



**Governor Ned Lamont
State of Connecticut**



FACT SHEET
2020 Legislative Session

**HOUSE BILL No. 5010
AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET**

Summary of Proposal:

This bill contains the major revenue elements of the Governor's plan to balance the FY 2021 budget. General Fund revenue would increase by \$34.3 million in FY 2021 prior to accounting for the state's revenue cap. The Special Transportation Fund revenue would increase by \$1.9 million in FY 2021 prior to accounting for the state's revenue cap.

Reason for Proposal:

To raise revenue to support Governor Lamont's proposed biennial budget.

Significant Impacts:

The bill will have the following impact on the state's revenue in FY 2021 (all dollar amounts in millions):

<u>Sec.</u>	<u>Legislative Proposals - General Fund</u>	<u>Fiscal 2021</u>
1-2	Regional Performance Incentive Transfer	\$ 12.8
3-4	Maintain current 10% surcharge set to expire in tax year 2021	22.5
5	Delay Phase-In of Capital Base Reduction	5.7
6	Limit carryforward of new R&D credits to 15 years	0.0
7	Cap Credits claimed against the public utilities tax at 50.01% of liability	2.0
8	Eliminate exemption for gas sold to facility with 775 MW Capacity	3.6
9	Modify Taxation of E-Cigarettes to 50% of Wholesale	0.9
10-18	Implement recommendation of ambulatory surgical center tax study	(1.0)
19-24	Impose Convenience Fee for Credit/Debit Card Use	2.0
25	Clinical Laboratory Fee	0.2
26	Increase Fees for Cremation Certificates	0.5
27	Increase Youth Camp Licensure Fees	0.1
30	Transfer to the Philanthropic Match Account (Dalio)	(20.0)
31	Reduce GAAP Payment in FY 2020	0.0
32	Transfer Additional Resources from FY 2020 into FY 2021	55.0
33	Eliminate \$50 million Fee Changes	<u>(50.0)</u>
	TOTAL GENERAL FUND REVENUE	\$ 34.3

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<u>Sec.</u>	<u>Legislative Proposals - Special Transportation Fund</u>	<u>Fiscal 2021</u>
19-24	Impose Convenience Fee for Credit Card Use	\$ 1.9
	TOTAL SPECIAL TRANSPORTATION FUND REVENUE	\$ 1.9

Additional Information:

Sections 1-2: Regional Performance Incentive Transfer. This proposal eliminates the transfer in FY 2021 from the Hotel Tax and Rental Car Surtax of the Sales and Use Tax to the Regional Performance Incentive Account in recognition that this current year's funding is sufficient to accommodate funding needs in both FY 2020 and FY 2021. Effective 7/1/2020.

Sections 3-4: 10% Corporate Tax Surcharge. The proposal extends the 10% corporation tax surcharge indefinitely. The 10% surcharge is on top of the existing 7.5% rate. The surcharge does not apply to companies (1) with less than \$100 million in annual gross revenues or (2) whose tax liability does not exceed the \$250 minimum tax. Effective 1/1/2021.

Section 5: Delay Capital Base Tax Reduction. This proposal would extend and delay the phase-out of the Capital Base Tax. Current law phases-out the tax completely from 3.1 mills for income year (IY) 2020 to 0 mills for income year 2024. This proposal would extend the 3.1 mills rate into income year 2021 and add an additional step in the phase-out schedule of 1.6 mills for income year 2024 and ultimately phase-out the tax by income year 2026. The schedule would be as follows: IY 2021-3.1 mills; IY 2022-2.6 mills; IY 2023-2.1mills; IY 2024-1.6 mills; IY 2025-1.1 mills; IY 2026-0 mills. Effective 1/1/2021.

Section 6: Limit Carryforward of New R&D Credits to 15 Years. This proposal prevents R&D tax credits issued on or after January 1, 2020 from being carried forward for a period of more than 15 years. Such credits can currently be carried forward indefinitely. Almost all other credits have carryforward periods of 0 to 15 years. Effective 1/1/2020.

Section 7: Cap Credits Claimed Against the Public Utilities Tax at 50.01% of Liability. This proposal would drop the allowable credit to be 50.01% of the tax liability on the public utilities tax. The current cap on Public Utilities Tax is 70.0%. This brings it in line with corporate income tax credits. Effective 7/1/2020.

Section 8: Eliminate Exemption for Gas Sold to Facility with 775 MW Capacity. This proposal eliminates an exemption in section CGS 12-264 effective 7/1/2020, which applies to natural gas sold to facility comprised of three gas turbines with a total capacity of 775 MW.

Section 9: 50% Wholesale Tax on Electronic Cigarettes. This proposal would eliminate current law of a 10% wholesale tax on all "open" E-cigarette liquids and a \$0.40 per mL tax on "closed" products and impose a 50% wholesale tax on all electronic cigarette vaping liquids. The rate would bring more parity with the existing cigarette tax. Effective October 1, 2020.

Sections 10-18: Ambulatory Surgical Centers Tax Recommendations. The proposal makes the following changes to the 6% ambulatory surgical centers tax to ensure conformity with federal regulations pursuant to the recommendations provided on February 1, 2017 by the Office of Policy and Management's legislatively mandated "Report on the Ambulatory Surgical Centers Tax:"

- 1) Limits the tax to gross receipts from facility fees (excludes surgical procedures)
- 2) Eliminates the exemption for the first \$1 million in receipts

A third recommendation from the report was to disallow the usage of urban and industrial site reinvestment tax credits (URA tax credits) against the tax, but this recommendation has already been enacted as part of Section 9 of Public Act No. 19-186. Additionally, this proposal continues the exemption of taxing Medicaid and Medicare payments made to ambulatory surgical centers pursuant to Section 1 of Public Act No. 18-170. Effective 7/1/2020.

Sections 19-24: Convenience Fee for Credit/Debit Card Use. This proposal would require that a convenience fee be applied to credit/debit card transactions with the state in order to cover the additional charges credit card companies place on all transactions in both the General Fund and the Special transportation Fund. In FY 2019 alone, the total cost to the state was \$5.2 million across all state funds. Effective 10/1/2020.

Section 25: Clinical Laboratory Fee. This proposal increases the biennial licensure fee for clinical laboratories from \$200 to \$1,250 and creates a \$200 fee per blood collection facility to be paid by a clinical laboratory at the time of initial and renewal licensure. Effective 7/1/2020.

Section 26: Increase Fees for Cremation Certificates. This proposal would increase the current fee of \$150 to \$175 for the issuance of the cremation certificate. In FY 2019, there were 18,522 cremation certificates issued. Effective 7/1/2020.

Section 27: Increase Youth Camp Licensure Fees. This proposal would increase the current licensure fee of \$815 to \$1,115 in order to conduct or maintain a youth camp. If the applicant is a nonprofit, nonstock corporation or association, the licensure fee increases from \$315 to \$430 in order to conduct or maintain a youth camp. Both fees also apply to the yearly renewal of the license. Effective 7/1/2020.

Section 30: Transfer to the Philanthropic Match Account (Dalio). This proposal would continue the commitment to education by matching Dalio Philanthropic Foundation Contributions. The proposal would require a transfer of \$20 million from the General Fund to the Philanthropic Match Account established in section 20-265ff in FY 2021. Effective 7/1/2020.

Sections 31-32: Reduce GAAP Payment in FY 2020 and Transfer Additional Resources into FY 2021. This proposal would reduce the FY 2020 GAAP payment of \$75.7 million by \$55 million, and this amount will be transferred for use in FY 2021. Reducing the FY 2020 GAAP payment will increase payments due between FY 2022 and FY 2028 in order to fulfill the entire GAAP payment. Effective 7/1/2020.

Section 33: Eliminate \$50 million Fee Changes. This proposal would repeal the requirement imposed in section 368 of Public Act No. 19-117 that the Office of Policy and Management identify \$50 million of revenue by an increase in fees. Effective from passage.