



## Agency Legislative Proposal - 2014 Session

**Document Name** (e.g. OPM1015Budget.doc; OTG1015Policy.doc): DRS #1

(If submitting an electronically, please label with date, agency, and title of proposal – 092611\_SDE\_TechRevisions)

State Agency:

Department of Revenue Services

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Lead agency division requesting this proposal:

Agency Analyst/Drafter of Proposal:  
Susan Sherman / Lou Bucari

### Title of Proposal

**An Act Making Technical Changes**

### Statutory Reference

### Proposal Summary

Section 1: Fixes the effective date of section 120 of P.A. 13-247, pertaining to the Estate Tax. This provision was meant to be effective upon its passage; however, the final version passed changed the effective date. "Passage" is necessary as the bill was clarifying and applicable to all open estates.

Section 2: Under current practice with regard to the hiring of new or transfer employees, DRS conducts background checks, including fingerprinting for purposes of criminal records checks. However, under current law, the department does not have express statutory authority to access the COLLECT (Connecticut Online Law Enforcement Communication Teleprocessing) system that will search on a national level. This provision authorizes such access and is similar to other agencies' statutes, including Department of Motor Vehicles (§14-9a), Department of Children and Families (§17a-6a), Department of Corrections (§18-811) and Department of Public Health (§19a-40a).

Section 3: Excludes the mattress fee established in 2013 Conn. Pub. Acts 42, §2 from the sales tax. Effective July 1, 2014.

Section 4: Requires the Department of Revenue Services, in consultation with the Department of Energy and Environmental Protection (DEEP), to annually set the natural gas conversion rate consistent with the federal conversion rate. The rate is used to convert natural gas and propane to a liquid gallon equivalent for purposes of the motor vehicle fuels tax.



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Please attach a copy of fully drafted bill (required for review)

PROPOSAL BACKGROUND

Reason for Proposal

Please consider the following, if applicable:
(1) Have there been changes in federal/state/local laws and regulations that make this legislation necessary?
(2) Has this proposal or something similar been implemented in other states? If yes, what is the outcome(s)?
(3) Have certain constituencies called for this action?
(4) What would happen if this was not enacted in law this session?
Failure to fix the effective date of the 2013 legislative change on the Estate Tax could put state tax revenue in jeopardy. In addition, section 4 will enable DRS to use the federal conversion rate for gas to liquefied gallon equivalents, which in turn will encourage the use of alternative fuels as the effective tax rates for gas and gasoline will be on par.

Origin of Proposal [X] New Proposal [ ] Resubmission

If this is a resubmission, please share:
(1) What was the reason this proposal did not pass, or if applicable, was not included in the Administration's package?
(2) Have there been negotiations/discussions during or after the previous legislative session to improve this proposal?
(3) Who were the major stakeholders/advocates/legislators involved in the previous work on this legislation?
(4) What was the last action taken during the past legislative session?

PROPOSAL IMPACT

Agencies Affected (please list for each affected agency)

Agency Name: DEEP
Agency Contact (name, title, phone): Rob LaFrance
Date Contacted: Will contact with respect to section 4.
Approve of Proposal [ ] YES [X] NO [ ] Talks Ongoing

Summary of Affected Agency's Comments

Will there need to be further negotiation? [ ] YES [X] NO

Fiscal Impact (please include the proposal section that causes the fiscal impact and the anticipated impact)





Sec. 3. Subsection (i) of section 2 of Public Act No. 13-42 is repealed and the following is substituted in lieu thereof (*Effective July 1, 2014*).

(i) On and after the implementation of the mattress stewardship program, the mattress stewardship fee, established pursuant to subsection (a) of this section and described in subsection (h) of this section, shall be added to the cost of all mattresses sold to retailers and distributors in this state by each producer. On and after such implementation date, each retailer or distributor, as applicable, shall add the amount of such fee to the purchase price of all mattresses sold in this state. In each transaction described above, the fee shall appear on the invoice and shall be accompanied by a brief description of the fee and, so long as the fee is separately stated, it shall not be includable in the measure of the sales and use taxes imposed under chapter 219. The council may, subject to the commissioner's approval, establish an alternative, practicable means of collecting or remitting such fee. Any producer who fails to participate in such program shall not sell mattresses in this state.

Sec. 4. (NEW) (*Effective on passage*) (a) The Commissioner of Revenue Services shall, on or before June 15, 2014, and on or before the fifteenth day of June thereafter, issue, in consultation with the commissioner of the department of energy and environmental protection, information concerning the computation of tax on motor vehicle fuels occurring in gaseous form. Said information shall include the conversion factor to be used to determine the liquid gallon equivalent of motor vehicle fuels in a gaseous form. Said conversion factor, which shall be consistent with the applicable federal standard, shall be applicable for the twelve month period beginning on the succeeding July first.



## Agency Legislative Proposal - 2014 Session

**Document Name** (e.g. OPM1015Budget.doc; OTG1015Policy.doc): DRS #2

(If submitting an electronically, please label with date, agency, and title of proposal – 092611\_SDE\_TechRevisions)

State Agency:

Department of Revenue Services

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Lead agency division requesting this proposal:

Agency Analyst/Drafter of Proposal:  
Susan Sherman / Lou Bucari

### Title of Proposal

**An Act Concerning the Department of Revenue Services.**

### Statutory Reference

### Proposal Summary

Section 1: Allows the Commissioner of DRS to make available for public inspection a list that includes those taxpayers who have been denied a license, permit or certificate and those taxpayers who have had a license, permit or certificate revoked, suspended or not renewed.

Section 2: This section contains several provisions relating to improving the collection and remittance of sales tax. One proposal will change the filing and payment date to the 20<sup>th</sup> of the month following the monthly or quarterly period. This will accelerate revenue by ten or eleven days for all taxpayers. Another proposal will require those taxpayers who annually remit \$500,000 or more in sales tax to make an estimated payment each month, also due on the 20<sup>th</sup> of each month. The estimate will be 75% of the tax reported on the sales tax return for the same month of the prior year. The last proposal will allow the commissioner to require delinquent taxpayers to remit the tax they collect on a weekly basis. Failure of these delinquent taxpayers to comply will result in penalties and possible revocation of their seller's permit. The proposal requires the commissioner to notify each delinquent taxpayer in writing of their new weekly remittance obligation, which will be for one year.

Section 3: Enables DRS to enter into an MOU with a financial institution to develop and operate a data match system. Currently, DRS does not know if funds are available or even if a taxpayer has a current account with a particular bank when it executes a warrant. This will enable DRS to know prior to executing a warrant whether an account exists and whether funds are available. This proposal is modeled after North Carolina, where it has been very successful and saved



resources (time and costs) for both the bank and the DRS.

Section 4: Provides an addition modification for trusts and estates similar to an existing modification for individual filers for lump-sum distributions from qualified plans.

Section 5: Expands the definition of CT-sourced income to mirror NY State for nonresident individuals who sell or exchange interest in an entity that owns real property in CT.

Section 6: Clarifies that federal offshore hedge fund income is considered Connecticut sourced income for non-residents when attributable to services performed in Connecticut.

Section 7: Changes the gross income factor for apportionment purposes for the personal income tax to mirror the equivalent thereof for corporation business tax. This provision sources sales made by partnerships and other pass-through entities to the location of the customer as opposed to the origin of the sale.

- **Origin of Proposal**       **New Proposal**       **Resubmission**

### PROPOSAL IMPACT

- **Agencies Affected** (please list for each affected agency)

Agency Name:  
Agency Contact (name, title, phone): ,  
Date Contacted:

Approve of Proposal     YES     NO     Talks Ongoing

**Summary of Affected Agency's Comments**

Will there need to be further negotiation?     YES     NO

- **Fiscal Impact** (please include the proposal section that causes the fiscal impact and the anticipated impact)



<b>Municipal</b> (please include any municipal mandate that can be found within legislation)  n/a
<b>State</b> Section 2 will be revenue positive and generate better compliance with those taxpayers who have been in arrears. Sections 4 through 6 will have a positive revenue effect, but the amount cannot be quantified.
<b>Federal</b> n/a
Additional notes on fiscal impact

- **Policy and Programmatic Impacts** (Please specify the proposal section associated with the impact)

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**DRS #2: An Act Concerning the Department of Revenue Services.**

Section 1. Section 12-7a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2014*):

(a) The annual report prepared by the Commissioner of Revenue Services for submission to the governor and publication as provided in section 4-60 shall not be required to include the name of any person liable for payment of any tax which is unpaid. The commissioner shall prepare and maintain a list related to each type of tax levied by the state, containing the name and address of any person [or corporation] liable for payment of any such tax and the amount thereof, including any applicable interest or penalties, which tax, as of the end of the fiscal year with respect to which such report is prepared, is unpaid and a period in excess of ninety days has elapsed following the date on which such tax was due, exclusive of any tax determined to be uncollectible in accordance with section 12-37, any tax on which an appeal is pending and any tax which has been abated by said commissioner as provided in section 12-39. Such lists shall be available to the public for inspection by any person.



(b) The commissioner shall annually prepare, from the list prepared pursuant to subsection (a) of this section, a list of taxpayers who are delinquent in the payment of the corporation business tax under chapter 208. The list shall be arranged in sequential order by the taxpayer identification number assigned by the commissioner and shall be provided to the secretary of the office of policy and management not later than July fifteenth annually, commencing July 15, 1998.

(c) The commissioner may make available for public inspection a list that includes those persons who have applied to the commissioner for a license, permit or certificate and whose application has been denied and those persons who have been issued a license by said commissioner and whose license, permit or certificate has not been renewed or has been revoked or suspended. The list shall be arranged by tax type and may include the date on which each application was denied or the date on which the license, permit or certificate was revoked or suspended and may include the reason for denial, revocation or suspension.

Sec. 2. Section 12-414 of the general statutes is repealed and the following is substituted in lieu thereof:

(1) The taxes imposed by this chapter are due and payable to the commissioner monthly on or before the ~~[last]~~ twentieth day of the month next succeeding each monthly period except that (A) every person whose total tax liability for the twelve-month period ended on the preceding June thirtieth was less than four thousand dollars shall remit tax [file returns] on a quarterly basis[,] and (B) every person described in subparagraph (B) of subdivision (5) hereof shall, regardless of payment frequency otherwise determined hereunder, remit tax as prescribed by the commissioner under said subdivision. "Quarterly" means a period of three calendar months commencing on the first day of January, April, July or October of each year or, if any seller commences business on a date other than the first day of January, April, July or October, a period beginning on the date of commencement of business and ending on March thirty-first, June thirtieth, September thirtieth or December thirty-first, respectively.

(2) On or before the ~~[last]~~ twentieth day of the month following each monthly or quarterly period~~[,]~~ or on the date or dates prescribed by the commissioner under subdivision (5) hereof, as the case may be, a return for the preceding period shall be filed with the commissioner in such form as the commissioner may prescribe. For purposes of the sales tax a return shall be filed by every seller. For purposes of the use tax a return shall be filed by every retailer engaged in business in the state and by every person purchasing services or tangible personal property, the storage, acceptance, consumption or other use of which is subject to the use tax, who has not paid the use tax due a retailer required to collect the tax, except that every person making such purchases for personal use or consumption in this state, and not for use or consumption in carrying on a trade, occupation, business or profession, need file only one use tax return covering purchases during a calendar year. Such return shall be filed and the tax due thereon paid on or before the fifteenth day of the fourth month succeeding the end of the calendar year for which such return is filed. Returns shall be signed by the person required to file the return or



by his authorized agent but need not be verified by oath, provided a return required to be filed by a corporation shall be signed by an officer of such corporation.

(3) For purposes of the sales tax the return shall show the gross receipts of the seller during the preceding reporting period. For purposes of the use tax, in case of a return filed by a retailer, the return shall show the total sales price of the services or property sold by him, the storage, acceptance, consumption or other use of which became subject to the use tax during the preceding reporting period; in case of a return filed by a purchaser, the return shall show the total sales price of the service or property purchased by him, the storage, acceptance, consumption or other use of which became subject to the use tax during the preceding reporting period. The return shall also show the amount of the taxes for the period covered by the return in such manner as the commissioner may require and such other information as the commissioner deems necessary for the proper administration of this chapter. The Commissioner of Revenue Services is authorized in his discretion, for purposes of expediency, to permit returns to be filed in an alternative form wherein the person filing the return may elect to report his gross receipts, including the tax reimbursement to be collected as provided for herein, as a part of such gross receipts or to report his gross receipts exclusive of the tax collected in such cases where the gross receipts from sales have been segregated from tax collections. In the case of the former, the percentage of such tax-included gross receipts that may be considered to be the gross receipts from sales exclusive of the taxes collected thereon shall be computed by dividing the numeral one by the sum of the rate of tax provided in section 12-408, expressed as a decimal, and the numeral one.

(4) Returns, together with the amount of the tax due thereon[,] and any estimated payments required to be made therewith, shall be filed with the Commissioner of Revenue Services.

(5) (A) The commissioner, if he deems it necessary in order to insure payment to or facilitate the collection by the state of the amount of taxes, may permit or require returns and payment of the amount of taxes for other than monthly or quarterly periods.

(B)(i) Consistent with the authority provided to the commissioner under subparagraph (A) of this subdivision, the commissioner may require any taxpayer who is delinquent, as described in section 12-7a of the general statutes, to remit tax collected for a weekly period on a weekly basis. For purposes of this subparagraph, weekly period means the seven-day period beginning on a Saturday and ending the following Friday. Any person who is required to remit tax collected for a weekly period shall remit such tax to the commissioner on or before the Wednesday next succeeding the weekly period and shall do so in the manner and method prescribed by the commissioner. Except as provided herein, the requirement to remit tax on weekly basis does not impact or otherwise alter the filing obligations set forth in subdivision (2) hereof. To the extent that the end of a filing period and the beginning of the subsequent filing period fall in the same weekly period, each person required by the commissioner to remit tax under this subparagraph shall report all of the tax collected and remitted during such weekly



period, along with the corresponding gross receipts, on the return covering the period that ended during said weekly period.

(ii) The commissioner shall send written notice to each person he requires to comply with the provisions of this subparagraph and shall do so in accordance with section 12-2f of the general statutes. Any person who the commissioner requires to remit tax on a weekly basis shall, upon notice from the commissioner, be required to remit tax on a weekly basis for a period of one year commencing from the date set forth in said notice. Said notice shall also contain information regarding the manner and method pursuant to which each person is required to remit tax to the commissioner.

(iii) Any person who fails to comply with the provisions of this subparagraph shall be subject to any and all penalties imposed under this chapter, including revocation of such person's permit.

(6) Except for payments required to be made under the provisions of subparagraph (B) of subdivision (5) hereof and payments required to be made under subdivision (7) hereof, the [The] commissioner for good cause may extend the time for making any return and paying any amount required to be paid under this chapter, if a written request therefor is filed with the commissioner together with a tentative return which must be accompanied by a payment of the tax, which shall be estimated in such tentative return, on or before the last day for filing the return. Any person to whom an extension is granted shall pay, in addition to the tax, interest at the rate of one per cent per month or fraction thereof from the date on which the tax would have been due without the extension until the date of payment.

(7) (A) In addition to the tax that is due and owing under the provisions of subdivision (1) hereof, any person whose total tax liability for the twelve-month period ended on the preceding June thirtieth was five hundred thousand dollars or more shall be required to make monthly estimated payments to the commissioner. Said payments, which must be made on or before the twentieth day of each month and must be remitted with the return required to be filed by said person under subdivision (2) hereof for said month, shall be equal to seventy-five per cent of the tax reported on the return filed by said person with the commissioner pursuant to this chapter for the corresponding month of the preceding calendar year. When calculating the amount of tax due and owing for a month under the provisions of subdivision (1) hereof, any person required to make estimated payments hereunder shall be allowed to take into account the estimated payment made in the preceding month. If the amount determined to be due and owing is greater than the amount of the estimated payment made in the preceding month, said person shall remit said amount to the commissioner as required by subdivision (1) hereof. If the amount determined to be due and owing is less than the amount of the estimated payment made in the preceding month, the remainder of the estimated payment may be carried forward and used as a credit toward each successive estimated payment until fully utilized. In no event shall the remainder of any estimated payment be refunded, except in those circumstances when



the person who made such payment is no longer engaged in business in the state as defined in subparagraph (A) of subdivision (15) of subsection (a) of section 12-407 of the general statutes.

(B) The commissioner shall send written notice to each person required to make estimated payments pursuant to subparagraph (A) of this subdivision and shall do so in accordance with section 12-2f of the general statutes.

(C) If a person that is required to make estimated payments pursuant to subparagraph (A) of this subdivision fails to make a payment or makes a payment that is less than the required amount, said person shall, notwithstanding any other provision of law, be subject to a penalty equal to ten per cent of the unpaid amount.

Sec. 3. (NEW) (*Effective from passage*) (a) The Commissioner of Revenue Services and financial institutions, as defined in section 469A(d)(1) of the Social Security Act, doing business in this state shall enter into agreements to develop and operate a data match system, using automated data exchanges to the maximum extent feasible. Notwithstanding the provisions of section 12-15 of the general statutes, and consistent with the preceding sentence, the commissioner shall provide to each financial institution a list of taxpayers who owe taxes to the state, which taxes are finally due and payable and with respect to which any administrative or judicial remedies, or both have been exhausted or have lapsed. Such list shall include each taxpayer's address, Social Security number or other taxpayer identification number. With ninety days of receipt of such list from the commissioner, each financial institution shall provide the commissioner with the names of those taxpayers who appear on the commissioner's list who maintain an account with such financial institution, the address and Social Security number or other taxpayer identification number associated with each such account and a statement as to whether the balance of each such account exceeds one thousand dollars. For the purposes of this section, "account" means a demand deposit account, checking or negotiable withdrawal order account, savings account, time deposit account or money-market mutual fund account.

(b) A financial institution shall not be liable to any person for (1) disclosing information to the Commissioner of Revenue Services pursuant to this section, or (2) any other action taken in good faith to comply with the requirements of subsection (a) of this section.

Sec. 4. Subdivision (10) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2014*):

(10) "Connecticut fiduciary adjustment" means the net positive or negative total of the following items relating to income, gain, loss or deduction of a trust or estate: (A) There shall be added together (i) any interest income from obligations issued by or on behalf of any state, political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity, exclusive of such income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of any such income with respect to which taxation by any state is prohibited by federal law, (ii) any



exempt-interest dividends, as defined in Section 852(b)(5) of the Internal Revenue Code, exclusive of such exempt-interest dividends derived from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of such exempt-interest dividends derived from obligations, the income with respect to which taxation by any state is prohibited by federal law, (iii) any interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes, (iv) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any loss from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such loss was recognized, (v) to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, any income taxes imposed by this state, (vi) to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is exempt from tax under this chapter, (vii) expenses paid or incurred during the taxable year for the production or collection of income which is exempt from tax under this chapter, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is exempt from taxation under this chapter, to the extent that such expenses and premiums are deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, [and] (viii) to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, the deduction allowable as qualified domestic production activities income, pursuant to Section 199 of the Internal Revenue Code, and (ix) to the extent not included in federal taxable income prior to deductions relating to distributions to beneficiaries, the total amount of a lump sum distribution for the taxable year. (B) There shall be subtracted from the sum of such items (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) with respect to any trust or estate which is a shareholder of an S corporation which is carrying on, or which has the right to carry on, business in this state, as said term is used in section 12-214, the amount of such shareholder's pro rata share of such corporation's nonseparately computed items, as defined in Section 1366 of the Internal Revenue Code, that is subject to tax under chapter 208, in accordance with subsection (c) of section 12-217 multiplied by such corporation's apportionment fraction, if any, as determined in accordance with section 12-218, (iv) to the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, (v) to the



extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized, (vi) any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter, but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, (vii) ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter, but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter, but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, and (viii) the amount of any refund or credit for overpayment of income taxes imposed by this state, to the extent properly includable in gross income for federal income tax purposes for the taxable year and to the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries for the preceding taxable year.

Sec. 5. Subsection (b) of section 12-711 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage and applicable to taxable years commencing on or after January 1, 2014*):

(b) (1) Items of income, gain, loss and deduction derived from or connected with sources within this state shall be those items attributable to: (A) The ownership or disposition of any interest in real or tangible personal property in this state; (B) a business, trade, profession or occupation carried on in this state; (C) in the case of a shareholder of an S corporation, the ownership of shares issued by such corporation, to the extent determined under section 12-712; or (D) winnings from a wager placed in a lottery conducted by the Connecticut Lottery Corporation, if the proceeds from such wager are required, under the Internal Revenue Code or regulations adopted thereunder, to be reported by the Connecticut Lottery Corporation to the Internal Revenue Service. For purposes of this subparagraph, the term "real property in this state" includes an interest in a partnership, limited liability company or S corporation, (hereinafter the "entity") that owns real property that is located within this state and has a fair market value that equals or exceeds fifty percent of all the assets of the entity on the date of sale or exchange of the taxpayer's interest in the entity. Only those assets that the entity owned for at least two years before the date of the sale or exchange of the taxpayer's interest in the entity are to be used in determining the fair market value of all the assets of the entity on the date of sale or exchange. The gain or loss derived from Connecticut sources from the taxpayer's sale or exchange of an interest in an entity that is subject to the provisions of this subparagraph is the total gain or loss for federal income tax purposes from that sale or exchange multiplied by a fraction, the numerator of which is the fair market value of the real



property located in this state on the date of sale or exchange and the denominator of which is the fair market value of all the assets of the entity on the date of sale or exchange.

(2) Income from intangible personal property, including annuities, dividends, interest and gains from the disposition of intangible personal property, shall constitute income derived from sources within this state only to the extent that such income is from (A) property employed in a business, trade, profession or occupation carried on in this state, or (B) winnings from a wager placed in a lottery conducted by the Connecticut Lottery Corporation, if the proceeds from such wager are required, under the Internal Revenue Code or regulations adopted thereunder, to be reported by the Connecticut Lottery Corporation to the Internal Revenue Service.

(3) Deductions with respect to capital losses and net operating losses shall be based solely on income, gain, loss and deduction derived from or connected with sources within this state, under regulations adopted by the commissioner, but otherwise shall be determined in the same manner as the corresponding federal deductions.

(4) Income directly or indirectly derived by an athlete, entertainer or performing artist from closed-circuit and cable television transmissions of an event, other than events occurring on a regularly scheduled basis, taking place within this state as a result of the rendition of services by such athlete, entertainer or performing artist shall constitute income derived from or connected with sources within this state only to the extent that such transmissions were received or exhibited within this state.

Sec. 6. Subsection (a) of section 12-711 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) The income of a nonresident natural person derived from or connected with sources within this state shall be the sum of the net amount of items of income, gain, loss and deduction entering into his Connecticut adjusted gross income, for the taxable year, derived from or connected with sources within this state, including: (1) His distributive share of partnership income, gain, loss and deduction, determined under section 12-712, and (2) his pro rata share of S corporation income, gain, loss and deduction, determined under section 12-712[, and]; (3) his share of estate or trust income, gain, loss and deduction, determined under section 12-714, and (4) his compensation from nonqualified deferred compensation plans attributable to services performed within Connecticut, including, but not limited to, compensation required to be included in federal gross income under section 457A of the Internal Revenue Code.

Sec. 7. Subsection (c) of section 12-711 of the general statutes is repealed and the following are substituted in lieu thereof (*Effective from passage and applicable to*):

(c)(1) If a business, trade, profession or occupation is carried on partly within and partly without this state, as determined under rules or regulations of the Commissioner, the items of income, gain, loss and deduction derived from or connected with sources within this state shall be determined by apportionment under such rules or regulations and in accordance with this subsection.



(2) The proportion of the net amount of the items of income, gain, loss and deduction attributable to the activities of the business carried on in Connecticut shall be determined by multiplying the net amount of the items of income, gain, loss and deduction of the business by the average of the percentages of property, payroll and gross income. The gross income percentage shall be computed by dividing the gross receipts from sales of property or services earned within Connecticut, by the total gross receipts from sales of property or services, whether earned within or without Connecticut. Gross receipts from sales of property are considered to be earned within Connecticut when the property is delivered or shipped to a purchaser within Connecticut, regardless of the f.o.b. point or other conditions of the sale. Gross receipts from sales of services are considered to be earned within Connecticut when the services are performed by an employee, agent, agency or independent contractor chiefly situated at, connected by contract or otherwise with, or sent out from, offices or branches of the business, or other agencies or locations, situated within Connecticut.



## Agency Legislative Proposal - 2014 Session

**Document Name** (e.g. OPM1015Budget.doc; OTG1015Policy.doc): **DRS #3**

(If submitting an electronically, please label with date, agency, and title of proposal – 092611\_SDE\_TechRevisions)

State Agency:  
**Department of Revenue Services**

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Lead agency division requesting this proposal:

Agency Analyst/Drafter of Proposal:  
 Susan Sherman / Lou Bucari

**Title of Proposal**  
**An Act Concerning the Tobacco Master Settlement Agreement.**

**Statutory Reference**

This bill is meant to serve as a placeholder in the event legislative changes may be necessary.

- **Origin of Proposal**     **New Proposal**     **Resubmission**

*If this is a resubmission, please share:*

(5) *What was the reason this proposal did not pass, or if applicable, was not included in the Administration's package?*  
 (6) *Have there been negotiations/discussions during or after the previous legislative session to improve this proposal?*  
 (7) *Who were the major stakeholders/advocates/legislators involved in the previous work on this legislation?*  
 (8) *What was the last action taken during the past legislative session?*

### PROPOSAL IMPACT

- **Agencies Affected** (please list for each affected agency)

Agency Name:  
 Agency Contact (name, title, phone): ,  
 Date Contacted:

Approve of Proposal     YES     NO     Talks Ongoing

**Summary of Affected Agency's Comments**



Will there need to be further negotiation? ___ YES ___ NO

• **Fiscal Impact** (please include the proposal section that causes the fiscal impact and the anticipated impact)

<b>Municipal</b> (please include any municipal mandate that can be found within legislation) n/a
<b>State</b>
<b>Federal</b> n/a
Additional notes on fiscal impact

• **Policy and Programmatic Impacts** (Please specify the proposal section associated with the impact)

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**DRS #3: An Act Concerning the Tobacco Master Settlement Agreement.**