMPTON	29	29	5,575,595	41,817
HARTFORD	642	807	254,665,412	2,451,521
HARTLAND	31	24	5,320,699	39,905
HARWINTON	69	96	22,515,217	168,864
HEBRON	93	166	42,242,638	316,820
KENT	36	51	21,135,672	174,815
KILLINGLY	252	372	68,719,108	576,415
KILLINGWORTH	79	130	36,154,922	272,356
LEBANON	114	175	30,629,327	231,265
LEDYARD	163	291	62,335,350	478,910
LISBON	57	66	11,612,777	87,096
LITCHFIELD	116	154	57,944,434	484,583
LYME	41	63	23,473,435	179,418
MADISON	263	354	174,082,288	1,428,514
MANCHESTER	477	854	226,260,606	2,108,821
MANSFIELD	154	270	80,048,291	607,362
MARLBOROUGH	78	103	29,101,599	220,676
MERIDEN	677	803	128,955,446	1,064,826
MIDDLEBURY	71	169	56,498,159	436,831
MIDDLEFIELD	55	83	22,787,874	177,559
MIDDLETOWN	462	601	168,182,039	1,350,475
MILFORD	499	983	353,274,274	3,056,673
MONROE	170	292	98,660,378	769,943
MONTVILLE	209	298	54,027,323	417,659

## FY 2016-17 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
MORRIS	23	38	\$ 13,584,700	\$ 116,385
NAUGATUCK	341	428	70,597,406	560,856
NEW BRITAIN	621	709	147,446,237	1,220,070
NEW CANAAN	157	341	480,011,133	4,794,332
NEW FAIRFIELD	136	247	88,438,977	688,688
NEW HARTFORD	94	120	26,604,151	203,156
NEW HAVEN	1,028	899	284,498,534	2,450,837
NEWINGTON	279	501	135,448,075	1,064,793
NEW LONDON	241	259	47,413,378	406,815
NEW MILFORD	327	513	139,261,856	1,102,164
NEWTOWN	295	511	204,359,186	1,602,481
NORFOLK	42	36	10,464,761	83,661
NORTH BRANFORD	159	213	124,575,664	954,438
NORTH CANAAN	42	43	7,420,000	61,063
NORTH HAVEN	246	384	131,155,342	1,110,741
NORTH STONINGTON	100	110	25,826,067	200,096
NORWALK	709	1,241	687,086,048	6,075,674
NORWICH	450	521	107,659,282	963,434
OLD LYME	142	192	71,393,443	563,604
OLD SAYBROOK	162	255	112,331,538	950,119
ORANGE	136	204	95,602,232	826,098
OXFORD	135	205	64,084,744	484,786
PLAINFIELD	155	264	48,940,300	405,105
PLAINVILLE	216	284	94,010,890	915,482
PLYMOUTH	154	208	31,886,263	241,772
POMFRET	58	69	18,038,900	138,667
PORTLAND	133	165	37,821,399	304,871
PRESTON	73	92	16,266,141	121,996
PROSPECT	76	139	36,452,229	278,292
PUTNAM	108	187	31,229,358	255,409
REDDING	80	145	70,869,689	539,232
RIDGEFIELD	212	486	317,729,775	2,580,737
ROCKY HILL	177	309	96,368,148	763,109
ROXBURY	42	51	32,438,633	279,340
SALEM	57	84	16,057,466	120,431
SALISBURY	63	94	52,024,976	457,330
SCOTLAND	30	31	4,897,521	37,431
SEYMOUR	162	245	49,230,962	376,107
SHARON	62	79	35,969,443	305,577
SHELTON	381	625	229,478,818	1,806,634
SHERMAN	51	81	35,951,738	290,093
SIMSBURY	211	449	183,473,687	1,413,595
SOMERS	86	135	40,487,979	321,465

## FY 2016-17 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
SOUTHBURY	242	547	\$ 127,053,404	\$ 961,983
SOUTHBURG	522	657	192,060,147	1,489,116
SOUTH WINDSOR	204	502	150,583,294	1,281,701
SPRAGUE	21	41	6,245,954	46,845
STAFFORD	186	229	32,604,390	265,361
STAMFORD	915	1,689	1,408,322,322	12,950,858
STERLING	46	76	13,107,873	98,309
STONINGTON	278	355	147,140,998	1,309,137
STRATFORD	568	967	242,881,723	1,984,767
SUFFIELD	163	270	82,458,278	664,906
THOMASTON	66	110	20,490,669	157,431
THOMPSON	149	200	35,261,995	272,603
TOLLAND	132	218	79,296,526	694,670
TORRINGTON	423	582	88,067,041	766,227
TRUMBULL	289	513	198,795,706	1,525,968
UNION	20	13	3,076,500	23,074
VERNON	277	437	106,272,324	854,407
VOLUNTOWN	43	42	7,392,400	60,068
WALLINGFORD	376	679	183,371,990	1,523,312
WARREN	17	30	15,758,609	142,300
WASHINGTON	82	90	76,420,544	748,922
WATERBURY	1,068	1,129	228,284,189	2,117,025
WATERFORD	282	397	108,009,300	849,172
WATERTOWN	248	326	91,168,347	814,338
WESTBROOK	253	213	95,709,740	916,273
WEST HARTFORD	477	1,091	396,213,192	3,128,013
WEST HAVEN	463	667	120,614,657	955,143
WESTON	80	188	162,508,041	1,399,510
WESTPORT	294	505	727,921,408	7,309,955
WETHERSFIELD	244	484	131,827,044	1,088,432
WILLINGTON	31	68	14,377,821	108,765
WILTON	135	281	216,536,615	1,834,722
WINCHESTER	139	184	33,172,526	264,654
WINDHAM	189	273	39,978,550	337,658
WINDSOR	300	427	222,459,599	2,126,422
WINDSOR LOCKS	138	209	62,921,468	612,436
WOLCOTT	172	229	62,527,225	493,314
WOODBRIDGE	92	147	58,209,643	447,606
WOODBURY	125	188	60,561,042	527,958
WOODSTOCK	102	181	43,547,170	332,264
TOWN UNKNOWN	91	139	39,895,583	311,402
<b>TOTAL</b>	<b>35,111</b>	<b>53,387</b>	<b>\$20,769,287,150</b>	<b>\$181,932,050</b>

## **RENTAL SURCHARGE**

*The Rental Surcharge is imposed on the rental of private passenger motor vehicles, rental trucks or machinery by a rental company. Rental companies must pay over the portion of the surcharge collected during the calendar year that exceeds the amount paid in personal property tax and the amount paid in titling and registration fees in Connecticut.*

*Rental companies are defined to exclude entities with total annual rental income, excluding retail or wholesale sales of rental equipment, which is less than 51% of their total annual revenue.*

*A 3% rate applies to the rental of private passenger motor vehicles and rental trucks for a period of less than 31 days. A rental truck is defined as either a vehicle rented without a driver that has a gross vehicle weight rating of 26,000 pounds or less and is used in the transportation of personal property but not for business purposes, or a trailer that has a gross vehicle weight rating of not more than 6,000 pounds. This 3% rate is repealed as of January 1, 2018.*

*A 1.5% rate is applied on machinery rented for a period of less than 365 days, or under an open-ended contract for an undefined period. This rate remains in effect.*

<b>Revenue</b>	
FY 2016-17	\$ 323,801
2015-16	407,484
2014-15	237,191

### **Exemptions**

- Motor vehicles delivered to a lessee outside Connecticut;
- Rentals by an agency of United States Government;
- Motor vehicle rentals of 31 days or more; and
- Rentals by a person that is not a rental company.

### **Number of Taxpayers / Filing Frequency**

87 taxpayers / Annually

## **RENTAL SURCHARGE (cont.)**

### **Basis and Rate**

3% of the total rental charges on passenger motor vehicles or trucks.  
1.5% of the total rental charges on machinery.

### **Comparative Data**

Gross collections of the surcharge by rental companies during 2016 amounted to \$8,523,130. 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 2016-17: \$ 13,076*

### **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 2016-17: \$ 129,112*

### **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 survivor. 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 2016-17: \$ 131,948*

## 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.*

<b>Revenue</b>	
FY 2016-17	\$ 4,381,614,724
2015-16	4,335,567,554
2014-15	4,217,708,383

### 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);

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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.

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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;

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1% on computer and data processing services;

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

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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 2016-17.

### FY 2016-17 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	\$88,123.5	\$361.8	\$88,485.3	\$5,621.2
Sale for Resale - Leases and Rentals	1,862.0	550.1	2,412.1	156.7
Sale for Resale - Labor and Services	2,990.7	0.0	2,990.7	189.9
Magazines by Subscription and All Newspapers	201.9	0.0	201.9	12.8
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	148.3	0.0	148.3	9.4
Food Products for Human Consumption	6,895.1	0.0	6,895.1	437.8
Fuel for Motor Vehicles	6,296.8	0.0	6,296.8	399.8
Electricity/Gas/Heating Fuel (residential)	2,340.6	0.0	2,340.6	148.6
Electricity (\$150 monthly per business)	47.9	0.0	47.9	3.0
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	682.8	0.0	682.8	43.4
Aviation Fuel	153.0	0.0	153.0	9.7
Sales of Tangible Personal Property to Farmers	79.2	0.0	79.2	5.0
Machinery/Materials/Tools/Fuel - Mfg. Product	1,566.8	0.0	1,566.8	99.5

## FY 2016-17 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	46.4	0.0	46.4	2.9
Machinery/Materials/ Tools/Fuel - Comm. Fishing	6.7	0.0	6.7	0.4
Out-of-State - Sale of Goods	39,684.7	64.3	39,749.0	2,524.5
Out-of-State - Leases/Rentals	349.2	37.2	386.4	24.8
Out-of-State - Labor and Services	13,076.7	0.0	13,076.7	830.4
Sales of Motor Vehicles, Vessels to Nonresidents	725.9	212.4	938.3	61.0
Prescription Medicines	6,297.0	0.0	6,297.0	399.9
Nonprescription Drugs and Medicines	57.8	0.0	57.8	3.7
Charitable/Religious - Sale of Goods	1,331.9	1.2	1,333.1	84.7
Charitable/Religious - Leases and Rentals	71.5	0.0	71.5	4.5
Charitable/Religious - Labor and Services	1,130.0	0.0	1,130.0	71.8
Government - Sale of Goods	10,475.6	1.6	10,477.2	665.3
Government- Leases and Rentals	54.1	0.7	54.8	3.5
Government- Labor and Services	6,309.1	0.0	6,309.1	400.6
Pollution Abatement	15.2	0.0	15.2	1.0
Non-Taxable Labor and Services	17,963.5	0.0	17,963.5	1,140.7
Business Services/Parent Owned Subs.	926.3	0.0	926.3	58.8
Trade-ins of Like-Kind Personal Property	781.2	166.1	947.2	61.2
Taxed Goods returned within 90 days	137.2	0.9	138.2	8.8

## FY 2016-17 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.	250.2	0.0	250.2	15.9
Funeral Expenses up to \$2,500	92.0	0.0	92.0	5.8
Repair or Replacement Parts/Repair Services to Aircraft	1,197.6	0.0	1,197.6	76.0
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the Full and 3% Rates)	20.7	0.0	20.7	1.3
Sales of Machinery, Equipment, Tools, Fuel, and Supplies used in the Biotechnology Industry	26.2	0.0	26.2	1.7
Sales of Repair and Maintenance Service to Vessels	61.7	0.0	61.7	3.9
Computer and Data Processing Services (Difference between the Full and 1% Rates)	3,554.2	0.0	3,554.2	225.7
Renovation Services to Residential Property	499.3	0.0	499.3	31.7
Sales to Direct Payment Permit Holders	756.3	0.2	756.5	48.0
Sales of College Textbooks	8.1	0.0	8.1	0.5
Sales Tax Holidays	46.8	0.0	46.8	3.0
Motor Vehicles Sold to Armed Forces (Difference between the Full and 4.5% Rates)	6.4	0.9	7.3	0.5

## FY 2016-17 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	650.7	0.0	650.7	41.3
Other Adjustments - Sales of Goods	8,129.2	7.3	8,136.5	516.7
Other Adjustments - Leases and Rentals *	418.0	12.1	451.7	29.4
Other Adjustments - Labor and Services	1,802.3	0.0	1,802.3	114.4
<b>TOTAL</b>	<b>\$228,348.3</b>	<b>\$1,416.8</b>	<b>\$229,786.8</b>	<b>\$14,601.3</b>

\* Includes deductions for the 9.35% tax rate.

### Number of Taxpayers/Filing Frequency

148,785 Sales and Use Taxpayers

59,230 / Monthly

41,990 / Quarterly

47,565 / Annually

1,945 Business Use Taxpayers

651 Room Occupancy Taxpayers

581 / Monthly

70 / 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 tax and Room Occupancy collections.

**TABLE I:**

#### **Sales and Use Tax Collections - Fiscal Years 2015 - 2017**

	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Sales and Use	\$4,020,560,691	4,122,248,483	\$4,173,154,923
Business Use	70,979,365	69,199,911	63,464,312
Individual Use	9,887,126	24,377,328	22,205,637
Room Occupancy	116,281,201	119,741,832	122,789,852
<b>Total Tax</b>	<b>\$4,217,708,383</b>	<b>\$4,335,567,554</b>	<b>\$4,381,614,724</b>

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 2016-17 (In Millions)**

<b>Gross Receipts Attributable to:</b>	<b>6.35%</b>	<b>7.75%</b>
	<b>Tax Rate</b>	<b>Tax Rate</b>
Sales of Tangible Personal Property	\$232,442.6	\$2,139.5
Leasing/Rental of Tangible Personal Property	3,704.8	219.3
Rendering of Services	51,140.5	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 2016-17**  
*(In Millions)*

<b>Taxable Receipts Attributable to:</b>	<b>Tax Rate</b>	<b>Taxable Receipts</b>
Room Occupancy	15%	\$814.7
Rental or Leasing of Motor Vehicles for 30 days or Less	9.35%	226.1

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 2016-17**  
*(In Millions)*

	<b>6.35%</b> <b>Tax Rate</b>	<b>7.75%</b> <b>Tax Rate</b>	<b>9.35%</b> <b>Tax Rate</b>
Purchases of Tangible Personal Property	\$3,884.9	\$0.3	\$0
Leasing/Rental of Tangible Personal Property	38.1	0.1	0.4
Purchases of Services	1,128.7	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 are provided for the Retail Trade subsectors within the North American Industry Classification System (NAICS). Approximately 45% of all the sales and use tax revenue is generated by the retail trade sector.

**TABLE V: Retail Sales Volume - Fiscal Years 2015 - 2017**  
*(In Millions)*

	FY 2014-15	FY 2015-16	FY 2016-17
Motor Vehicle and Parts Dealers (NAICS 441)	\$9,585.4	\$9,898.6	\$10,072.3
Furniture and Home Furnishings Stores (NAICS 442)*	1,768.2	1,897.6	2,009.3
Electronics and Appliance Stores (NAICS 443)	1,653.1	1,643.8	1,656.5
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)*	2,836.0	3,034.6	3,020.9
Food and Beverage Stores (NAICS 445)	10,742.8	10,964.2	11,045.6
Health and Personal Care Stores (NAICS 446)	4,847.5	5,074.7	5,274.6
Gasoline Stations (NAICS 447)	3,329.8	3,196.1	3,297.8
Clothing and Clothing Accessories Stores (NAICS 448)	2,992.7	3,083.1	3,035.6
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	1,054.6	1,084.9	1,125.1
General Merchandise Stores (NAICS 452)	5,508.7	5,503.2	5,419.0
Miscellaneous Store Retailers (NAICS 453)	5,739.5	5,773.9	5,978.1
Non-store Retailers (NAICS 454)*	4,496.1	4,204.1	4,095.5
<b>TOTAL RETAIL TRADE (NAICS 44-45)</b>	<b>\$54,554.4</b>	<b>\$55,358.8</b>	<b>\$56,030.3</b>

\* Prior retail sales amounts revised from FY 2014-15 annual report.

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 2016-17. The revenues are from regular payments and represent 95% of the total sales and use taxes collected in FY 2016-17.

## SALES AND USE TAXES (cont.)

**TABLE VI: Sales & Use Tax - From Periods Ending in Fiscal Year 2016-17**  
*(In Millions)*

	NAICS Code	Tax Due at 6.35%	Tax Due at 7.75%	Total Tax Due (Incl. 9.35% rate)
<u>Utilities</u>	22	\$127.7	\$0.0	\$127.7
<u>Construction</u>	23	154.7	0.1	154.8
<u>Manufacturing</u>	31-33	190.3	0.2	190.5
<u>Wholesale Trade</u>	42	214.2	0.3	214.5
<i>Motor Vehicle and Parts Dealers</i>	441	\$412.2	\$41.3	\$453.9
<i>Furniture and Home Furnishings</i>	442	105.7	0.0	105.7
<i>Electronics and Appliance Stores</i>	443	70.4	0.0	70.4
<i>Building Material and Garden Equipment</i>	444	166.6	0.0	166.6
<i>Food and Beverage Stores</i>	445	211.5	0.0	211.5
<i>Health and Personal Care Stores</i>	446	52.7	0.0	52.7
<i>Gasoline Stations</i>	447	25.8	0.7	26.5
<i>Clothing and Clothing Accessories Stores</i>	448	168.7	10.2	178.8
<i>Sporting Goods, Hobby, Book Stores</i>	451	53.9	0.0	53.9
<i>General Merchandise Stores</i>	452	231.6	0.2	231.8
<i>Miscellaneous Store Retailers</i>	453	201.9	2.9	204.9
<i>Non-store Retailers</i>	454	118.2	0.1	118.3
Retail Sector Subtotal	44-45	1,819.2	55.5	1,875.1
<u>Information</u>	51	280.5	3.5	284.0
<u>Finance and Insurance</u>	52	60.6	0.0	60.6
<u>Real Estate and Rental and Leasing</u>	53	108.7	9.4	136.3
Professional, Scientific and Technical Services	54	172.8	0.1	172.9
Administrative and Support	56	190.2	0.0	190.2
Arts, Entertainment & Recreation	71	35.8	0.0	35.9
Accommodation and Food Services	72	378.5	0.1	378.5
Other Services (except Public Admin)	81	174.6	1.0	175.6
All Other Businesses		154.9	3.3	160.6
<b>TOTAL SALES &amp; USE TAX REVENUE</b>		<b>\$4,062.7</b>	<b>\$73.4</b>	<b>\$4,157.3</b>

## **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.*

<b>Revenue</b>	
FY 2016-17	\$3,045,726
2015-16	3,100,569
2014-15	3,454,245

### **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 2016-17	\$14,594,924
2015-16	12,255,744
2014-15	10,883,016

## 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 2014-15	FY 2015-16	FY 2016-17
Other Tobacco Products*	\$5,240,806	\$6,346,391	\$7,549,972
Snuff Tobacco Products	4,144,666	4,807,575	5,336,724
Cigars in Excess of \$1.00 per Cigar	1,446,305	1,090,566	1,052,101

\* 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.*

<b>Revenue</b>	
FY 2016-17	\$5,381,432
2015-16	5,338,305
2014-15	5,232,982

### **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**

28 taxpayers / Monthly  
55 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.

## **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.*

<b>Revenue</b>	
FY 2016-17	\$ 4,200,458
2015-16	4,593,450
2014-15	4,715,550

### **Number of Taxpayers / Filing Frequency**

477 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.

No minimum tax is required.

### **Credits**

For the 2015 income year, 27 taxpayers claimed \$9,107 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**

<b>Tax Type</b>		<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Corporation Business Tax	Penalty	\$ 2,391,545	\$ 2,420,355	\$3,960,069
	Interest	28,790,951	9,020,240	24,981,371
Income Tax	Penalty	22,985,805	22,462,812	24,138,590
	Interest	49,079,189	47,875,149	55,208,314
Sales & Use	Penalty	15,546,362	14,351,874	14,270,375
	Interest	21,270,062	22,103,875	23,980,568
All Other Taxes	Penalty	3,776,228	4,603,676	4,299,590
	Interest	6,478,260	6,231,647	7,153,519
Total	Penalty	\$ 44,699,940	\$43,838,717	\$ 46,668,624
	Interest	105,618,462	85,230,912	111,323,771

## 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 62,933 external offsets totaling \$24,815,479 in Fiscal Year 2016-17, compared to 57,129 external offsets that totaled \$23,079,007 in Fiscal Year 2015-16.

<b>AMOUNT OF TAXES REFUNDED</b>			
	<b>FY 2014-15</b>	<b>FY 2015-16</b>	<b>FY 2016-17</b>
Admissions & Dues Tax	\$ 36,988	\$ 178,015	\$ 94,587
Beverage Container Deposits	2,404	31,608	469,404
Business Entity Tax	796,339	1,229,200	738,862
Business Use Tax	685,554	1,775,424	8,249,360
Cable, Satellite & Video Companies Tax	163,632	152,398	(67)
Cigarette Tax	703,872	1,757,278	1,506,756
Controlling Interest Transfer Tax	857,951	1,155,290	1,824,975
Corporation Business	116,092,555	103,561,001	140,338,266
Corporation R&D Credit Buyback	7,877,856	7,623,243	5,485,268
Electric & Power Companies	441,941	383,402	163,472
Estate & Gift Tax	16,050,871	26,664,666	32,925,012
Gas Companies	40,964	18,992	15,504
Gasoline Motor Vehicle Fuels Tax	4,419,682	5,180,894	5,282,508
Gift Tax (Repealed)	109,858	23,685	33,733
Health Care Centers Tax	624,467	2,021,638	2,464
Hospital Net Patient Revenue Tax	7,695,000	0	143,390
Income Tax	956,695,671	1,013,042,778	1,029,115,162
Insurance Premiums Tax, Domestic	2,398,786	962,855	2,393,940
Insurance Premiums Tax, Foreign	8,555,458	8,756,733	10,959,115
Insurance, Non-admitted/Unauthorized	104,494	14,594	15,252
Intermediate Care Facility	361	5,081	37,469
Motor Carrier Road Tax	2,450,410	2,012,305	1,348,285
Nursing Home User Fee	495,440	683,684	777,871
Occupational tax	115,841	177,385	207,178
Petroleum Products Gross Earnings Tax	10,000,408	16,144,556	6,193,926
Real Estate Conveyance Tax	1,067,162	1,165,048	2,844,080
Room Occupancy Tax	131,901	156,851	60,248
Sales & Use Taxes	26,707,637	43,711,393	19,984,880
Solid Waste Tax	71,330	28,819	135
Special Fuel Tax	363,986	127,818	411,642
Tobacco Products Tax	55,691	52,077	6,151
Unrelated Business Income Tax	287,246	163,079	799,904
Withholding	9,912,191	9,287,183	10,263,620
Miscellaneous	77,780	51,376	40,143
<b>Total</b>	<b>\$1,176,091,727</b>	<b>\$1,248,300,349</b>	<b>\$1,282,732,495</b>

**STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES  
FY 2016-17 ANNUAL REPORT**

**PREPARED BY: TAX RESEARCH UNIT**

Susan B. Sherman  
Ernest Adamo  
Michael J. Galliher