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**Description; Conferences and Hearings; Procedure for Requesting the
Promulgation, Amendment or Repeal of a Regulation; Petition for
Declaratory Ruling; Regulations and Forms**

Sec. 12-2-1.

Repealed, December 18, 1980.

Sec. 12-2-1a. Description

(a) The department of revenue services has its headquarters at 92 Farmington Avenue, Hartford, Connecticut 06115. It operates under the direction of the commissioner of revenue services, who is appointed to a four-year term by the Governor, with the advice and consent of either house of the General Assembly. The commissioner appoints the deputy commissioner of revenue services to assist him. The director of protests and hearings reports directly to the commissioner.

(b) For the purpose of administering the enforcing the provisions of Title 12 of the Connecticut General Statutes, the commissioner, in addition to organizing his own immediate office, has divided the department into six divisions.

(1) The administration division is comprised of the business section, the personnel and payroll section, and the records section and is headed by the director of administrative and fiscal services. The division is responsible for preparing the budget of the department, supervising personnel matters, communicating with the Internal Revenue Service, and providing statistical data to the General Assembly.

(2) The audit division is comprised of the examination section, the administration section, the evaluation section and the personal taxes section and is headed by the director of audit division. The division is responsible for the audit of all tax returns.

(3) The collection and enforcement division is comprised of the delinquency section, the deficiency section, the abatements and bankruptcies section, the enforcement section, and the field unit and is headed by the director of collection and enforcement division. The division is responsible for the collection of delinquent and deficient taxes; for the settlement of tax claims against bankrupt taxpayers; and for the investigation of tax evaders.

(4) The inheritance division is comprised of the computation and collection section, the clerical section, and the legal section and is headed by the first assistant commissioner of revenue services. The division is responsible for the computation of the succession and estate taxes on all estates and for the billing and collection of these taxes. The first assistant commissioner of revenue services is assisted in the execution of his duties by the chief inheritance attorney, who is in charge of the legal section.

(5) The legal division is comprised of the taxpayer relations section and the technical support section and is headed by the director of legal division. The division is responsible for legal research concerning tax matters; for the formulation of regulations and proposed legislation; and for the dissemination of tax information to the public. Assistant attorneys general are assigned to the department and act as legal counsel to the commissioner in all litigation and other civil proceedings.

(6) The operations division is comprised of the registration section, the processing section, the data processing section, and the accounts receivable section and is headed by the director of operations division. This division initiates and maintains taxpayer files; receives, prepares, and processes all tax returns; and initiates and maintains the accounts receivable files.

(Effective December 18, 1980)

Sec. 12-2-2.

Repealed, December 18, 1980.

Sec. 12-2-2a. Conferences and hearings**(a) Succession and estate taxes**

(1) Informal conferences, although not expressly authorized by statute, are held at the headquarters of the department of revenue services.

(2) There are no statutory provisions for hearings before the commissioner or his authorized agent. If a taxpayer is aggrieved by a determination of the commissioner with respect to valuation of an estate, extent of taxability, domicile, or computation of tax, the taxpayer is entitled to a hearing before the probate court of the district in which the decedent resided with a right of appeal to the superior court.

(b) Other taxes

(1) (A) There are statutory provisions for hearings before the commissioner or his authorized agent. If a taxpayer is aggrieved by the action of the commissioner or his authorized agent in fixing the amount of any tax or in imposing any penalty, the taxpayer or its duly authorized representative may request, in writing, a formal hearing, within thirty days after the notice of such action is mailed pursuant to sections 12-207 (Insurance Companies, Hospital and Medical Services Corporations Tax), 12-236 (Corporation Business Tax), 12-248 (Air Carriers Tax), 12-268i (Express, Telegraph, Telephone, Cable, Car and Community Antenna Television System Companies Tax, Utility Companies Tax, and Public Service Companies Tax), 12-418 (2) and 12-421 (Sales and Use Tax), 12-473 (Gasoline and Special Fuel Taxes), 12-521 (Capital Gains and Dividends Tax), and 12-553 (Admissions, Cabaret and Dues Tax) of the Connecticut General Statutes and within ten days after the notice of such action is mailed pursuant to sections 12-252 (Railroad Companies Tax), 12-311 (Cigarette Taxes), and 12-447 (Alcoholic Beverages Tax) of the Connecticut General Statutes, setting forth the reasons why such a hearing should be granted and the amount in which such tax should be reduced. Any such request will be considered to have been made as of the time or date of the United States Postal Service postmark. A request for an informal conference may be made simultaneously with or subsequent to a request for a formal hearing.

(B) If the request for a formal hearing is granted, the commissioner shall notify the taxpayer or its duly authorized representative of the time and place fixed for such hearing not later than ten days prior to the date of such hearing.

(C) The commissioner may be represented by his authorized agent. The taxpayer may be represented by its duly authorized representative, whether it be its attorney, accountant or employee. Opportunity shall be afforded all parties to present evidence and argument, both orally and in writing, on all issues involved. A party may conduct cross-examinations required for a full and true disclosure of the facts.

(D) The commissioner may, by notice in writing at any time within three years after the date when any return of the taxpayer was due or within three years after the date when any return was filed, whichever is later, order a hearing on his own initiative and require the taxpayer or any other individual whom he believes to be in possession of relevant information concerning the taxpayer to appear before him or his authorized agent, with any specified books of account, papers or other documents, for examination under oath.

(E) In the discretion of the commissioner or his authorized agent, if the commissioner is represented by such agent, a hearing may be continued from time to

time, upon the request of either party. Informal conferences may be scheduled in the interim.

(F) A transcript shall be made of a hearing and a copy shall be mailed to the taxpayer or its duly authorized representative. The taxpayer or its duly authorized representative may then submit additional briefs, exhibits or proposed findings of fact, provided that the taxpayer or its duly authorized representative promptly notify the commissioner or his authorized agent of its intention to do so, and provided that the briefs, exhibits or proposed findings of fact are, in fact, submitted promptly thereafter.

(G) Any decision of the commissioner or his authorized agent resulting from a hearing shall be considered as such when made. Promptly thereafter, the taxpayer or its duly authorized representative shall be notified of such decision by mail.

(2) (A) Informal conferences, although not expressly authorized by statute, are held at the headquarters of the department of revenue services. Such conferences can be scheduled prior to or subsequent to formal hearings.

(B) A request for an informal conference will not constitute and will not be considered a request for a formal hearing.

(C) The commissioner may be represented by his authorized agent. The taxpayer may be represented by its duly authorized representative, whether it is its attorney, accountant or employee.

(D) A formal record is not made of any informal conference; however, either party may, if it wishes, make its own record of the proceedings.

(3) If the commissioner is of the opinion that a request for a conference or hearing will result in a delay which may in any way jeopardize the interests of the state of Connecticut, the commissioner shall require the posting of such security as he deems necessary to protect the interests of the state.

(Effective December 18, 1980)

Sec. 12-2-3.

Repealed, December 18, 1980.

Sec. 12-2-3a. Procedure for requesting the promulgation, amending or repeal of a regulation

(a) A petition requesting the promulgation, amendment or repeal of a departmental regulation shall be accepted by the commissioner if the petitioner proceeds as follows:

(1) The petition shall be in writing and submitted to the Commissioner of Revenue Services, 92 Farmington Avenue, Hartford, Connecticut 06115.

(2) The petition shall be signed by the petitioner or a duly authorized representative and shall include, for purposes of reply, the address of the petitioner or a duly authorized representative.

(3) A copy of the petition shall be served by the petitioner on any person whom the petitioner has reason to believe may not otherwise have knowledge thereof and may fairly be said to have an interest therein. Certification of such service shall be included in or attached to the petition.

(4) The petition shall clearly state the language to be promulgated, amended or repealed. The same petition may include matter to be promulgated as well as matter to be amended or repealed.

(5) The petition may include a statement of facts and arguments in support thereof.

(b) Within thirty days of receipt of the petition, the commissioner, in his discretion, either shall deny the petition in writing, stating reasons for his denial, or shall

initiate regulation-making proceedings in accordance with section 4-168 of the Connecticut General Statutes.

(Effective December 18, 1980)

Sec. 12-2-4.

Repealed, December 18, 1980.

Sec. 12-2-4a. Petition for declaratory ruling

(a) A petition for declaratory ruling as to the applicability of any statute or of any regulation or order of the department shall be accepted by the commissioner if the petitioner proceeds as follows:

(1) The petition shall be in writing and submitted to the Commissioner of Revenue Services, 92 Farmington Avenue, Hartford, Connecticut 06115.

(2) The petition shall be signed by the petitioner or a duly authorized representative and shall include, for purposes of reply, the address of the petitioner or a duly authorized representative.

(3) A copy of the petition shall be served by the petitioner on any person whom the petitioner has reason to believe may not otherwise have knowledge thereof and may fairly be said to have an interest therein. Certification of such service shall be included in or attached to the petition.

(4) The petition shall state clearly the question of applicability upon which a ruling is sought and the factual background of the issue.

(5) The petition shall state the position of the petitioner with respect to the question of applicability.

(6) The petition may include legal arguments in support of the position of the petitioner.

(b) Within thirty days of receipt of the petition, the commissioner, in his discretion, may dispose of the petition either by written refusal to issue the declaratory ruling sought, stating reasons for such refusal, or by issuance of the declaratory ruling sought.

(Effective December 18, 1980)

Sec. 12-2-5.

Repealed, December 18, 1980.

Sec. 12-2-5a.

Repealed, April 6, 2000.

Sec. 12-2-6.

Repealed, December 18, 1980.

Sec. 12-2-7. Reserved

Procedures

Sec. 12-2-8. Notice concerning dissolution

(a) **Preamble.** Each dissolved stock corporation organized under the laws of this state shall send the notice concerning dissolution which is described in subsection (b) of this section to the commissioner of revenue services, whether or not the corporation elects to proceed in respect of creditors as provided under section 33-379 (d). In the event that the corporation elects to proceed in respect of creditors as provided under section 33-379 (d), the notice required under that section shall

also be sent to the commissioner of revenue services, whether or not the department of revenue services is a known creditor of the corporation. In the event that the corporation elects not to proceed in respect of creditors as provided under section 33-379 (d), a current statement from the commissioner of revenue services showing that the corporation has paid all its taxes, that it was not liable for any taxes or that it has made adequate provisions for the future payment of any of its unpaid taxes shall also be obtained. Failure to send the notice required under section 33-379 (d), if the corporation elects to proceed thereunder, or failure to obtain the current statement required under section 33-380 (b), if the corporation elects not to proceed under section 33-379 (d), shall expose to suit (1) the corporation, by virtue of section 33-378 (e); (2) a shareholder in a derivative capacity, by virtue of section 33-378 (e) and (f) and section 33-359, if the shareholder has received a distribution of assets from the corporation, knowing the distribution to be improper under chapter 599; and (3) a director, by virtue of section 33-321 (b), if the director voted for a distribution of assets improper under chapter 599. Subsection (b) of this section describes the required content of the notice concerning dissolution which shall be sent to the commissioner of revenue services by each dissolved stock corporation organized under the laws of this state. Subsection (c) of this section describes the procedure which must be followed in sending the notice concerning dissolution which is described in subsection (b) of this section.

(b) **Required contents of notice.** The required contents of the notice concerning dissolution include—

(1) a copy of the notice required to be published under section 33-379 (a) plus a statement indicating the dates of publication of the notice in the Connecticut Law Journal plus a statement indicating the name of the newspaper having a general circulation in the town of the corporation's principal office in which the notice is published and the dates of publication.

(2) a statement indicating the name of the person to which, the place at which and the time within which claims against the corporation are to be presented.

(3) a statement indicating whether the corporation has elected to proceed in respect of creditors as provided in section 33-379 (d) or whether the corporation is seeking to obtain the current statement from the commissioner as provided in section 33-380 (b).

(4) if the corporation elects to proceed in respect of creditors as provided under section 33-379 (d), a copy of the notice required to be published under section 33-379 (d) plus a statement indicating the dates of publication of the notice in the Connecticut Law Journal plus the name of the newspaper having a general circulation in the town of the corporation's principal office in which the notice is published and the dates of publication.

(5) a statement indicating the tax registration number assigned by the commissioner of revenue services to the corporation.

(c) **Procedure.** The notice concerning dissolution shall be served by registered or certified mail in a plain cover, envelope or other appropriate wrapper, postage prepaid, to the following address: Department of Revenue Services, 92 Farmington Avenue, Hartford, Connecticut 06105, Att: Division Chief, Office Services Subdivision, Audit Division. The caption "NOTICE CONCERNING DISSOLUTION" must appear on the cover, envelope or wrapper.

(Effective December 19, 1984)

Sec. 12-2-9. Request by a purchaser for a clearance certificate pertaining to taxes imposed by chapter 219

(a) **In general.** Any person who purchases the business or stock of goods of a retailer is required under section 12-424 (1) to withhold a sufficient amount of the purchase price to cover the liability of such retailer for the taxes imposed under chapter 219 (the sales and use taxes). The purchaser shall turn over such amount if and only if such retailer furnishes either a receipt from the commissioner showing that such liability has been paid or a certificate (the clearance certificate) from the commissioner stating that no taxes imposed under chapter 219 are due. Section 12-424 (2) allows the purchaser to request a clearance certificate. A condition precedent to the issuance of a clearance certificate is the payment of the liability of such retailer for the taxes imposed under chapter 219. Subsection (b) of this section describes the required content of the request by such purchaser for a clearance certificate from the commissioner. Subsection (c) of this section describes the procedure which must be followed in making a request for a clearance certificate. Subsection (d) of this section describes the procedure which must be followed by the commissioner in dealing with a request for a clearance certificate.

(b) **Required contents of request.** The required contents of the request for a clearance certificate include –

- (1) the name and address of the purchaser;
- (2) the tax registration number, if any, assigned to the purchaser by the commissioner;
- (3) the name and address of the retailer;
- (4) the tax registration number assigned to the retailer by the commissioner;
- (5) the purchase price, including the fair market value of any consideration other than money, paid or transferred directly or indirectly to the retailer by the purchaser, including the amount of any liability to which property purchased by the purchaser from the retailer is subject, and the amount of any liability of the retailer to the purchaser offset against the purchase price;
- (6) a copy of the purchase agreement and any attachments thereto.

The notice of transfer required by section 42a-6-106 (Uniform Commercial Code —Bulk Transfers) shall not constitute a request for a clearance certificate, even if the commissioner is a creditor of the transferor and the transferee gives notice of the transfer to the commissioner in the manner provided in section 42a-6-106.

(c) **Procedure to be followed in making a request for a clearance certificate.** The request for a clearance certificate shall be served by registered or certified mail in a plain cover, envelope or other appropriate wrapper, postage prepaid, to the following address: Department of Revenue Services, 92 Farmington Avenue, Hartford, Connecticut 06105, Attn: Division Chief, Office Services Subdivision, Audit Division. The caption “REQUEST FOR CLEARANCE CERTIFICATE” must appear on the cover, envelope or wrapper.

(d) **Procedure to be followed by the commissioner in dealing with a request for a clearance certificate.** The officer who is specified in subsection (c) of this section shall determine whether the request meets the requirements of subsections (b) and (c) of this section. If the request fails to meet such requirements, such officer shall send notice of such failure to the person who made such request. In such event, such person will be deemed not to have made a request for a clearance certificate. If the request meets the requirements of subsections (b) and (c) of this section, such officer shall send notice of the amount which must be paid as a

condition precedent to the issuance of a clearance certificate or, if no amount must be paid, shall send a clearance certificate. If the notice of the amount which must be paid is not sent within sixty days of the receipt of the request for a clearance certificate, the purchaser shall not be liable for any unpaid taxes imposed under chapter 219 on the retailer. The notice of the amount which must be paid will be deemed to have been sent on the date shown by the post office cancellation mark stamped upon the cover, envelope or other wrapper.

(Effective December 19, 1984)

Sec. 12-2-10. Request for disclosure of confidential information

(a) **In general.** The disclosure of any information (1) obtained by an investigation of the records of any person examined by the commissioner or his authorized agent in the discharge of duties involved in the administration of revenue statutes or (2) contained in any return, statement or report required to be filed with or submitted to the commissioner is unlawful, except to the extent that such disclosure is permitted by section 12-15 (a). Section 12-15 (a) and subsections (b), (c) and (d) of this section describe the circumstances under, and persons to, which certain information will be disclosed. Subsection (b) of this section conditions the disclosure of information to other officers of the State of Connecticut on the submission of documents specified therein. Subsection (c) of this section conditions the disclosure of information to a taxpayer or its authorized representative on the submission of documents specified therein. Subsection (d) of this section conditions the disclosure of information to a successor, receiver, trustee, executor, administrator, assignee or guarantor of a taxpayer on the submission of documents specified therein. Subsection (e) of this section describes the procedure which must be followed in making a request for disclosure of information. Authority for the promulgation of this section is to be found in section 12.2.

(b) **Other officers of this state.** The information specified in subsection (a) of this section shall be disclosed to an officer of the State of Connecticut if and only if—

- (1) a written request is made by the agency head of the Connecticut state agency;
- (2) such request states with particularity the information which is sought;
- (3) such request states that such information is required in the course of duty of such state agency or that reasonable cause to believe that a state law with which such state agency is charged with enforcement is being violated exists; and
- (4) such request is acknowledged in the manner and form provided by chapter 6 of the Connecticut General Statutes.

(c) **Written requests by taxpayers and their authorized representatives; written documents authorizing disclosure to authorized representatives.**

(1) Upon written request by a taxpayer or by the taxpayer's authorized representative, the commissioner may disclose the taxpayer's returns, as defined in section 12-15 of the General Statutes, or the taxpayer's return information, as defined in section 12-15 of the General Statutes, to the taxpayer or to the taxpayer's authorized representative. The authorized representative may be an individual or an entity (e.g., a corporation, partnership, trust or organization).

(2) If the written request described in subdivision (1) of this subsection is made by the authorized representative, it shall be accompanied by a written document, authorizing the disclosure, that is signed by the taxpayer; provides the taxpayer's full name, address, social security number or federal employer identification number, and Connecticut tax registration number, and the authorized representative's full name, address, and telephone number; and identifies the specific tax and specific taxable period or periods to which the request pertains.

(3) (A) In the event that such taxpayer is a corporation, the written document authorizing disclosure to an authorized representative described in subdivision (2) of this subsection shall be signed by any corporate officer who has legal authority to bind such taxpayer; any person who is designated by the board of directors or other governing body of the corporation; any officer or employee of the corporation upon written request signed by a principal officer of the corporation and attested by the secretary or other officer of the corporation; or any other person who is authorized to receive or inspect the corporation's return or return information under section 6103(e)(1)(d) of the Internal Revenue Code. The written request described in subdivision (1) of this subsection shall be signed by the authorized representative or by any person authorized by this subparagraph to sign the written document authorizing disclosure to an authorized representative described in subdivision (2) of this subsection.

(B) In the event that such taxpayer is a trust or estate, the written document authorizing disclosure to an authorized representative described in subdivision (2) of this subsection shall be signed by the fiduciary of such taxpayer. The written request described in subdivision (1) of this subsection shall be signed by the authorized representative or by the fiduciary of the taxpayer.

(C) In the event that such taxpayer is a partnership, the written document authorizing disclosure to an authorized representative described in subdivision (2) of this subsection shall be signed by any person who was a member of such partnership during any part of the taxable period or periods to which such request pertains. The written request described in subdivision (1) of this subsection shall be signed by the authorized representative or by any person authorized by this subparagraph to sign the written request described in subdivision (1) of this subsection.

(d) **Successors, receivers, trustees, executors, administrators, assignees and guarantors.** The items included in the measure of the tax and the amount of unpaid taxes, penalties and interest due and owing from a taxpayer shall be disclosed to a successor, receiver, trustee, executor, administrator, assignee or guarantor of such taxpayer if and only if—

(1) a written request is made by such successor, receiver, trustee, executor, administrator, assignee or guarantor;

(2) such request demonstrates that status as a successor, receiver, trustee, executor, administrator, assignee or guarantor of such taxpayer is possessed and appropriate legal documents creating such status are submitted with such request; and

(3) such request demonstrates that such successor, receiver, trustee, executor, administrator, assignee or guarantor is directly interested in such disclosure.

(e) **Procedure.** The requests specified in subsections (b), (c) and (d) of this section shall be mailed in a plain cover, envelope or other appropriate wrapper, postage prepaid, to the following address: Department of Revenue Services, 92 Farmington Avenue, Hartford, Connecticut 06105, Attn: Director, Taxpayer Services Division. The caption "REQUEST FOR DISCLOSURE OF CONFIDENTIAL INFORMATION" must appear on the envelope.

(Effective January 7, 1992; amended November 3, 1999)

Sec. 12-2-11. Waiver of penalties not in excess of one hundred dollars

(a) **Scope.** Various provisions of title 12 of the Connecticut General Statutes provide that, subject to the provisions of section 12-3a, the commissioner of revenue services may waive penalties, in whole or in part, when it is proven to his satisfaction that the failure to pay any tax on time was due to reasonable cause and was not intentional or due to neglect. Section 12-3a pertains to the tax review committee

and to its waiver of penalties in excess of one hundred dollars. Section 12-3a-1 establishes guidelines for the waiver of such penalties by the tax review committee. This regulation establishes guidelines for the waiver of penalties not in excess of one hundred dollars by the commissioner of revenue services. Subsection (b) of this regulation provides examples of a failure to pay any tax on time due to reasonable cause, and subsection (c) of this regulation provides examples of an unintentional failure (and not a failure due to neglect) to pay any tax on time.

(b) **Failure to pay tax on time due to reasonable cause.** A penalty will be waived, if a taxpayer clearly establishes the facts alleged to be a reasonable cause for failure to pay tax on time in the form of a written statement. The following are examples of a failure to pay tax on time due to reasonable cause:

(1) loss of business records necessary to prepare a tax return as a result of fire or other casualty; however, if there is sufficient time before the due date to reconstruct lost records, the failure to pay tax on time will not be due to reasonable cause.

(2) death or serious illness of the tax return preparer (or a member of the immediate family of the preparer); however, if more than one person is responsible for preparing tax returns, the failure to pay tax on time will not be due to reasonable cause.

(3) unforeseeable absence or unavailability of the tax return preparer; however, a vacation trip will not constitute an unforeseeable absence or unavailability, and a business trip will not constitute an unforeseeable absence or unavailability unless it is of an emergency nature.

(4) No tax return was filed (or a tax return was filed but the tax was underreported) but the taxpayer contacted a competent tax advisor, to whom the taxpayer furnished all necessary information but who incorrectly advised the taxpayer that a tax return was not required (or that the tax was correctly reported), and the taxpayer exercised ordinary business care and prudence in determining whether to seek further advice.

(c) **Failure to pay tax on time not intentional or due to neglect.**

A penalty will be waived, if a taxpayer clearly establishes the facts alleged to be a cause of the taxpayer's unintentional failure (and not a failure due to neglect) to pay tax on time in the form of a written statement. The following are examples of a failure to pay tax on time which is unintentional (and not due to neglect):

(1) A mathematical error is made on a tax return resulting in an underpayment of tax, but the taxpayer exercised ordinary business care and prudence to avoid such an error.

(2) Figures are transposed on a check or money order resulting in an underpayment of tax, but the taxpayer exercised ordinary business care and prudence to avoid such an error.

(3) No tax return was filed (or a tax return was filed but the tax was underreported) and the taxpayer did not contact a competent tax advisor, but the taxpayer made a reasonable effort to comply with tax statutes and regulations and did not carelessly, recklessly or intentionally disregard tax statutes and regulations, and the taxpayer exercised ordinary business care and prudence in determining not to contact a competent tax advisor.

(Effective May 25, 1989)

Recordkeeping and Retention

Sec. 12-2-12. Recordkeeping and record retention

(a) **Definitions.**

(1) "Affected tax law provisions" means the provisions in the following chapters of the general statutes: chapter 207, chapter 208, chapter 211, chapter 211a, chapter

211b, chapter 212, chapter 212a, chapter 214, chapter 214a, chapter 216, chapter 217, chapter 218, chapter 218a, chapter 219, chapter 220, chapter 221, chapter 222, chapter 223, chapter 225, chapter 227, chapter 228a, chapter 228b, chapter 228c, chapter 228d, chapter 228e, chapter 228f, chapter 228g, chapter 228h, and chapter 229. In addition, the term “affected tax law provisions” means the following sections of the general statutes: 22a-132, 22a-232, 22a-234a, 26-237c, 38a-277 and 51-81b;

(2) “Database management system” means a software system that controls, relates, retrieves and provides accessibility to data stored in a database;

(3) “Electronic data interchange” or “EDI technology” means the computer-to-computer exchange of business transactions in a standardized structured electronic format;

(4) “Hard copy” means any documents, records, reports or other data printed on paper;

(5) “Machine-sensible record” means a collection of related information in an electronic format. Machine-sensible records do not include hard copy records that are created or recorded on paper or stored in or by an imaging system such as microfilm, microfiche, or storage-only imaging systems;

(6) “Storage-only imaging system” means a system of computer hardware and software that provides for the storage, retention and retrieval of documents originally created on paper. It does not include any system, or part of a system, that manipulates or processes any information or data contained on the document in any manner other than to reproduce the document in hard copy or as an optical image; and

(7) “Taxpayer” as used in this section means any person that is required by law or regulation to maintain and preserve records in connection with the provisions of the general statutes listed in the definition of “affected tax law provisions” or any regulations thereunder.

(b) Recordkeeping requirements.

(1) A taxpayer shall maintain all records that are necessary to a determination of correct tax liability under the affected tax law provisions. All required records shall be made available upon request by the commissioner or his authorized representatives as provided for in the affected tax law provisions. Such records include, but are not limited to: books of account, invoices, sales receipts, cash register tapes, purchase orders, exemption certificates, returns, and schedules and working papers used in connection with the preparation of returns.

(2) Failure to maintain such records will be considered evidence of negligence or intentional disregard of law or regulation and may, without more, result in the imposition of appropriate penalties.

(3) If a taxpayer retains records required to be retained under this section in both machine-sensible and hard copy formats, the taxpayer shall make the records available to the commissioner in machine-sensible format upon request of the commissioner.

(4) Nothing in this section shall be construed to prohibit a taxpayer from demonstrating tax compliance with traditional hard copy documents or reproductions thereof, in whole or in part, whether or not such taxpayer also has retained or has the capability to retain records on electronic or other storage media in accordance with this section. However, this subdivision shall not relieve the taxpayer of the obligation to comply with subdivision (3) of this subsection.

(5) Every taxpayer should make periodic checks on all records being retained for use by the commissioner. If any records required to be retained are subsequently

lost, destroyed, damaged or found to be incomplete or materially inaccurate, the taxpayer shall recreate the files within a reasonable period of time.

(c) **Machine-sensible records.**

(1) **General requirements.**

(A) Machine-sensible records used to establish tax compliance shall contain sufficient transaction-level detail information so that the details underlying the machine-sensible records can be identified and made available to the commissioner upon request. A taxpayer has discretion to discard duplicated records and redundant information provided its responsibilities under this section are met.

(B) At the time of an examination, the retained records shall be capable of being retrieved and converted to a standard record format. The term “standard record format” does not mean that every taxpayer shall keep records in an identical manner. Instead, it means that if a taxpayer utilizes a code system to identify elements of information in each record when creating and maintaining records, the taxpayer is required to maintain a record of the meaning of each code and any code changes and provide these to the commissioner to enable an effective review of the taxpayer’s records.

(C) Any system for creating, maintaining and retrieving machine-sensible records shall be able to accept date information input, provide date output, and store and perform calculations on dates before, on and after January 1, 2000 correctly and without ambiguity.

(D) Taxpayers are not required to construct machine-sensible records other than those created in the ordinary course of business. A taxpayer that does not create the electronic equivalent of a traditional paper document in the ordinary course of business is not required to construct such a record for tax purposes.

(2) **Electronic data interchange requirements.**

(A) Where a taxpayer uses electronic data interchange processes and technology, the level of record detail, in combination with other records related to the transactions, shall be equivalent to that contained in an acceptable paper record. For example, the retained records should contain such information as vendor name, invoice date, product description, quantity purchased, price, amount of tax, indication of tax status, shipping detail, etc. Codes may be used to identify some or all of the data elements, provided that the taxpayer provides a method that allows the commissioner to interpret the coded information.

(B) The taxpayer may capture the information necessary to satisfy subparagraph (A) of this subdivision at any level within the accounting system and need not retain the original EDI transaction records provided the audit trail, authenticity, and integrity of the retained records can be established. For example, a taxpayer using electronic data interchange technology receives electronic invoices from its suppliers. The taxpayer decides to retain the invoice data from completed and verified EDI transactions in its accounts payable system rather than to retain the EDI transactions themselves. Since neither the EDI transaction nor the accounts payable system capture information from the invoice pertaining to product description and vendor name (i.e., they contain only codes for that information), the taxpayer also retains other records, such as its vendor master file and product code description lists, and makes them available to the commissioner. In this example, the taxpayer need not retain its EDI transaction for tax purposes.

(3) **Electronic data processing systems requirements.** The requirements for an electronic data processing accounting system should be similar to that of a manual accounting system, in that an adequately designed accounting system should incorpo-

rate methods and records that will satisfy the requirements of this section. In addition, pursuant to the affected tax law provisions, the commissioner shall have access to the taxpayer's EDI processing, accounting or other systems for the purposes of verifying or evaluating the integrity and reliability of those systems to provide accurate and complete records.

(4) Business process information.

(A) Upon the request of the commissioner, the taxpayer shall provide a description of the business process that created the retained records. Such description shall include the relationship between the records and the tax documents prepared by the taxpayer and the measures employed to ensure the integrity of the records.

(B) The taxpayer shall be capable of demonstrating the following:

(i) The functions being performed as they relate to the flow of data through the system;

(ii) The internal controls used to ensure accurate and reliable processing; and

(iii) The internal controls used to prevent unauthorized addition, alteration or deletion of retained records.

(C) The following specific documentation is required for machine-sensible records retained pursuant to this section:

(i) Record formats or layouts;

(ii) Field definitions (including the meaning of all codes used to represent information);

(iii) File descriptions (e.g., data set name);

(iv) Detailed charts of accounts and account descriptions;

(v) Flowcharts for the system and its programs;

(vi) Source listings of programs including those which provide formulas and account deviations from which the retained files were created; and

(vii) Evidence that the retained records reconcile to the accounting records and to the tax returns.

(d) Records maintenance requirements.

(1) Taxpayers should refer to the National Archives and Record Administration's (NARA) standards for guidance on the maintenance and storage of electronic records, such as the labeling of records, the location and security of the storage environment, the creation of back-up copies, and the use of periodic testing to confirm the continued integrity of the records. The NARA standards may be found at 36 Code of Federal Regulations, Part 1234, July 1, 1995 edition.

(2) The taxpayer's computer hardware or software shall accommodate the extraction and conversion of retained machine-sensible records.

(e) Access to machine-sensible records.

The manner in which the commissioner is provided access to machine-sensible records as required in subdivision (c)(2) of this section may be satisfied through a variety of means that take into account a taxpayer's facts and circumstances through consultation with the taxpayer. Such access shall be provided in one or more of the following manners:

(1) The taxpayer may arrange to provide the commissioner with the hardware, software and personnel resources to access the machine-sensible records;

(2) The taxpayer may arrange for a third party to provide the hardware, software and personnel resources necessary to access the machine-sensible records;

(3) The taxpayer may convert the machine-sensible records to a standard record format specified by the commissioner, including copies of files, on a magnetic medium that is agreed to by the commissioner; or

(4) The taxpayer and the commissioner may agree on other means of access to the machine-sensible records.

(f) Taxpayer responsibility and discretionary authority.

(1) In conjunction with meeting the requirements of subsection (d) of this section, a taxpayer may create files solely for the use of the commissioner. For example, if a database management system is used, it is consistent with this section for the taxpayer to create and retain a file that contains the transaction level detail from the database management system and that meets the requirements of subsection (d). The taxpayer should document the process that created the separate file to show the relationship between that file and the original records.

(2) A taxpayer may contract with a third party to provide custodial or management services of the records. Such a contract shall not relieve the taxpayer of its responsibilities under this section.

(g) Alternative storage media.

(1) For purposes of storage and retention, a taxpayer may convert hard copy documents received or produced in the normal course of business and required to be retained under this section to microfilm, microfiche or other storage-only imaging systems and may discard the original hard copy documents, provided the conditions of this subsection are met. Documents which may be stored on these media include, but are not limited to, general books of account, journals, voucher registers, general and subsidiary ledgers, and supporting records of details, such as sales invoices, purchase invoices, exemption certificates, and credit memoranda.

(2) Microfilm, microfiche and other storage-only imaging systems shall meet the following requirements:

(A) Documentation establishing the procedures for converting the hard copy documents to microfilm, microfiche or other storage-only imaging system shall be maintained and made available on request. Such documentation shall, at a minimum, contain a sufficient description to allow an original document to be followed through the conversion system as well as internal procedures established for inspection and quality assurance.

(B) Procedures shall be established for the effective identification, processing, storage and preservation of the stored documents and for making them available for the period they are required to be retained under subsection (j) of this section.

(C) Upon request by the commissioner, a taxpayer shall provide facilities and equipment for reading, locating and reproducing any documents maintained on microfilm, microfiche or other storage-only imaging system.

(D) When displayed on such equipment or reproduced on paper, the documents shall exhibit a high degree of legibility and readability. For this purpose, legibility is defined as the quality of a letter or numeral that enables the observer to identify it positively and quickly to the exclusion of all other letters or numerals. Readability is defined as the quality of a group of letters or numerals being recognizable as words or complete numbers.

(E) All data stored on microfilm, microfiche or other storage-only imaging systems shall be maintained and arranged in a manner that permits the location of any particular record.

(F) There is no substantial evidence that the microfilm, microfiche or other storage-only imaging system lacks authenticity or integrity.

(h) Effect on hard copy recordkeeping requirements.

(1) Except as otherwise provided in this subsection, the provisions of this section do not relieve taxpayers of the responsibility to retain hard copy records that are

created or received in the ordinary course of business as required by existing law and regulations. Hard copy records may be retained on a recordkeeping medium as provided in subsection (h) of this section.

(2) If hard copy records are not produced or received in the ordinary course of transacting business (e.g., when the taxpayer uses electronic data interchange technology), such hard copy records need not be created.

(3) Hard copy records generated at the time of a transaction using a credit or debit card shall be retained unless all the details necessary to determine correct tax liability relating to the transaction are subsequently received and retained by the taxpayer in accordance with this section. Such details include those listed in subparagraph (d)(2)(A) of this section.

(4) Computer printouts that are created for validation, control or other temporary purposes need not be retained.

(5) Nothing in this subsection shall prevent the commissioner from requesting hard copy printouts in lieu of retained machine-sensible records at the time of examination.

(i) Time period for record retention.

All records required to be retained under this section shall be preserved for so long as the contents thereof may become material in the administration of the taxes under the affected tax law provisions, but in no event less than three years from the extended due date of the return, unless the commissioner has provided in writing that the records are no longer required.

(Adopted effective August 22, 2000)

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Certification of Revaluation Companies and Their Employees

Part I

Certification Procedure: Companies

Sec. 12-2b-1. Definitions

As used in these regulations, the following terms have the meaning ascribed to them in this section.

“Secretary” means the Secretary of the Office of Policy and Management, or his designee.

“Certification” means the certification of competency issued by the Secretary stating that the company or employee has met the requirements of the certification program.

“Company” means a revaluation company as defined in Section 12-2c of the General Statutes.

“Employee” means an individual who is certified in accordance with these regulations.

“Appraisal foundation” means the not-for-profit corporation referred to in Section 1121 of Title XI of the Financial Institutions Recovery, Reform, and Enforcement Act of 1989.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-2. Certification of companies

No company shall perform any revaluation in Connecticut, unless such company is certified by the Secretary. No company shall be certified for the revaluation of real property unless such company employs at least one individual certified by the Secretary as a supervisor. No company shall be certified for the revaluation of personal property unless such company employs at least one individual certified by the Secretary for Personal Property Value Estimation.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-3. Form, content and filing of applications

(a) A company shall submit its application for certification on a form prepared by the Secretary. The application for certification shall include:

(i) The exact legal name of the company, any name under which the company is doing business and the address of its principal place of business;

(ii) The company’s state of incorporation;

(iii) The name, title, address and telephone number of the person to whom correspondence and communications regarding the application are to be addressed. Notice and other papers may be served upon the person so named, and such service shall be deemed service upon the company.

(b) Applications shall be submitted to the Secretary of the Office of Policy and Management.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-4. Annual reports

A company shall annually file a report with the Secretary on a form prepared by said Secretary. The annual report shall include a complete list of the company’s certified employees, a list of all Connecticut municipalities under contract and the name, title, address and telephone number of the person to whom correspondence

and communications regarding the company are to be addressed. The report shall be filed with the Secretary not later than March 1 of each year.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-5. Renewal of certification

(a) Certification of a company shall be valid for five years and shall expire on March 31 of the fifth year of certification.

(b) Not later than thirty days prior to the expiration of certification, the company shall file with the Secretary all materials and information necessary for recertification. The requirements and procedures for original applications set forth in Section 12-2b-3 of these regulations shall be applicable to applications for renewal of certification.

(c) After receipt of all materials and information necessary for completion of the recertification process, the Secretary shall complete an initial evaluation of the company's application for renewal. Each company's five-year performance will be reviewed by the Secretary before issuance of a renewal certificate.

(d) If the Secretary determines that the company has satisfactorily fulfilled the requirements provided herein, he shall issue the renewal of the company's certification.

(e) If the Secretary determines that the company has not satisfactorily fulfilled the requirements provided herein, the provisions of Section 12-2b-13 through Section 12-2b-16 of these regulations shall apply.

(Effective October 4, 1985; amended March 30, 1999)

Part II

Certification Procedure: Employees

Sec. 12-2b-6. Certification of employees

All employees of a company, who estimate, set or adjust the valuation of real and personal property during any part of the revaluation process, are required to hold a valid certificate issued by the Secretary. Employees who perform the following functions must be certified by the Secretary:

- (a) Residential Value Estimation
- (b) Commercial and Industrial Value Estimation
- (c) Personal Property Value Estimation
- (d) Supervisor.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-7. Non-certified employees. Temporary certification

(a) The following employees of a company need not be certified, provided that they perform routine, non-supervisory duties and do not estimate, set or adjust the valuation of real and personal property during any part of the revaluation process:

- (i) Measurers and listers;
- (ii) Photographers;
- (iii) Linguists;
- (iv) File clerks;
- (v) Typists;
- (vi) Stenographers;
- (vii) Cartographers;

(viii) Hearing clerks, provided their duties are specifically limited to general information purposes; and

(ix) Ancillary personnel necessary for routine office functions.

(b) A non-certified employee of a company may receive temporary certification from the Secretary, provided the company and the employee jointly apply to the Secretary, describing the experience and educational background of the employee and stating the reason for such request. A temporary certification shall be valid for a period not to exceed one hundred-eighty days.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-8. Application for certification. Qualifications

(a) An individual desiring to be certified shall file an application with the Secretary not later than fourteen days preceding the date of the examination on an application form provided by the Secretary. Applications shall be submitted to the Secretary of the Office of Policy and Management.

(b) For the purposes of these regulations experience in the fields of assessing, revaluation or appraising shall include employment as a real estate appraiser, real estate broker, real estate salesperson, assessor, assistant assessor, lister for a municipal revaluation company, appraiser for a governmental jurisdiction or an appraiser for a municipal revaluation company.

(c) Applicants for certification in Residential Value Estimation shall furnish documentary evidence of having not less than two years of experience in the fields of assessing, revaluation or appraising.

(d) Applicants for certification in Commercial and Industrial Value Estimation shall furnish documentary evidence of having not less than three years of experience in the fields of assessing, revaluation or appraising.

(e) Applicants for certification in Personal Property Value Estimation shall furnish documentary evidence of having not less than two years of experience in the fields of assessing, revaluation or appraising.

(f) Applicants for certification as a Supervisor shall furnish documentary evidence of having not less than three years of experience in the fields of assessing, revaluation or appraising and of having a current certification in Residential Value Estimation and Commercial and Industrial Value Estimation.

(g) The Secretary shall review applications and supporting documents, determine the eligibility of the applicant for the examination and notify the applicant of his or her status in writing.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-9. Examinations

(a) The Secretary shall prepare or cause to be prepared written examinations covering the fields of assessment practice, the principles of valuation for mass appraisals and the supervision of a mass appraisal project in order to determine knowledge, ability and competence of applicants.

(b) Examinations shall be held at least once annually at places and times set by the Secretary, with at least thirty days' advance notice given by the Secretary. Such notice shall be provided to each company certified in accordance with Sections 12-2b-1 to 12-2b-5 of the Regulations of Connecticut State Agencies and to each person having submitted a written request to the Secretary for advance notification of the scheduling of such examinations.

(c) All examinations shall be graded by the Secretary and the applicant shall be notified of the outcome. Papers will not be returned to the applicant.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-10. Waiver of examination requirement

(a) Application to waive the examination requirement regarding Residential Value Estimation, as set forth in Section 12-2b-9 of these regulations, shall be made to the Secretary. The examination requirement may be waived by the Secretary for an applicant who has obtained a designation from an appraisal sponsor of the appraisal foundation. Such designation shall have been obtained through a combination of both examination(s) and the writing of a demonstration narrative appraisal report in the area of residential valuation.

(b) Application to waive the examination requirement regarding Commercial and Industrial Value Estimation, as set forth in Section 12-2b-9 of these regulations, shall be made to the Secretary. The examination requirement may be waived by the Secretary for an applicant who has obtained a designation from an organization that is a member of the appraisal foundation. Such designation shall have been obtained through a combination of both examinations(s) and the writing of a demonstration narrative appraisal report in the area of commercial and/or industrial valuation.

(c) Application to waive the examination requirement regarding Personal Property Value Estimation, as set forth in Section 12-2b-9 of these regulations, shall be made to the Secretary. The examination requirement may be waived by the Secretary for an applicant who has obtained a designation from an organization that is a member of the appraisal foundation. Such designation shall have been obtained through a combination of both examination(s) and the writing of a demonstration narrative appraisal report in the area of personal property valuation.

(d) Application to waive the examination requirement for supervisor, as set forth in Section 12-2b-9 of the Regulations of Connecticut State Agencies, shall be made to the Secretary. The examination requirement may be waived by the Secretary for an applicant who meets the requirements set forth in subsection (f) of Section 12-2b-8 of the Regulations of Connecticut State Agencies and who has a designation from an organization that is a member of the appraisal foundation. Such designation shall be related to mass appraisal project supervision.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-11. Issuance of certificate. Renewal of certification

(a) Upon satisfactory fulfillment by an applicant of the requirements provided herein, the Secretary shall issue to the applicant an appropriate certificate designating his or her competency. Such certificate shall be valid for five years and shall expire on April 30th in the fifth year of certification.

(b) Not later than five days prior to the expiration of a certification issued on or after January 1, 1999, an individual shall file with the Secretary all materials and information necessary for recertification, including evidence of having met the continuing education requirements set forth in Section 12-2b-12 of these regulations. The requirements and procedures for original applications set forth in Section 12-2b-8 of these regulations shall be applicable to applications for renewal. No examination will be required for recertification unless the Secretary determines that such examination is necessary to ascertain the applicant's continuing competence in the fields of assessing, revaluation or appraising.

(1) The Secretary may grant an individual an extension of time to file the materials and information necessary for recertification, provided he receives a written request for such an extension not later than ninety days following the date on which the individual was required to submit such materials and information.

(c) Within thirty days after receipt of all materials and information necessary for completion of the recertification process, the Secretary shall complete an evaluation of the individual's application for renewal. Each applicant's five-year performance will be reviewed by the Secretary before issuance of a renewal certificate.

(d) If the Secretary determines that the applicant has fulfilled the requirements provided herein, he shall issue the renewal of the applicant's certification.

(e) If the Secretary determines that the applicant has not satisfactorily fulfilled the requirements provided herein or that an examination is a precondition for renewal of certification, the provisions of Section 12-2b-13 through Section 12-2b-16 of these regulations shall apply.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-12. Continuing education requirements

(a) In order for an individual to be recertified in accordance with Section 12-2b-11 of the Regulations of Connecticut State Agencies, he shall present evidence to the Secretary of having completed at least fifty hours of one or more property assessment or appraisal courses or workshops. Such course or workshop hours shall have been completed during the five-year period prior to the date on which the person's certification expires. Any such course or workshop shall be subject to approval by the Secretary. The Secretary shall approve a course or workshop sponsored by a nationally or state recognized appraisal or assessment organization, and may approve other such courses or workshops at the request of the individual seeking recertification, in accordance with the procedure set forth in subsection (b) of this section. With respect to an individual enrolled in such a course or workshop, credit shall be granted for each hour of actual attendance. An instructor of such a course or workshop, or a person presenting instruction in conjunction with such course or workshop, shall receive credit for each hour of instruction actually provided. If an individual enrolls in or provides instruction for the same course or workshop more than once during said five-year period, credit shall be granted only for the first course or workshop attended or taught.

(b) A request may be made to the Secretary for approval of a course or workshop that is not sponsored by a nationally or state recognized property appraisal or assessment organization. Such request shall be in writing and shall be accompanied by such documentation as the Secretary may require on a form prescribed for that purpose by said Secretary. The Secretary shall promptly consider the applicant's request and shall send written notice of his decision regarding the approval or denial of such course or workshop within two weeks of the date on which his decision is made. In the event the Secretary denies an applicant's request for approval, the notice containing the Secretary's decision shall include information as to how the applicant may request a reconsideration of said denial.

(c) A request for reconsideration of the Secretary's denial of a course or workshop shall be submitted to the Secretary in writing. Any such request, which shall include the reason why the appellant believes such course or workshop should be approved for credit purposes, shall be sent within ten business days of the date of the Secretary's notice of denial. Such request shall not be regarded as having been properly filed unless the documentation required by the Secretary is submitted with the request for reconsideration. A request for reconsideration that is not properly filed shall be denied by the Secretary. A person having properly filed a request for reconsideration may be required to appear before the Secretary to answer any pertinent questions or to supply any additional information that the Secretary deems necessary, provided such person is given not less than one week's notice of the requirement to appear.

(d) The Secretary shall reconsider his decision to deny approval of a course or workshop not later than thirty days following the receipt of a properly filed request for reconsideration. The applicant shall be sent written notice of the Secretary's decision regarding his reconsideration of such course or workshop. Such decision shall be final.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-13. Revocation, suspension or denial of a renewal of certification

(a) The Secretary may revoke, suspend or deny the renewal of certification of a company or an employee when it is determined that the company or employee obtained a certificate through fraud, deceit or misrepresentation of its or his or her qualifications; has practiced fraud or deception in the performance of its or his or her duties; or that the company or employee is incompetent or unable to perform properly its or his or her duties.

(b) No revocation, suspension or denial of a renewal of a company's or an employee's certification shall be lawful unless prior to the institution of any such proceeding, the company or the employee is given notice of the facts or conduct which warrants the intended action and the opportunity to show compliance with the lawful requirements for the retention or renewal of certification.

(Effective October 4, 1985; amended March 30, 1999)

Part III

Contested Case Procedure

Sec. 12-1b-14. Contested cases

(a) A proceeding to revoke, suspend or deny renewal of a company's or an employee's certification shall be conducted as a contested case, in accordance with the provisions of the Uniform Administrative Procedures Act, specifically, Section 4-177 through Section 4-184 of the General Statutes.

(b) When the Secretary has reason to believe that a company or an employee has not complied with the lawful requirements for the retention or renewal of certification, he shall issue a complaint by certified mail to the company or the employee, which must contain:

- (i) Notice of the time, date, place and nature of the hearing;
- (ii) A statement of the statutory authority and jurisdiction for instituting the proceeding;
- (iii) A reference to the statutes or regulations allegedly violated;
- (iv) A short and plain factual statement of the acts or practices allegedly in violation of the law; and
- (v) A statement that the company or the employee may be represented by an attorney.

(c) Unless precluded by law, informal disposition may be made of any contested case by stipulation, agreed settlement, consent order, or default.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-15. Conduct of hearings in contested cases

(a) Hearings in contested cases shall be presided over by the Secretary.

(b) The Secretary shall have the duty to conduct fair and impartial hearings, to make no public comments as to the merits of a complaint prior to its disposition, to take all proper actions to avoid delay in the disposition of proceedings and to maintain order. The Secretary shall have all powers necessary to that end.

(c) Each party at a hearing shall have the right to present evidence, cross-examine witnesses, enter motions and objections, and assert all rights essential to a fair hearing. The rules of evidence shall be as prescribed in Section 4-178 of the General Statutes. The allegations of the complaint must be proved by reliable, probative and substantial evidence in order to sustain a decision adverse to the company or the employee.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-16. Final decision in contested cases

(a) The decision in a contested case, if adverse to the company or the employee, shall not be made until a proposed decision is served upon the company or the employee, and an opportunity is afforded to such company or employee to file exceptions and present briefs and request oral argument before the Secretary. The proposed decision shall contain a statement of the reasons therefore and of each issue of fact or law necessary to the proposed decision, prepared by the Secretary. The company or the employee by written stipulation may waive compliance with this section.

(b) The final decision or order in a contested case shall be rendered by the Secretary after due consideration of the entire record, including any briefs or oral arguments presented to him. A final decision or order adverse to a company or an employee in a contested case shall be made in writing and shall be served upon the company or the employee by certified mail.

(c) The Secretary shall proceed with reasonable dispatch to conclude any matter pending before him and shall render a final decision in all contested cases within ninety days following the close of evidence and filing of briefs in such proceedings.

(Effective October 4, 1985; amended March 30, 1999)

Part IV

Complaint Procedure

Sec. 12-2b-17. Investigation

Upon receiving a complaint from a municipality, state agency or any other person, indicating or alleging that a company or an employee has failed to comply with the lawful requirements for the retention of its or his or her certificate, the Secretary shall conduct an investigation of said complaint. In addition, the Secretary may initiate such investigation upon his own motion.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-18. Form and filing. Content

(a) Complaints shall be in writing with the original signed by the complainant or his attorney. The original complaint shall be filed with the Secretary of the Office of Policy and Management.

(b) A complaint shall contain the following information:

(i) The full name and address of the complainant, and the full name and address of the complainant's attorney, if any.

(ii) The full name of the company or the employee.

(iii) A specific reference to the section of the General Statutes or to the rules and regulations alleged to have been violated.

(iv) A plain and concise statement of the facts upon which the complaint is based, including the time, date and location of the violation.

(Effective October 4, 1985; amended March 30, 1999)

Sec. 12-2b-19. Disposition of complaints

(a) After the filing of a complaint, the Secretary shall make a prompt preliminary investigation. If the complaint does not come within the Secretary's jurisdiction, the complainant will be so notified. The Secretary may at his discretion, refer the complaint to the appropriate agency for review.

(b) If, after investigation of the complaint, the Secretary is of the opinion that there is no substantial and competent evidence of violation, the complaint shall be dismissed. In the event of such dismissal, the complainant shall be notified, including the reasons for such dismissal.

(c) In cases where, after investigation, there is reason to believe that a company or an employee has failed to comply with the lawful requirements for retention of its or his or her certificate, the Secretary shall serve a formal complaint on the company or the employee and proceed in accordance with the provisions of Section 12-2b-13 through Section 12-2b-16 of these regulations.

(Effective October 4, 1985; amended March 30, 1999)

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Waiver of Certain Penalties

Sec. 12-3a-1. Waiver of certain penalties

(a) **Scope.** Various provisions of title 12 of the Connecticut General Statutes provide that, subject to the provisions of section 12-3a, the commissioner of revenue services may waive penalties, in whole or in part, when it is proven to his satisfaction that the failure to pay any tax on time was due to reasonable cause and was not intentional or due to neglect. Section 12-3a (c) requires the tax review committee to adopt regulations establishing guidelines for the waiver of penalties. This regulation establishes such guidelines, with subsection (b) providing examples of a failure to pay any tax on time due to reasonable cause and with subsection (c) providing examples of an unintentional failure (and not a failure due to neglect) to pay any tax on time.

(b) **Failure to pay tax on time due to reasonable cause.** A penalty will be waived, if a taxpayer clearly establishes the facts alleged to be a reasonable cause for failure to pay tax on time in the form of a written statement containing a declaration that it is made under penalties of false statement, as the term is defined in section 53a-157 (a) of the Connecticut General Statutes. The following are examples of a failure to pay tax on time due to reasonable cause:

(1) loss of business records necessary to prepare a tax return as a result of fire or other casualty; however, if there is sufficient time before the due date to reconstruct lost records, the failure to pay tax on time will not be due to reasonable cause.

(2) death or serious illness of the tax return preparer (or a member of the immediate family of the preparer); however, if more than one person is responsible for preparing tax returns, the failure to pay tax on time will not be due to reasonable cause.

(3) unforeseeable absence or unavailability of the tax return preparer; however, a vacation trip will not constitute an unforeseeable absence or unavailability, and a business trip will not constitute an unforeseeable absence or unavailability unless it is of an emergency nature.

(4) No tax return was filed (or a tax return was filed but the tax was underreported) but the taxpayer contacted a competent tax advisor, to whom the taxpayer furnished all necessary information but who incorrectly advised the taxpayer that a tax return was not required (or that the tax was correctly reported), and the taxpayer exercised ordinary business care and prudence in determining whether to seek further advice.

(c) **Failure to pay tax on time not intentional or due to neglect.** A penalty will be waived, if a taxpayer clearly establishes the facts alleged to be a cause of the taxpayer's unintentional failure (and not a failure due to neglect) to pay tax on time in the form of a written statement containing a declaration that it is made under penalties of false statement, as the term is defined in section 53a-157 (a) of the Connecticut General Statutes. The following are examples of a failure to pay tax on time which is unintentional (and not due to neglect):

(1) A mathematical error is made on a tax return resulting in an underpayment of tax, but the taxpayer exercised ordinary business care and prudence to avoid such an error.

(2) Figures are transposed on a check or money order resulting in an underpayment of tax, but the taxpayer exercised ordinary business care and prudence to avoid such an error.

(3) No tax return was filed (or a tax return was filed but the tax was underreported) and the taxpayer did not contact a competent tax advisor, but the taxpayer made a reasonable effort to comply with tax statutes and regulations and did not carelessly,

recklessly or intentionally disregard tax statutes and regulations, and the taxpayer exercised ordinary business care and prudence in determining not to contact a competent tax advisor.

(Effective August 26, 1988)

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Guidelines for the Abatement of Taxes

Sec. 12-3b-1. Guidelines for the abatement of taxes

(a) **Definitions.** As used in this section:

(1) “Commissioner” means the Commissioner of Revenue Services;

(2) “Department” means the Department of Revenue Services; and

(3) “Committee” means the Abatement Review Committee.

(b) **Guidelines.** (1) The Commissioner shall consider the guidelines enumerated in subdivision (2) of this subsection before making a finding that any tax payable to the Department by any person is uncollectible. The Commissioner shall also review all data and databases reasonably available to the Department before making any such finding, and the review shall be conducted no more than 90 days before the date that the Commissioner certifies to the Committee that the tax is uncollectible.

(2) (A) The Commissioner shall consider whether the person has any current assets, or is likely to receive or inherit any assets, that could be seized and sold to satisfy the tax.

(B) The Commissioner shall consider whether the person has present sources, or anticipated future sources, of income that could be garnished.

(C) The Commissioner shall consider whether the person’s current whereabouts are known.

(D) If the person is deceased, the Commissioner shall consider whether the person’s estate has assets that could be used to pay the tax.

(E) If the tax arose out of the operation of a business, the Commissioner shall consider whether the person is still in business.

(F) If further expenses would be incurred in pursuing collection of the tax, the Commissioner shall consider whether it is in the State’s best interest to further pursue collection of the tax.

(Adopted effective April 28, 2005)

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Sec. 12-9-1. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that any tax collector is required to forfeit the amount specified as a penalty for failure to comply with the provisions of Section 12-9 of the general statutes, he shall cause to be sent to such tax collector a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective April 28, 1989; amended March 30, 1999)

Sec. 12-9-2. Penalty waiver procedures

(a) The penalty pursuant to Section 12-9 of the general statutes, may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the filing date of the report for which the penalty waiver is sought. Such application, which shall set forth the reason for the waiver request, shall be signed by the tax collector and co-signed by the chief executive officer of the municipality. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the tax collector. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the report filing date;

(3) Failure regarding delivery of any such report, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery had been made;

(4) Administrative or technical problems encountered with regard to the filing of the report, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the report filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the tax collector to receive from the Secretary at least thirty days prior to the filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen business days.

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Sec. 12-19b-1. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that a town is required to forfeit the amount specified as a penalty for failure to comply with the provisions of Section 12-19b of the general statutes, he shall cause to be sent to the chief executive officer of the town a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective April 28, 1989; amended March 30, 1999)

Sec. 12-19b-2. Penalty waiver procedures

(a) The penalty pursuant to Section 12-19b of the general statutes, may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the report filing date for which the penalty waiver is sought. Such application, which shall set forth the reason for the waiver request, shall be signed by the official responsible for filing the report and co-signed by the chief executive officer of the town. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the official responsible for filing the report. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the report filing date;

(3) Failure regarding delivery of the report, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery had been made;

(4) Administrative or technical problems encountered with regard to the filing of the report, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the report filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the town to receive from the Secretary at least thirty days prior to the filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen business days.

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Sec. 12-20b-1. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that a municipality is required to forfeit the amount specified as a penalty for failure to comply with the provisions of Section 12-20b of the general statutes, he shall cause to be sent to the chief executive officer of the municipality a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective April 28, 1989; amended March 30, 1999)

Sec. 12-20b-2. Penalty waiver procedures

(a) The penalty pursuant to Section 12-20b of the general statutes, may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the filing date of the report for which the penalty waiver is sought. Such application, which shall set forth the reason for the waiver request, shall be signed by the official responsible for filing the report and co-signed by the chief executive officer of the municipality. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the official responsible for filing the report. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the report filing date;

(3) Failure regarding delivery of the report, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery had been made;

(4) Administrative or technical problems encountered with regard to the filing of the report, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the report filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the municipality to receive from the Secretary at least thirty days prior to the report filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen business days.

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Repealed, January 1, 1998.

Certification and Recertification of Assessors

Sec. 12-40a-5. Definitions

As used in sections 12-40a-5 to 12-40a-12 inclusive, the following terms have the meaning ascribed to them in this section, unless the context clearly indicates otherwise:

- (1) “Application” means a written request made in the form and manner as prescribed by the Committee;
 - (2) “Appellant” means a person aggrieved by a decision of the Committee;
 - (3) “CCMA I” means Certified Connecticut Municipal Assessor I;
 - (4) “CCMA II” means Certified Connecticut Municipal Assessor II;
 - (5) “Committee” means the Certified Connecticut Municipal Assessor Committee, the members of which are appointed in accordance with the provisions of Section 12-40a of the Connecticut General Statutes;
 - (6) “Courier service” means any form of courier or mail service that confirms delivery by a return receipt;
 - (7) “Payment” means the remittance of a required fee to the Committee in coins or currencies of the United States, made in the form of a bank check, certified check, money order or any other form of payment acceptable to the Committee; and
 - (8) “Secretary” means the Secretary of the Office of Policy and Management.
- (Adopted, effective January 1, 1998)

Sec. 12-40a-6. Assessor certification

(a) Competence in assessment administration in the State of Connecticut shall be evidenced by a CCMA I or a CCMA II designation. Such designations shall be issued by the Secretary to persons who are recommended by the Committee. No person shall be recommended for either designation unless he or she has satisfied the applicable education and experience requirements and has passed the appropriate comprehensive examination.

(b) All persons designated as a Certified Connecticut Municipal Assessor as of December 31, 1997, shall be deemed to have a CCMA II designation.

(c) Each CCMA II designation made pursuant to subsection (b) of this section, shall be subject to recertification in accordance with Section 12-40a-11 on January 1, 2003.

(Adopted, effective January 1, 1998)

Sec. 12-40a-7. Assessor certification – prescribed education program

(a) The prescribed education program for the CCMA I designation shall consist of the following:

- Course IA Assessment Administration
- Course IB Assessment Valuation
- Course IIA Introduction to Appraisal Principles
- Course IIB Application of Valuation Techniques

(b) The prescribed education program for the CCMA II designation shall consist of the four courses delineated in subsection (a) of this section, and the following:

Course III Income Approach to Value

(c) Each course in the prescribed education program shall consist of at least thirty hours of instruction. Each such course shall be conducted annually at a time and location determined by the Committee. Course application procedures, class schedules, minimum student enrollment requirements and registration fees shall be determined by the Committee.

(d) Each course registration fee shall be subject to annual review, and may be increased or decreased to reflect costs, financial assistance and/or other types of subsidies incurred or expected. Such fee shall be payable ten days prior to the date on which a course's first class session is scheduled to be held. Except in the event of the cancellation of said course, such fee shall not thereafter be refunded.

(e) Instructors for each course shall be approved by the Committee. No person shall be approved as an instructor unless he or she has been certified by the Education Committee of the Connecticut Association of Assessing Officers, Inc., or any successor thereto.

(f) A written examination shall be conducted prior to the conclusion of each course by the instructor or a Committee designee. The hours devoted to such examination shall be counted as hours of instruction. A person shall be deemed to have successfully completed a course if he or she receives a passing grade on said examination.

(Adopted, effective January 1, 1998; amended June 4, 1999)

Sec. 12-40a-8. Prescribed education program – waiver provisions

(a) Written application may be made to the Secretary for a waiver of the requirement to take Courses IIA, IIB and III. The Secretary may grant an applicant's request to waive any of such courses, provided he or she shows evidence of having successfully completed an equivalent property appraisal course(s) or demonstrates competence in a related field of study or endeavor. Courses IA and IB shall not be waived under any circumstance.

(b) A person having been granted a waiver of a course(s) shall be deemed to have completed the prescribed education program. Any such person who subsequently fails the appropriate comprehensive examination shall take and successfully complete the course(s) that was waived.

(Adopted, effective January 1, 1998)

Sec. 12-40a-9. Comprehensive examinations

(a) The Committee shall annually conduct a comprehensive examination for the CCMA I and CCMA II designations. The time and location of each such examination, as well as the form and content thereof, shall be determined by the Committee. Applications to take such examinations may be obtained from the Secretary of the Office of Policy and Management or from the Committee chair, whose name and business address shall be filed annually with the Secretary of the State.

(b) No person shall take a comprehensive examination unless he or she has been approved by the Committee. Such approval shall be granted only if the person has successfully completed the prescribed education program and meets the minimum experience requirements related to the designation being sought.

(c) The minimum experience requirements shall be as follows:

(1) A person shall have a minimum of three years of experience in property assessment or appraisal or in a related field of endeavor, in order to take the comprehensive examination for designation as a CCMA I; and

(2) A person shall have a minimum of four years experience in property assessment or appraisal or in a related field of endeavor, in order to take the comprehensive examination for designation as a CCMA II. Such experience shall be one of increasing responsibility, at least two years of which is at an appraisal and/or administrative level in an assessor's office.

(Adopted, effective January 1, 1998; amended June 4, 1999)

Sec. 12-40a-10. Examination application procedure

(a) The Committee shall accept for consideration each complete application to take a comprehensive examination. An application shall be deemed complete if the applicant submits all required supporting documentation and pays the application fee on or prior to the filing deadline. Said deadline shall be four weeks prior to the date on which each such examination is scheduled to be held.

(b) The comprehensive examination application fee shall be subject to annual review by the Committee and may be increased or decreased to reflect costs incurred or expected, provided the annual increase shall not exceed ten dollars. In no event shall the application fee exceed fifty dollars.

(c) The Committee shall meet, not later than three weeks prior to the date on which a comprehensive examination is scheduled to be held, to consider each complete application to take such examination. The Committee may grant or deny an applicant's request for entrance to such examinations. Each person whose application is approved shall be sent written notification of such approval by the Committee chair, within one week of the adjournment of said meeting. If the Committee determines that an applicant does not meet the necessary criteria for entrance to a comprehensive examination, the Committee chair shall send written notification of such denial to the applicant, within two days of the adjournment of said meeting. Such notice shall be sent by courier service and shall include information as to how the applicant may request a reconsideration of said denial. The Committee shall also return or refund the application fee paid by any applicant whose entrance to take a comprehensive examination is denied.

(d) A person whose application to take a comprehensive examination is denied may file a written request for a reconsideration of the Committee's decision. Any such request shall include the reason(s) why the appellant believes he or she should be allowed to take said examination. Such request shall be sent by courier service to the Committee chair, within seven days of the date of the notice of denial. The Committee shall meet within seven days of receiving such request, for the purpose of reconsidering its decision.

(e) The Committee may require the appellant to appear at said meeting to answer any pertinent questions or to supply any additional information that may be required, provided he or she shall be given not less than forty-eight hours notice of the requirement to appear. The Committee's decision with regard to any such reconsideration shall be final. The Committee chair shall notify the appellant of such decision in writing, within two days of the adjournment of said meeting.

(f) A person who receives a failing grade on a comprehensive examination may be approved by the Committee for entrance to the next such scheduled examination, upon making application therefor. If a failing grade is received on said examination, such person shall not be approved for entrance to a subsequent comprehensive examination, until he or she can demonstrate that any course(s) as may have been specified by the Committee have been successfully taken and/or retaken.

(Adopted, effective January 1, 1998)

Sec. 12-40a-11. Recertification – continuing education requirements

(a) In order to be recommended for recertification as a CCMA I or CCMA II, a person shall have completed at least fifty hours of property assessment or appraisal course(s) and/or workshop(s) during the five year period immediately preceding the date on which he or she submits an application for recertification. Any such course(s) and/or workshop(s) shall be subject to approval by the Committee. An instructor shall receive a recertification credit for each hour of instruction provided in the presentation of a course in the prescribed education program, or in conjunction with other assessment or appraisal courses as approved by the Committee, up to a maximum of thirty hours per course.

(b) The Committee shall cause to be annually listed in a newsletter published by the Connecticut Association of Assessing Officers, Inc., the titles and sponsors of all such course(s) and/or workshop(s) that have, in the previous year, been approved as satisfying the continuing education requirements pursuant to subsection (a) of this section. Said list shall also be provided to the Secretary.

(c) A person having a CCMA I or CCMA II designation may make written application to the Committee requesting approval of any course(s) and/or workshop(s) not included in the list published pursuant to subsection (b) of this section. Such application shall be accompanied by any related documentation the Committee may require. At the next regularly scheduled meeting following receipt of such application, the Committee shall consider the applicant's request.

(d) The Committee may grant or deny an applicant's request for approval of such course(s) and/or workshop(s). Each applicant whose request is approved shall be sent written notification of such approval by the Committee chair, within one week of the adjournment of said meeting. If a request is denied, the Committee chair shall send written notification of such denial to the applicant, within two days of the adjournment of said meeting. Such notice shall be sent by courier service and shall include information as to how the applicant may request a reconsideration of said denial.

(e) A person aggrieved by the Committee under subsection (d) of this section, may file a written request for reconsideration of such decision. Any such request, which shall include the reason(s) why the appellant believes such course(s) and/or workshop(s) should be approved, shall be sent by courier service to the Committee chair within seven days of the date of the notice of denial. The Committee shall meet for the purpose of reconsidering its decision, within thirty days after receiving such request.

(f) The Committee may require the appellant to appear at such meeting, to answer any pertinent questions or to supply any additional information that may be required, provided he or she shall be given not less than forty-eight hours notice of the requirement to appear. The Committee's decision with regard to any such reconsideration shall be final. The Committee chair shall promptly notify the appellant of such decision in writing.

(Adopted, effective January 1, 1998)

Sec. 12-40a-12. Assessor recertification – renewal certificates

(a) Each CCMA I and CCMA II designation, other than those described in Section 12-40a-6(b), shall expire on the fifth anniversary of its date of issuance. A renewal certificate shall be issued by the Secretary to any person who is recommended for recertification by the Committee. No person shall be recommended for recertification unless he or she has satisfied the continuing education requirements in accordance with Section 12-40a-11.

(b) The Committee shall accept for consideration each complete application for recertification. Such applications shall be deemed complete if the applicant submits all necessary supporting documentation and pays a recertification application fee of fifteen dollars. Said fee, which shall be non-refundable, shall be subject to annual review and may be increased or decreased to reflect costs incurred or expected. In no event shall the recertification application fee exceed thirty dollars.

(c) The Committee shall consider each complete application for recertification at the next regularly scheduled meeting following the date on which such application is received. The Committee shall recommend to the Secretary that he or she issue a renewal certificate to each applicant who satisfies the continuing education requirements as set forth in Section 12-40a-11. Upon receipt of such recommendation, the Secretary shall promptly issue a new certificate in such applicant's name.

(d) In the event the Committee denies an application for recertification, the Committee chair shall send the applicant written notification of such denial by courier service, within two days of the adjournment of said meeting. Such notice shall include information as to how a reconsideration of such denial may be requested.

(e) A person whose application for recertification is denied may file a written request for a reconsideration of the Committee's decision. Any such request, which shall include the reason(s) why the appellant believes he or she should be recommended for recertification, shall be sent by courier service to the Committee chair within seven days of the date of the notice of denial. The Committee shall reconsider its decision at the next regularly scheduled meeting following receipt of such request, or at a special meeting called for said purpose.

(f) The Committee may require the appellant to appear at such meeting to answer any pertinent questions or to supply any additional information that may be required, provided he or she shall be given not less than forty-eight hours notice of the requirement to appear. The Committee's decision with regard to any such reconsideration shall be final. The appellant shall be sent written notification of such decision by the Committee chair within one week of the adjournment of said meeting. A copy of such notification shall be forwarded to the Secretary.

(Adopted, effective January 1, 1998)

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Statistical Revaluations

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Minimum Standards for Computer Assisted Mass Appraisal

Sec. 12-62f-1. Definitions

As used in sections 12-62f-1 to 12-62f-6, inclusive, of the regulations of Connecticut State Agencies, the following terms have the meaning ascribed to them in this section, unless the context clearly indicates otherwise:

(1) “Alpha/numeric” means a generic term for alphabet letters, numerical digits and special characters, such as punctuation marks, which are machine processable;

(2) “Apartment” means a dwelling containing five or more living units;

(3) “CAMA” means Computer-Assisted Mass Appraisal;

(4) “Commercial property” means real property used for the sale of goods and/or services, including, but not limited to, non-residential living accommodations, dining establishments, motor vehicle services, warehouses and distribution facilities, retail services, bank and office buildings, and multi-purpose buildings, wherein more than one occupation is conducted, recreation and entertainment facilities, and airports;

(5) “Committee” means the Computer Assisted Mass Appraisal Systems Advisory Board, the members of which are appointed in accordance with the provisions of subsection (f) of Section 12-62f of the Connecticut General Statutes;

(6) “Condominiums” means real property with individual ownership of the occupied area plus a fractional ownership of the common elements.

(7) “Data base” means the aggregate body of all information stored in a computing system which is fundamental to the enterprise which owns or operates the system, access to which may be limited to certain specific users and/or application programs;

(8) “Editing” means to modify, add, or delete data or text;

(9) “Field” means a variable length data element within a record and is represented as a column in a table or file;

(10) “File” means a set of items pertaining to one function arranged or classified in sequence for convenience or reference;

(11) “Hardware” means a computer and the associated physical equipment directly involved in the operation of the equipment that performs communication and/or data processing functions;

(12) “Industrial property” means real property used for production and fabrication of durable and non-durable man-made goods from raw materials or compounded parts;

(13) “Interface” means a shared connection or boundary between two devices or systems, or the point at which two devices or systems are linked;

(14) “Integrated” means the process which results in the introduction of data which need not be repeated as further allied or related data is also entered;

(15) “Module” means a part of a program that performs a distinct function or task;

(16) “OPM” means the Office of Policy and Management;

(17) “Password” means a code word or group of characters a computer might require to allow an operator access to certain functions as a security provision;

(18) “Record” means a collection of data fields about an item within said file or table, and is represented as a row in a file or table;

(19) “Residential property” means real property used for human habitation, such as year-round residences, including buildings of one- to four-dwelling unit(s), rural residences, estates, seasonal residences, and individual mobile manufactured homes;

(20) “Revaluation” means establishing the fair market value of all real property, by either physical observation or by a statistical method of adjusting the assessed value as provided by Section 12-62 of the Connecticut General Statutes;

(21) “Sales/assessment ratio” means the relationship between the assessed value and the sales price of a property, calculated by dividing the assessed value by the sales price;

(22) “Secretary” means the Secretary of the Office of Policy and Management;

(23) “Software” means the collection of written or printed data such as programs, routines, or instructions essential to the operation of a computer;

(24) “Table driven” means an array of non hard-coded attributes and variables which may be adjusted or updated by a system user;

(25) “Updating” means the process which results in the introduction of data that need not be repeated as further allied or related data is also entered; and

(26) “Value” means the fair market value as defined in Section 12-63 of the Connecticut General Statutes.

(Effective July 26, 1996)

Sec. 12-62f-2. Grant-in-aid eligibility

Each municipality eligible for financial assistance pursuant to Section 12-62f of the Connecticut General Statutes, may make application for a grant-in-aid to the Secretary for the acquisition or modification of a CAMA system. Such application shall be approved by said Secretary upon a determination that said system meets the requirements of the data management, valuation, assessment administration and tax collection modules set forth in Sections 12-62f-3 through 12-62f-6, inclusive, of these regulations.

(Effective July 26, 1996)

Sec. 12-62f-3. Data management module

(a) The applications contained within the valuation, assessment administration and tax collection modules are dependent upon the data management module. As such, the valuation, assessment administration and tax collection modules shall be able to interface with the data management module. At a minimum, the data management module shall consist of the fields described in this subsection, provided such fields may be contained in multiple related files.

(1) With respect to all real property, the following assessment administration data fields shall be required: Parcel identification number; property type; OPM approved grand list abstract codes; exemption codes; land assessment; building assessment; total assessment; prior assessment; census tract; value; current property owner; mailing address; property location; building permit number and building permit date.

(2) With respect to all real property, the following property characteristic data fields shall be required: Neighborhood code; total acreage; frontage; square feet; zoning; construction style; construction quality grade; condition; total floor area; number of stories; basement finish type; plumbing; heating type; cooling type; exterior wall type; sketch dimensions, which may be in multiple fields; utilities; year built; date of last record update; inspection date; inspected by; inspection type; reviewed by; alpha/numeric comment field of at least 256 characters; and twenty user-defined fields.

(A) With respect to residential property, the following data fields shall also be required: Occupancy; attic; number of bathrooms; number of bedrooms; number of rooms; number of fireplaces; garage attached; garage detached; out building(s); yard improvement(s); and pool.

(B) With respect to non-residential property, the following data fields shall also be required: Number of stories; story height; elevator; yard improvement(s); use type by percentage of total building area or square feet; number of apartment units; number of such units by type; net operating income; capitalization rate; and value by the income approach.

(3) With respect to all real property, the following ownership and sales data for an unlimited number of property transfers shall be required: Date on which a property's ownership was transferred; volume in which the deed related to such transfer is recorded; page of volume in which the deed related to such transfer is recorded; deed type; property owner; sales price; sale date; indicator of the validity of the sale; and validity code.

(4) With respect to all property, the following data for the tax collection process shall be required: Tax district codes; mill rates; real estate escrow code; total tax; lien fee; tax paid; and delinquency code.

(b) In addition to meeting the requirements of subsection (a) of this section, a CAMA system shall allow for the detection of the following: Missing data; invalid characters; alpha/numeric values outside specified ranges; and illogical relationships among or between fields. Said system shall also allow for the editing of the data fields described in this section.

(Effective July 26, 1996)

Sec. 12-62f-4. Valuation module

(a) The valuation module shall provide for the determination of the value of all real property based upon accepted appraisal methodology, using a table- or formula-driven system. At a minimum, the valuation module shall have the ability to perform the tasks described in this subsection and shall also allow for the editing of the data fields described in this section.

(1) With respect to land, the valuation module shall have the capacity to compute value based upon one or more of the following: Square feet; acreage; standard lot size; frontage/depth; and/or unit. In addition, said module shall allow for the editing of land values based upon market-derived adjustment factors, using at least two of the following: Unit value; fractional acreage; and front foot adjusted for depth.

(2) With respect to residential property, the valuation module shall have the capacity to: Compute replacement cost new, less depreciation; provide user-modifiable tables or formulas for various types of buildings; provide user-modifiable depreciation tables for age and condition variables; compute the value of each yard improvement (e.g., swimming pool, tennis court, detached garage, and shed); allow for the acceptance, rejection or adjustment of table- or formula-derived values; allow for on-line sketch input; provide for the automatic computation of total square footage; provide for the automatic computation of gross living area; and provide for the computation of other area measurement(s) as defined by the user. In addition, the valuation module shall have the capacity to allow user-modifiable selection criteria to identify up to three properties that are most comparable to the property for which a value is being determined.

(3) With respect to apartment, commercial and industrial properties, the valuation module shall have the capacity to: Compute replacement cost new, less depreciation; provide user-modifiable tables or formulas for various types of structures or buildings; provide user-modifiable depreciation tables for age and condition variables; compute the value of each yard improvement (e.g., paving, and fencing); allow for the acceptance, rejection or adjustment of table- or formula-derived values; and

provide for the automatic computation of total square footage. In addition, said module shall have the capacity to compute the value of property using the income approach, by use of the direct capitalization method.

(b) The valuation module shall also have the capacity to: Print a property record card with the appropriate fields listed in the data management module; allow flexibility of design of the data printed on a property record card, based on the discretion of assessor; provide for the random printing of cards; provide for the printing of sketches showing dimensions; ensure the closure of such sketches; and provide for the creation of multi-page property record cards for a parcel.

(c) The valuation module shall include a general report writer capable of printing to screen and hard copy, and/or providing the data listed in the data management module to a magnetic diskette. In addition, such application shall have the capacity to produce reports for statistical and comparable sales analysis based upon pre-defined and user-defined criteria.

(d) The valuation module shall have the capacity to calculate, print reports and output to standard analytical software programs the following measurements and sales/assessment ratios by property type and neighborhood: Sales prices; assessments; the mean sales/assessment ratio; the median sales/assessment ratio; the coefficient of dispersion; the standard deviation; the coefficient of variation; and the price-related differential.

(Effective July 26, 1996)

Sec. 12-62f-5. Assessment administration module

(a) The assessment administration module shall have the ability to interface with the data management, valuation and tax collection modules. In addition, said module shall embody the following general functions: Ability to produce grand lists in OPM approved format; ability to maintain sales history file for each property; ability to provide multi-district coding for separate tax district grand list(s); ability to update files with respect to prorates for motor vehicle credits and new construction/demolition; ability to process assessment changes as made by the Board of Assessment Appeals, certificates of correction and any other lawful corrections and adjustments and update appropriate fields with such changes; calculate the percentage of tax credit with respect to the Elderly and Totally Disabled Homeowners Tax Relief Program; calculate the phase-in of assessments in accordance with subsection (e) of Sections 12-62a or 12-62c of the Connecticut General Statutes; allow for multi-year processing; provide two-level password protection; provide interactive updating to the data management module; provide multi-user capability to allow simultaneous file access for more than one user with record level lockout where applicable; with respect to systems having multiple terminals or personal computers, allow the simultaneous use of other software, such as word processing or spreadsheet applications; provide for an audit file; ability to allow inquiries and updating of real estate, personal property and motor vehicle records; and provide one or more built-in editing routines to flag potential error conditions (e.g. a total assessment that is not equal to line item breakdown, an exemption in an amount greater than \$10,000, an invalid exemption code(s), and missing data related to owner's name, street address, city, state or zip code).

(b) Said module shall also be able to generate the following reports in hard copy and/or provide the required data to a magnetic diskette: Grand lists in the OPM approved format; assessment increase notices in accordance with Section 12-55 of the Connecticut General Statutes; a list of the twenty largest assessments for real

estate and personal property; reports as required by assessor (e.g. volume and page of deed recording, last sales price, and sales date); and the following OPM reports: M-35B - Reimbursement of Revenue Loss-Owners, M-35P - Reductions to Owners Reimbursement, M-36P - Reductions to Freeze Reimbursement, M-59A - Additional Veterans Exemptions, M-37 - State-owned Property Payment-in-lieu of taxes, M-37 C&H - College and Hospitals Payment-in-lieu of taxes; and M-13 and M-13A - OPM Reports of Taxable and Tax Exempt Grand Lists. In addition, said module shall have the capacity of producing the following user-defined reports: Parcel owner information; map parcel identification; property location; district(s); item code(s); exemption code(s); use value code(s); census tract; building permit management; and any other user-definable reports based on data from the data management and valuation modules. Said module shall also have the capability to restart any incomplete report at the point where it was terminated.

(Effective July 26, 1996)

Sec. 12-62f-6. Tax collection module

(a) The tax collection module shall have the ability to interface with both the data management and assessment administration modules. The tax collection module shall have the following capabilities: Ability to produce rate books and tax bills in OPM approved format; ability to reflect assessment changes as made by the Board of Assessment Appeals and any other lawful corrections and adjustments on tax bills; ability to process new owner and address changes prior to tax billing, with the retention and reflection of the October 1 owner on the rate book and tax bill; ability to process a delinquency code(s) to tax bill file indicating back taxes due; ability to provide a multi-digit code(s) for the identification of real estate escrow bank payments; ability to post refunds; ability to calculate interest and lien amounts due; ability to store at least fifteen prior years worth of tax collection records; ability to audit file listings and to review all data input; ability to output rate book/tax bill files to create tax collection/tax receivable files including the amount of total tax due and each installment thereof; ability to produce monthly trial balance; provide two-level password protection; and ability to integrate collection and posting functions. Said module should also provide security sufficient for tax collector operations.

(b) Said module shall also be able to generate the following reports in hard copy and/or to provide the required data to a magnetic diskette: Rate Book total; total of tax bills; alias tax warrants; summary of certificates of correction by list year; suspended tax report; monthly trial balance report; and the following OPM reports: M-36A - Reimbursement of Revenue Loss-Elderly Freeze; M-42B - Totally Disabled Exemptions; and M-65 - Newly Acquired Manufacturing Machinery and Equipment. In addition, said module shall provide for the: Printing of tax bills and/or the listing of owners by bank in alphabetical order and the preparation of delinquency notices as follows: Tax reminder notices; demand notices; lien notice; real estate tax liens; and reports to the Department of Motor Vehicles of delinquent motor vehicle taxes.

(Effective July 26, 1996)

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Performance-Based Revaluation Testing Standards and Certification of Revaluations Performed by Towns

Sec. 12-62i-1. Definitions

As used in section 12-62i-1 to section 12-62i-8, inclusive, of the Regulations of Connecticut State Agencies:

(1) “Aggregate mean ratio” means the ratio of the sum of the assessments to the sum of the sales prices;

(2) “Apartment property” means an improved parcel of land devoted to use as a domicile of five or more dwelling units including co-operative ownership by the tenants. Apartment property includes the lot or land that is occupied by an apartment building and other improvements to or on the land;

(3) “Assessor” means the assessor or board of assessors of any Connecticut town;

(4) “Cadastral map” means a map drawn to scale displaying for each parcel of real property within a town, dimensions, survey lines, ownership boundaries and a unique identifier;

(5) “Coefficient of dispersion” means the average absolute deviation of assessment/sales ratios from the median assessment/sales ratio, expressed as a percentage of the median;

(6) “Commercial property” means an improved parcel of land used for the sale of goods or services including, but not limited to dining establishments, motor vehicle services, warehouse and distribution facilities, retail services, banks, office buildings, multi-purpose buildings that house more than one occupation, commercial condominiums for retail or wholesale use, non-residential living accommodations, recreation facilities, entertainment facilities, hotels, and motels. Commercial property includes the lot or land on which the building(s) is situated and accessory improvements located on a commercial lot such as paving and storage buildings;

(7) “Company” means a revaluation company as defined in section 12-2c of the Connecticut General Statutes;

(8) “Industrial property” means an improved parcel of land used for the production or fabrication of durable and non-durable man-made goods from raw materials or compounded parts including but not limited to manufacturing and processing facilities, industrial condominiums, and mining and quarrying operations. Industrial property includes the lot or land on which the building(s) is situated and accessory improvements located on an industrial lot such as paving, storage buildings and tanks.

(9) “Market sale” means a sale for the most probable price in cash, terms equivalent to cash, or in other precisely revealed terms, for which the real property will sell in a competitive and open market under all conditions requisite to a fair sale with the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. It includes the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (A) the buyer and seller are typically motivated, (B) both parties are well informed or well advised, and acting in what they consider their best interest, (C) a reasonable time is allowed for exposure in the open market, (D) payment is made in United States’ currency or in terms of financial arrangements comparable thereto, and (E) the price represents the normal consideration for the real property sold which is unaffected by special or creative financing or sales concessions granted by anyone associated with the sale;

(10) “Mass appraisal” means the process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing

for statistical testing. Methodology that is acceptable shall include, but is not limited to, automated valuation models, adaptive estimation procedure, multiple regression analysis, statistical analysis and other generally accepted techniques;

(11) “Mean ratio” means the arithmetic average of the ratios;

(12) “Median ratio” means the value of the middle ratio in an uneven number of ratios arranged or arrayed according to size or the arithmetic average of the two central ratios in an even number of ratios similarly arranged;

(13) “Neighborhood” means a geographic area of complementary real property parcels that share similar locational and market value characteristics, and may be defined by natural, man-made, or political boundaries;

(14) “Price related differential” means the ratio of the mean ratio to the aggregate mean;

(15) “Property class” means any one of the following three major classifications of real property: (A) residential; (B) commercial including apartments, industrial and public utility; and (C) vacant land;

(16) “Public utility” means an improved parcel of land used to provide services to the general public that are typically provided by a public service company as defined in section 16-1 of the Connecticut General Statutes. Public utility property includes the lot or land on which the building(s) is situated and accessory improvements located on the public utility lot such as paving, storage buildings and tanks;

(17) “Ratio” means the property’s assessed valuation divided by the property’s sales price;

(18) “Residential property” means an improved parcel of land devoted to human habitation for use as a domicile of less than five dwelling units. Property used for human habitation includes but is not limited to year round residences, rural residences, condominiums, estates, seasonal residences, and individually owned mobile manufactured homes. Residential property includes the lot or land on which the dwelling is situated, and accessory buildings(s) located on the parcel such as garages, sheds, pools and tennis courts;

(19) “Revaluation” means the mass appraisal of property to determine the true and actual value of all real property in a town for assessment purposes in accordance with section 12-62 of the Connecticut General Statutes;

(20) “Sales time period” means the twelve-month period beginning twelve months before the assessment date which is the effective date of a revaluation, provided if the total number of market sales occurring in said period is less than thirty the time period prior to said assessment date shall be extended in three-month increments until the number of market sales having taken place is equal to or greater than thirty, but shall not be extended more than thirty months prior to said assessment date;

(21) “Secretary” means the Secretary of the Office of Policy and Management, or his designee;

(22) “Sold” means properties that were transferred during the sales time period, provided such transfers were market sales;

(23) “Unsold” means properties that were not transferred during the sales time period or were not market sales;

(24) “Unsold property test” means the ratio of (A) the ratio of the market value of sold properties, to (B) the ratio of the market value of unsold properties where the ratio of the market value of sold properties is the total market value of all sold properties after revaluation to the total market value of all sold properties before revaluation, and the ratio of the market value of unsold properties is the total market

value of all unsold properties after revaluation to the total market value of all unsold properties before revaluation;

(25) “Vacant Land” means land that is not developed or land lacking in essential appurtenant improvements above and below water, that are required in order for the land to serve a useful purpose. It is land that may be an approved subdivision but is not presently being physically improved or sold as lots.

(Adopted effective January 30, 2001)

Sec. 12-62i-2. General provisions

Performance-based revaluation standards shall consist of two acceptable methods as set forth in section 12-62i-3 and 12-62i-4 of the Regulations of Connecticut State Agencies. The assessor shall utilize one of the methods so described.

(Adopted effective January 30, 2001)

Sec. 12-62i-3. Ratio testing standards

(a) Compiling Market Value Data

(1) A file of all real property sales transactions for the sales time period used shall be established. For each such transaction the following information shall be included in the file: parcel identification number, property location, United States Census Bureau census tract number, date of sale, sales price, property assessment as of the date of the sale, property class, and any other salient property characteristics as of the date of the sale. The sales price of the property and its condition as of the date of the sale should be verified, if possible, with the buyer or seller.

(2) If the sale property is not considered a market sale as delineated in subdivision (9) of section 12-62i-1 of the Regulations of Connecticut State Agencies, the file shall contain the reason for such determination.

(3) The file may reflect an adjustment to the property sales price. The reason(s) for the adjustment shall be documented. Reasons for such an adjustment may include, but are not be limited to:

(A) The fact that personal property is included in the transaction;

(B) The existence of a lease that does not represent market rent, as defined in section 12-63b of the Connecticut General Statutes; and

(C) The effects of price changes reflected in the real estate market between the date of sale and the assessment date that is the effective date of a revaluation.

(b) Prior to finalizing a revaluation, the assessor shall conduct the following tests regarding the assessments derived from such revaluation. The assessments resulting from the revaluation shall be deemed sufficient, provided the following criteria are met:

(1) the overall level of assessment for all property classes shall be within plus or minus ten percent of the required seventy percent assessment ratio, as measured by the overall median ratio, and

(2) the level of assessment for each property class with fifteen or more market sales shall be within plus or minus five percent of the median overall level of assessment for each property class, and

(3) the coefficient of dispersion for each property class with fifteen or more market sales shall be equal to or less than fifteen percent for all property, equal to or less than fifteen percent for residential property, equal to or less than twenty percent for commercial property, and equal to or less than twenty percent for vacant land, and

(4) the price related differential for all properties and for each property class for which there are fifteen or more market sales shall be within 0.98 and 1.03, and

(5) the unsold property test result shall be between 0.95 and 1.05.

(c) In the event that the criteria described in subdivision (1), (2), (3), (4) or (5) of subsection (b) of this section are not met, the assessor shall, prior to the implementation of the revaluation, further analyze and refine the data elements or methods used in the revaluation. The assessor shall revalue the parcels of real property for which a deficiency in either the level of assessment or the uniformity of assessments has been identified.

(Adopted effective January 30, 2001)

Sec. 12-62i-4. Procedural testing standards

(a) Prior to finalizing a revaluation, the assessor and the company, if any, employed by the town, shall conduct the following procedures during the revaluation program:

(1) Management

A written revaluation project plan shall be developed prior to the commencement of the revaluation and updated as necessary during the course thereof. The project plan shall include, but is not limited to, a list of project activities, person(s) responsible for each activity and the time frame of each activity. Periodic reports on the progress of the revaluation project plan shall be completed by the assessor and shall be filed in the assessor's office. Each such report shall chronicle the work completed and the work remaining for each activity.

(2) Property Inventory

(A) The cadastral maps shall be up to date.

(B) Each real estate parcel shall have a property record file, which should be computerized. Each property record file shall contain the following data, as applicable:

(i) parcel size

(ii) current land use

(iii) zoning classification of parcel

(iv) site characteristics that contribute to the value of the land

(v) neighborhood code

(vi) building size

(vii) construction quality or grade classification

(viii) year built

(ix) condition of the building(s)

(x) significant building characteristics, such as number of stories, height, construction type, and wall type

(xi) other characteristics that contribute to the value of the building

(xii) other structures or improvements that may exist on the parcel, such as a swimming pool, fencing, garage, or shed.

(C) Each land or building characteristic having a qualitative attribute shall have an alphanumeric code.

(D) A property inspection system shall be maintained.

(E) A building permit monitoring system shall be maintained.

(F) A quality assurance program consisting of:

(i) a data collection manual that explains how to measure structures and how to select the most appropriate property characteristics of those available;

(ii) a data review program to ensure all essential property characteristics are entered into the property record file;

(iii) an audit trail for either manual systems or computer systems that tracks changes in property records, who made the change, when the change was made and the value previous to each change.

(3) Compiling Market Value Data

(A) A file of all real property sales transactions for the sales time period used shall be established. For each such transaction the following information shall be included in the file: parcel identification number, property location, United States Census Bureau census tract number, date of sale, sales price, property assessment as of the date of the sale, property class, and any other salient property characteristics as of the date of the sale. The sales price of the property and its condition as of the date of the sale should be verified, if possible, with the buyer or seller.

(B) If the sale property is not considered a market sale as delineated in subdivision (9) of section 12-62i-1 of the Regulations of Connecticut State Agencies, the file shall contain the reason for such determination.

(C) The file may reflect an adjustment to the property sales price. The reason(s) for the adjustment shall be documented. Reason(s) for such an adjustment shall include, but are not be limited to:

(i) The fact that personal property is included in the transaction;

(ii) The existence of a lease that does not represent market rent, as defined in section 12-63b of the Connecticut General Statutes; and

(iii) The effects of price changes reflected in the real estate market between the date of sale and the assessment date that is the effective date of a revaluation.

(D) A file of income and expense statements submitted in accordance with section 12-63c of the Connecticut General Statutes for the two-year period prior to the assessment date that is the effective date of a revaluation shall be maintained.

(E) If the cost approach to valuation is utilized for the revaluation, all building cost schedules, which shall reflect local construction costs as of the effective date of the revaluation, shall be maintained in the assessor's office.

(F) Market Analysis and Valuation

(i) All parcels shall be stratified according to property class and neighborhood.

(ii) Market sales analysis for market value trends and price level changes during the sales time period shall be conducted.

(iii) If the cost approach method of valuation is utilized, market sales data should be used to develop schedules of depreciation.

(iv) Criteria for the identification of comparable properties shall be established, documented and used.

(v) For each parcel of property, more than one acceptable appraisal methodology should be used, if possible, to determine its market value. For each vacant land parcel, the direct sales comparison appraisal methodology should be used for revaluation purposes.

(vi) Neighborhoods should be delineated on maps that display unit values for land valuation or are indexed to land value tables.

(vii) For each residential property, the direct sales comparison appraisal methodology should be used for revaluation purposes. The cost approach may be used if, in the judgement of the assessor, insufficient comparable market sales data exist for valuation purposes.

(viii) For each commercial or special use property, the income and/or direct sales comparison appraisal methodology should be used for valuation purposes. The cost approach may be used if, in the judgement of the assessor, insufficient comparable market sales or income data exist for revaluation purposes.

(b) A review of all real property values derived from the revaluation program shall be conducted. The process by which the review was conducted shall be put in writing and all changes in valuations effected during the review shall be documented.

(c) Documentation of the methodology used in the revaluation process shall be in writing and available for public inspection.

(d) Any departure from the requirements set forth in subsections (a) to (c) of this section shall be reasonable and the reasons shall be documented in writing and available for public inspection.

(Adopted effective January 30, 2001)

Sec. 12-62i-5. Certification

(a) On a form prescribed by the Secretary, the assessor shall certify that all real property located within the town has been revalued and that the revaluation meets the performance-based revaluation standards of subsections (b) or (c) of section 12-62i-2 of the Regulations of Connecticut State Agencies. Said form shall be signed and filed in the office of the assessor on or before the date the grand list that reflects real property assessments based on the revaluation is signed and filed pursuant to section 12-55 of the Connecticut General Statutes. A copy of said form shall also be submitted to the town clerk, who shall record such form on the land records, and to the chief executive officer of the town and the Secretary, within ten days of the date it is signed by the assessor.

(b) If the revaluation was conducted in whole or in part by one or more companies, as defined in subdivision (7) of section 12-62i-1 of the Regulations of Connecticut State Agencies, the form shall be co-signed by a person employed by each such company who is certified by the Secretary as a revaluation company supervisor in accordance with subsection (d) of section 12-2b-6 of the Regulations of Connecticut State Agencies.

(Adopted effective January 30, 2001)

Sec. 12-62i-6. Administration of penalty

(a) If the Secretary determines that a town has failed to comply with the provisions of sections 12-62i-3 or 12-62i-4 of the Regulations of Connecticut State Agencies, as the case may be, the Secretary shall send written notification to the town's chief executive officer by May first that the town is subject to the penalty pursuant to section 12-62i of the General Statutes. The Secretary shall cause the certification made to the State Comptroller for each applicable grant-in-aid to the town during such fiscal year, to reflect the amount of reduction in such grant-in-aid.

(b) If a town has failed to comply and is not eligible to receive any such state grants-in-aid, the Secretary shall send a written demand to the chief executive officer of the town for the immediate payment to the State Treasurer of an amount equal to three per cent of the town's property tax levy for the fiscal year immediately preceding. Such payment shall be required to be made within ninety days of the date said demand is received.

(Adopted effective January 30, 2001)

Sec. 12-62i-7. Appeals

The chief executive officer of any town that is aggrieved by the action of the secretary in issuing notification of the imposition of a penalty in accordance with section 12-62i-6 of the Regulations of Connecticut State Agencies, may appeal to the secretary within thirty days of such notice. Such appeal shall be in writing and shall contain a reason for the appeal. Such appeal will be considered a contested case in accordance with chapter 54 of the Connecticut General Statutes.

(Adopted effective January 30, 2001)

Sec. 12-62i-8. Effective date

Sections 12-62i-1 to 12-62i-7 of the Regulations of Connecticut State Agencies are effective with respect to a revaluation implemented on or after October 1, 2002.

(Adopted effective January 30, 2001)

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Additional Veterans Exemption: Eligibility and State Reimbursement Procedures

Sec. 12-81g-1. Definitions

As used in these regulations, the following terms have the meaning ascribed to them in this section.

“Claimant” means any person entitled to an exemption from property tax in accordance with subdivisions (19), (20), (21), (22), (23), (24), (25), or (26) of section 12-81 of the general statutes.

“Qualifying income” means (1) adjusted gross income as determined for purposes of the federal income tax plus any other income not included in such adjusted gross income, or (2) for claimants awarded a Veteran’s Administration disability rating of 100%, adjusted gross income as determined for purposes of the federal income tax.

“Secretary” means the Secretary of the Office of Policy and Management.

(Effective June 24, 1986)

Sec. 12-81g-2. Application and determination of eligibility

(a) Any claimant, believing himself entitled to an additional exemption under subsection (a) of Section 12-81g of the general statutes for any assessment year, shall apply to the assessor or assessors of the municipality in which he resides for such additional exemption at any time from February first to and including October first of the year in which such additional exemption is initially claimed. Reapplications shall be submitted biennially thereafter.

(1) In the case of an extenuating circumstance of a claimant’s illness or incapacitation, evidenced by a physician’s certificate to that effect, the claimant may make written application to the assessor for an extension of the application period. Such request shall be made on or prior to the thirty-first day of December next following the deadline for filing such applications.

(2) Upon receipt of a written request from such claimant, the assessor may allow an extension of time not exceeding thirty days within which an application may be filed for such additional exemption.

(b) Application for an additional exemption shall be made on a form prescribed and furnished by the Secretary. In making such application the claimant shall present to the assessor, in substantiation of his application, evidence of qualifying income in respect to the calendar year ending immediately prior to the submission of such application. Such evidence shall consist of copies of federal income tax returns, bank statements showing interest earned, trust account statements, dividend earning statements, statements from the Social Security Administration, proof of public or private assistance received, and such other documentation as may be required by the assessor.

(c) Not later than ninety days after the assessment date for which an application is submitted, the assessor shall forward a copy of the completed application to the claimant, indicating acceptance or rejection of the application.

Not later than ninety days after receiving an application from a claimant granted an extension, pursuant to subdivision (1) of subsection (b) of this section, the assessor shall forward a copy of the completed application to the claimant, indicating acceptance or rejection of his application.

(Effective August 25, 1989; amended May 5, 1999)

Sec. 12-81g-3. Reimbursement to municipalities

(a) On or before the first day of August of each year, each municipality shall file a claim with the Secretary for reimbursement to which such municipality is entitled

under subsection (c) of Section 12-81g of the general statutes. The claim shall be made on a form prescribed and furnished by the Secretary and shall be accompanied by such supporting information as the Secretary may require. The reimbursement claim shall include:

(1) A certification of the claim signed by the assessor and tax collector of the municipality;

(2) The names and addresses of those receiving the additional exemptions under subsections (a) and (b) of Section 12-81g of the general statutes; the amount of such exemptions; and the amount of tax revenue lost to the municipality due to such exemptions;

(3) Copies of all applications required by Section 12-81g-2(b);

(4) Copies of any affidavits received from any other municipality in accordance with Section 12-94 of the general statutes;

(5) Copies of any letters granting claimants an extension of the time to file their applications.

(b) A computer generated print-out may be substituted in lieu of the prescribed reimbursement claim for the information required in subdivision (2) of subsection (a) of this section.

(c) The Secretary shall, on or before the December first following receipt of such claims, certify to the Comptroller the amount due to each municipality under the provisions of Section 12-81g(c) of the general statutes. The Comptroller shall draw his order on the Treasurer on or before the following December fifteenth, and the Treasurer shall pay the amount thereof to each such municipality on or before the following December thirty-first.

(d) The Secretary shall notify each municipality which has submitted a reimbursement claim of his acceptance or modification of the claim not later than the August first next succeeding the deadline for the receipt of such claims. Any municipality aggrieved by the action of said Secretary may request a reconsideration within thirty days after receipt of such notification. Such request shall be made in writing and shall state the reason for such request. If the municipality has so requested, the Secretary shall, in his discretion, grant the municipality an oral hearing and shall provide ten days notice of the time and place of the hearing. The Secretary shall notify the municipality in writing of his determination regarding the request for reconsideration.

(e) If any recomputation is effected as a result of the provisions of subsection (d) of this section, any adjustments to the amount due to such municipality shall be made in the next payment the treasurer shall make to such municipality pursuant to subsection (c) of Section 12-81g of the General Statutes.

(Effective July 30, 1987; amended May 5, 1999)

Sec. 12-81g-4. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that a town, city, borough, consolidated town and city or consolidated town and borough is required to forfeit the amount specified as a penalty in subsection (d) of § 12-81g of the general statutes, for failure to comply with the filing provisions of Section 12-81g-3 of these regulations, he shall cause to be sent to the chief executive officer thereof a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective April 28, 1989; amended March 30, 1999)

Sec. 12-81g-5. Penalty waiver procedures

(a) The penalty pursuant to Section 12-81g of the general statutes, may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the filing date of the claim for reimbursement for which the penalty waiver is sought. Such application, which shall set forth the reason for the waiver request, shall be signed by the official responsible for filing the claim and co-signed by the chief executive officer of the town, city, borough, consolidated town and city, or consolidated town and borough. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the official responsible for filing the claim for reimbursement. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the claim filing date;

(3) Failure regarding delivery of any such claim, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery had been made;

(4) Administrative or technical problems encountered with regard to the filing of such claim, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the claim filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the town, city, borough, consolidated town and city or consolidated town and borough to establish a mill rate within thirty days of the claim filing date;

(C) The enactment of legislation by the General Assembly in the session immediately preceding the claim filing date, which would require a substantial recalculation of the amount of revenue loss to be claimed;

(D) Failure on the part of the town, city, borough, consolidated town and city or consolidated town and borough to receive from the Secretary at least thirty days prior to the claim filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen business days.

(Effective April 28, 1989; amended March 30, 1999)

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Penalties and the Waiver of Penalties Regarding Certain Elderly/Total Disability Tax Relief Programs

Sec. 12-94a-1. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that a municipality is required to forfeit the amount specified as a penalty for failure to comply with the provisions of Section 12-94a of the general statutes, he shall cause to be sent to the chief executive officer of the municipality, a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective January 31, 1991; amended March 30, 1999)

Sec. 12-94a-2. Penalty waiver procedure

(a) The penalty pursuant to Section 12-94a of the general statutes may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the filing date of the claim for reimbursement for which the penalty waiver is sought. Such application, which shall set forth the reason for the penalty waiver request, shall be signed by the official responsible for filing the claim and co-signed by the chief executive officer of the municipality or the district. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the official responsible for filing the claim for reimbursement. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the claim filing date;

(3) Failure regarding delivery of any such claim, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery had been made;

(4) Administrative or technical problems encountered with regard to the filing of such claim, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the claim filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the municipality to establish a mill rate within thirty days of the claim filing date.

(C) The enactment of legislation by the General Assembly in the session immediately preceding the claim filing date, which would require a substantial recalculation of the amount of reimbursement of revenue loss to be claimed;

(D) Failure on the part of the municipality to receive from the Secretary at least thirty days prior to the claim filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver, within fifteen business days.

(Effective January 31, 1991; amended March 30, 1999)

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Policies and Standards for Evaluating Land Proposed for Classification as Forest Land

Sec. 12-107d-1. Definitions

As used in sections 12-107d-1 to 12-107d-5, inclusive, of the Regulations of Connecticut State Agencies:

(1) “Artificial regeneration” means trees grown by planting young trees, applying seed, using cuttings or by other similar means;

(2) “Contiguous” means sharing a common boundary and under one ownership. Land under one ownership and traversed by a stream, river, pond, swamp, marsh, bog, lake or other body of water, public highway, power line, pipeline, railroad right of way or other easement may be considered as contiguous;

(3) “Day” means calendar day;

(4) “Diameter at breast height” (dbh) means the measurement in inches of the diameter of a tree at a point on the stem of a tree four and one half feet above ground level;

(5) “Forester” means any individual certified as a forester pursuant to section 23-65h of the Connecticut General Statutes;

(6) “Forest Land” means “forest land” as defined in section 12-107b of the Connecticut General Statutes;

(7) “Forest practice” means any activity which may alter the physical or vegetative characteristics of any forest land, including, but not limited to, any activity involving or associated with the cutting of trees or harvesting of forest products;

(8) “Forest type” means the description of a forest tract, based on the most common species present, including, but not limited to, white pine, red pine, hemlock, spruce/fir, oak/hickory, elm/ash/red maple, maple/beech/birch, and aspen/birch;

(9) “Municipality” means “municipality” as defined in section 12-107b of the Connecticut General Statutes;

(10) “Municipal land records” means the land records of town or towns in which the land proposed for or granted forest land classification is located;

(11) “Natural regeneration” means trees grown from natural seeding or vegetative reproduction;

(12) “Overstory” means those trees forming the uppermost or highest level of vegetative cover;

(13) “Owner” means the person listed in the municipal land records as the owner of the land classified as forest land or the land proposed for classification as forest land;

(14) “Person” means any individual, firm, partnership, association, corporation, limited liability company, company, organization or legal entity of any kind, including any political subdivision of the state or any state agency;

(15) “Pole” means a tree having a dbh greater than 5.5 inches and less than or equal to 11.5 inches;

(16) “Qualified forester” means any forester who has satisfactorily completed training by and obtained a certificate from the State Forester or his or her designee related to policies and standards for evaluating land proposed for classification as forest land and, in the opinion of the State Forester, acts in conformance with such policies and standards;

(17) “Sapling” means a tree having a dbh greater than 0.5 inches and less than or equal to 5.5 inches;

(18) “Sawtimber” means a tree having a dbh greater than 11.5 inches;

- (19) “Seedling” means a tree having a dbh less than or equal to 0.5 inches;
- (20) “Size class” means a grouping of tree diameter measurements used to describe a number of trees as primarily seedlings, saplings, poles, or sawtimber;
- (21) “State Forester” means the individual referred to in section 23-19 of the General Statutes or his or her designee;
- (22) “Tract” means a continuous or unbroken expanse of land under single ownership and bearing adequate tree cover generally distributed throughout its area. The following features shall be regarded as the bounds of a tract: acreage under a different ownership or acreage that does not meet the standards for forest land classification in section 12-107-d-3 of the Regulations of Connecticut State Agencies. Lines of demarcation drawn on maps, including, but not limited to, municipal boundaries, assessor’s lot lines, and lines on subdivision maps are not to be regarded as a boundary of a forest tract;
- (23) “Tree” means a woody perennial plant usually having one self-supporting stem or trunk which has a definitely formed crown and is normally expected to attain a mature height of over twenty feet;
- (24) “Understory” means all forest vegetation growing under an overstory.
- (Adopted effective July 27, 2006)

Sec. 12-107d-2. Training, certification and conduct of foresters in evaluating land proposed for forest land classification

(a) Upon adoption of sections 12-107d-1 to 12-107d-5, inclusive, of the Regulations of Connecticut State Agencies and not less than once per year thereafter, the State Forester or his or her designee shall make training in the content and practical application of sections 12-107d-1 to 12-107d-5, inclusive, of the Regulations of Connecticut State Agencies available to any forester.

(b) Upon a forester’s satisfactory completion of the training described in subsection (a) of this section, the State Forester shall issue a certificate to the forester, accrediting the forester as qualified to evaluate land proposed for classification as Forest Land pursuant to section 12-107d of the Connecticut General Statutes. The accreditation shall be valid for up to four years.

(c) Satisfactory completion of the training shall be attained when the forester correctly answers all of the questions in a written or oral examination administered by the State Forester or his or her designee at the conclusion of the training described in subsection (a) of this section.

(d) Upon satisfactory completion of the training described in subsection (a) of this section, a notation that the forester is qualified to evaluate land for classification as Forest Land pursuant to section 12-107d of the Connecticut General Statutes may be included in any listing or directory of foresters certified under section 23-65h of the Connecticut General Statutes that may be published by the State Forester.

(e) Each forester who has satisfactorily completed the training described in subsection (a) of this section shall submit to the State Forester, on or before June 1 of each year, one copy of a representative forester’s report authored by said forester during the previous year and a listing of the landowners who have received forester’s reports from that forester during the previous year. The listing shall include the name of the landowner and the town(s) within which the subject land is located.

(f) The State Forester may suspend, revoke or deny such accreditation to evaluate land for classification as Forest Land pursuant to section 12-107d of the Connecticut General Statutes if, in the State Forester’s opinion, the forester fails to comply with the requirements of subsection (e) of this section or fails to comply with the standards

and procedures established in sections 12-107d-3 and 12-107d-4 of the Regulations of Connecticut State Agencies.

(g) Upon suspending, revoking or denying accreditation pursuant to subsection (f) of this section, any existing notation that the forester is qualified to evaluate land for classification as Forest Land pursuant to section 12-107d of the Connecticut General Statutes shall be removed from any listing or directory of foresters certified under section 23-65h of the Connecticut General Statutes that may be published by the State Forester.

(h) A forester whose accreditation as a qualified forester under sections 12-107d-1 to 12-107d-5, inclusive, of the Regulations of Connecticut State Agencies has been revoked shall not be so accredited again until said forester has satisfactorily completed the training in subsection (a) of this section not less than two (2) years after the date of the revocation.

(Adopted effective July 27, 2006)

Sec. 12-107d-3. Standards for forest land classification

(a) A qualified forester may certify in writing that land meets the State Forester's standards for classification of land as forest land if the forester examines the subject land according to the procedures established in subsection (d) of section 12-107d-4 of the Regulations of Connecticut State Agencies and finds that it meets the following criteria:

(1) Tree Distribution.

Land proposed for forest land classification shall have trees distributed throughout its area except as provided in subparagraph (A) of subdivision (2) of this subsection.

(2) Area.

(A) Land proposed for forest land classification shall satisfy the requirements of section 12-107b(2) of the Connecticut General Statutes, provided that the following treeless features may be included in the total acres proposed for forest land classification, if the combined acreage of all such features is less than five (5) percent of the total acreage proposed for such classification:

(i) ledge outcrops that are surrounded by and contained within the forest land;

(ii) streams or rivers less than 100 feet wide;

(iii) unpaved roads providing access only to the land proposed for forest classification, (paved roads or roads providing access to other land may not be included);

(iv) ponds, lakes or other bodies of water less than one-half acre in size that are surrounded by and contained within the forest land;

(v) power lines, pipe lines or other easements, provided the land within such easements is not cultivated or pastured;

(vi) swamps, marshes or bogs that are surrounded by and contained within the forest land; and

(vii) gravel pits or other excavated areas that are non-operating, entirely worked out, are less than one-half acre in size and are surrounded by and contained within the forest land.

(B) Land proposed for forest land classification shall exceed one hundred feet in width throughout its length, provided that land which otherwise satisfies the requirements of this subsection and which is less than one hundred feet in width throughout its length shall be eligible for classification as forest land if such land comprises the total real property of the owner at that location.

(3) Density of Tree Cover.

(A) Land proposed for forest land classification with trees established by natural regeneration may be classified as forest land if the number of trees per acre for the predominant size class meets or exceeds the following requirements. If two size classes predominate, the required density shall exceed the average of the requirements for the two size classes:

- (i) seedling: at least 600 trees per acre;
- (ii) sapling: at least 215 trees per acre;
- (iii) pole: at least 75 trees per acre; and
- (iv) sawtimber: at least 35 trees per acre.

(B) Land proposed for forest land classification with trees established by artificial regeneration may be classified as forest land one calendar year after the date of planting of such trees or three calendar years after the date of seeding if the requirements of subparagraph (A) of this subdivision are met.

(C) Land proposed for forest land classification with trees established and maintained for Christmas tree production may be classified as forest land if the requirements of this section are met and shall not be considered in violation of this subsection if harvested areas are replanted during the following growing season.

(4) Use.

(A) Land proposed for forest land classification with trees established and maintained for choose and cut Christmas tree production may be eligible for classification as forest land if the requirements of subparagraph (A) of subdivision (3) of this subsection are met.

(B) Land proposed for forest land classification, or land already so classified, may not be used for nursery stock production, production of Christmas trees that are harvested with their roots attached, as an orchard, or maintained as a landscaped area in conjunction with residential, commercial or industrial areas.

(C) Land proposed for classification as forest land shall have been subject to the natural processes of forest growth and development for at least one calendar year prior to application and, if classified as forest land shall remain subject to natural processes. However, this does not preclude either Christmas tree culture or any forest practice undertaken on the land classified as forest land if such practice does not otherwise disqualify the land from classification as forest land.

(D) When residential, commercial or industrial structures are present upon the land, the land proposed for forest land classification shall not include that portion of the land required by local zoning ordinances to be associated with such residential, commercial or industrial structures.

(5) Ownership.

If land proposed for forest land classification consists of two or more parcels to be combined in order to meet or exceed the minimum acreage requirements, or if additional land is being added to land previously classified, the owner(s) of record shall be identical for all such parcels.

(6) Maintenance.

Land proposed for classification as forest land that bears evidence of a history of severe abuse shall also bear evidence that significant restorative measures have been employed to allow for proper forest development. Harvesting of forest products shall not be regarded as abuse, provided the remaining tree stumps are not removed.

(A) Severe abuse includes, but is not limited to, the use of the land: (i) as a landfill area; (ii) for storage of industrial or commercial materials; (iii) for hazardous waste disposal; or (iv) as a junkyard.

(B) Restorative measures shall include, at a minimum, the removal of all above ground industrial, commercial, waste or junkyard materials and, if appropriate, to allow for the proper development of forest growth, the control of non-native, invasive plant species.

(Adopted effective July 27, 2006)

Sec. 12-107d-4. Qualified forester's report

(a) **Cover Page.** The report of a qualified forester to an owner shall be in writing in permanent ink and shall include a cover page on a form prescribed by the State Forester. The cover page shall include:

- (1) the owner(s) of record as found in the municipal land records;
- (2) the name, address and telephone number of the owner(s) receiving the completed report from the forester;
- (3) the location of the real property containing the land proposed for forest land classification, including: the town or towns where it is located; the street address and map, block and lot number(s) as found in the municipal land records for each component lot containing the land proposed for forest land classification and the total acreage for each such component lot;
- (4) within each component lot containing the land proposed for forest land classification, the total number of acres that the qualified forester determines conform to the standards for forest land classification as found in section 12-107d-3 of the Regulations of Connecticut State Agencies;

(5) A signed statement by the qualified forester who has authored the report, stating in writing: "I swear that: (1) I have personally examined the land proposed for forest land classification in compliance with the policies, procedures and standards required by section 12-107d of the Connecticut General Statutes and its associated regulations; (2) the information contained in this report is true, accurate and complete to the best of my knowledge and belief; and (3) the land identified in the report as Forest Land meets the standards for such classification as established by the State Forester. I understand that failure to comply with such policies, procedures and standards shall be grounds for suspension or revocation of my certification to evaluate land for classification as Forest Land pursuant to section 12-107d of the Connecticut General Statutes.";

(6) The name, address and forest practitioner certification number of the qualified forester who has authored the report;

(7) The handwritten signature of the qualified forester who has authored the report; and

(8) The date the report was transmitted to the owner(s).

(b) **Forest Stand Information.** The report of a qualified forester to an owner shall include forest stand information for each forest stand the forester identifies on the land. Such forest stand information shall be presented in the report on a form prescribed by the State Forester. The forest stand information shall include:

- (1) The assigned stand number (tied to map pursuant to subsection (c) of this section);
- (2) The total area of the stand in acres;
- (3) The forest cover type present, based upon the species forming a plurality of live-tree stocking;
- (4) The predominant species components of the forest overstory;
- (5) The predominant size class, number of trees per acre, and condition of growing stock, including the forester's general assessment of stocking level;
- (6) A brief enumeration of existing forest health and protection issues, if any;

(7) A brief enumeration of existing special or unique features or values found in the forest;

(8) A brief narrative describing appropriate management actions that may be undertaken to enhance, conserve or protect the forest values of the stand in keeping with the owner's goals for the land.

(c) **Map.** A qualified forester's report prepared for an owner applying for forest land classification shall include maps containing, at a minimum, the following information and adhering to the following specifications:

(1) unfolded dimensions no larger than 17 inches by 22 inches;

(2) a map legend including a north arrow and map scale;

(3) a map title section indicating the name of the owner, the town or towns in which the land is located and the address of the real property containing the land proposed for forest land classification, as indicated in the applicable municipal land records, the date the map was prepared and the name of the individual who prepared the map;

(4) a small inset location map showing the outline of the property in relation to surrounding public roads;

(5) the boundaries of the real property containing the land proposed for forest land classification and its location with respect to the nearest public highways or roads;

(6) a delineation of the land proposed for forest land classification and of that portion of said land which has been determined to satisfy the standards for forest land classification as found in section 12-107d-3 of the Regulations of Connecticut State Agencies or any changes that the forester may be aware of to land previously classified as forest land;

(7) a delineation of the physical features of the land including, but not limited to: streams or rivers; paved or unpaved roads; ponds, lakes or other bodies of water, power lines, pipe lines, railroad rights of way or other easements; swamps, marshes or bogs; ledge outcrops; and houses, barns, buildings or other structures; and

(8) a delineation of each distinct forest stand within the land proposed for forest land classification. Such stands shall be numbered. If the forester believes that doing so will yield a more readable map, this required information may be prepared as an overlay to a base map containing all other information.

(d) **Data Collection.** The following requirements shall apply to the collection of data:

(1) The information and recommendations contained in a qualified forester's report shall be derived from a qualified forester's analysis of data concerning the subject land. Such data may be collected by any forester certified pursuant to section 23-65h of the Connecticut General Statutes;

(2) To judge whether overgrown field areas or areas planted one year previously contain sufficient stocking of seedlings, the forester shall count the number of live tree seedlings taller than six (6) inches that are found in no less than five (5) evenly spaced, one-hundredth acre plots (11.8 feet in radius) per acre. Areas represented by plots containing less than six (6) seedlings shall be deemed not forest;

(3) To determine tree species, size, density and condition in other areas, the forester shall employ point sampling, using a sampling instrument having a basal area factor of 10 square feet per acre and employing an appropriate sampling design.

(4) A qualified forester's report shall be based on point or plot data that is deemed reliable by the qualified forester and was collected from and concerning the land

proposed for forest land classification not more than ten (10) years previous to the date the report is issued to the owner.

(e) **Issuance of Report.** Upon completion of a qualified forester's report, the forester shall provide the original report to the owner and retain one copy.

(f) **Appeal of qualified forester's findings.**

(1) Within thirty (30) days of receipt of the qualified forester's report, the owner of land classified as forest land or land proposed for classification as forest land may appeal to the State Forester for the State Forester's review of the qualified forester's findings with respect to: (i) the total number of acres within said property determined to satisfy the standards for forest land classification as found in section 12-107d-3 of the Regulations of Connecticut State Agencies; or (ii) the qualified forester's delineation of the land determined to satisfy the standards for forest land classification as found in section 12-107d-3 of the Regulations of Connecticut State Agencies or any changes in land previously classified as forest land. Such appeal shall be in writing and shall succinctly state the reason(s) for and facts of the appeal. A copy of the qualified forester's report shall be attached to the written appeal.

(2) Within thirty (30) days of receipt of a completed "Application To The Assessor For Classification Of Land As Forest Land," including a qualified forester's report, the assessor of any municipality within which the land classified as forest land or land proposed for classification as forest land is located may appeal to the State Forester for the State Forester's review of the qualified forester's findings with respect to: (i) the total number of acres within said property determined to satisfy the standards for forest land classification as found in section 12-107d-3 of the Regulations of Connecticut State Agencies; or (ii) the qualified forester's delineation of the land determined to satisfy the standards for forest land classification as found in section 12-107d-3 of the Regulations of Connecticut State Agencies or any changes in land previously classified as forest land. Such appeal shall be in writing and shall succinctly state the reason(s) for and facts of the appeal. A copy of the qualified forester's report shall be attached to the written appeal.

(3) Within five (5) business days of receiving such an appeal for review, the State Forester shall provide written notice of the appeal to the appellant, the qualified forester and either the owner or municipal assessor, whichever is not the appellant.

(4) Upon receipt of an appeal for review, the State Forester shall review the report of the qualified forester and any information upon which the qualified forester relied in developing his or her findings and may gather additional information at his or her discretion. The State Forester shall render the results of his or her review of the qualified forester's report to the appellant, in writing, not later than sixty days after the date the appeal was received and shall provide a copy of the results to the qualified forester and either the owner or municipal assessor, whichever is not the appellant.

(5) The State Forester may request copies of any information upon which a qualified forester relied in developing any qualified forester's report, including, but not limited to, point or plot sampling data, field notes, work maps, reference materials, and aerial photos. The qualified forester shall furnish such copies to the State Forester within fourteen (14) days of the State Forester issuing such request.

(g) **Records Retention Requirements.**

(1) A qualified forester shall maintain any information upon which the forester relied in developing any qualified forester's report, including, but not limited to, point or plot sampling data, field notes, work maps, reference materials, and aerial photos for not less than five (5) years from the date the qualified forester's report is transmitted to the owner(s) and municipal assessor(s).

(2) The State Forester shall maintain any information upon which he or she relied during any appeal-derived review of the findings of a qualified forester report and the results of his or her review of same for not less than five (5) years from the date the results of the State Forester's review are transmitted to the owner(s) and municipal assessor(s).

(Adopted effective July 27, 2006)

Sec. 12-107d-5. Inspections by the state forester

In the performance of his or her duties under section 12-107d of the Connecticut General Statutes and sections 12-107d-1 to 12-107d-4, inclusive, of the Regulations of Connecticut State Agencies, the State Forester or his or her designee may, pursuant to subdivision (5) of subsection (a) of section 22a-6 of the Connecticut General Statutes, enter at all reasonable times, in accordance with constitutional limitations, upon public or private property, for the purpose of determining compliance with the requirements of section 12-107d of the Connecticut General Statutes and sections 12-107d-1 to 12-107d-4, inclusive, of the Regulations of Connecticut State Agencies.

(Adopted effective July 27, 2006)

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Penalties and the Waiver of Penalties for Failure to Comply With Certain State Reporting Requirements

Sec. 12-120-1. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that an assessor or board of assessors is required to forfeit the amount specified as a penalty for failure to comply with the provisions of Section 12-120 of the general statutes, he shall cause to be sent to the assessor or board of assessors a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective April 28, 1989; amended March 30, 1999)

Sec. 12-120-2. Penalty waiver procedures

(a) The penalty pursuant to Section 12-120 of the general statutes may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the filing date of the report for which the penalty waiver is sought. Such application, which shall set forth the reason for the waiver request, shall be signed by the official responsible for filing the report and co-signed by the chief executive officer of the municipality. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the town clerk. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the report filing date;

(3) Failure regarding delivery of the report, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery had been made;

(4) Administrative or technical problems encountered with regard to the filing of the report, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the report filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the town clerk to receive from the Secretary at least thirty days prior to the filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen days.

(Effective April 28, 1989; amended March 30, 1999)

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Penalties and the Waiver of Penalties Regarding Certain Elderly/Total Disability Tax Relief Programs

Sec. 12-129b-1. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that a municipality is required to forfeit the amount specified as a penalty for failure to comply with the provisions of Section 12-129b of the general statutes, he shall cause to be sent to the chief executive officer of the municipality, a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective January 31, 1991; amended March 30, 1999)

Sec. 12-129b-2. Penalty waiver procedure

(a) The penalty pursuant to Section 12-129b of the general statutes as amended may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the filing date of the report of benefit adjustments for which the penalty waiver is sought. Such application, which shall set forth the reason for the waiver request, shall be signed by the official responsible for filing the report and co-signed by the chief executive officer of the town. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the official responsible for filing the report. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the report filing date;

(3) Failure regarding delivery of any such report, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery had been made;

(4) Administrative or technical problems encountered with regard to the filing of the report, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the report filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the municipality to establish a mill rate within thirty days of the report filing date;

(C) The enactment of legislation by the General Assembly in the session immediately preceding the report filing date, which would require a substantial recalculation of the amount of benefit adjustment to be reported;

(D) Failure on the part of the municipality to receive from the Secretary at least thirty days prior to the filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen business days.

(Effective January 31, 1991; amended March 30, 1999)

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Penalties and the Waiver of Penalties Regarding Certain Elderly/Total Disability Tax Relief Programs

Sec. 12-129d-1. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that a municipality is required to forfeit the amount specified as a penalty for failure to comply with the provisions of Section 12-129d of the general statutes, he shall cause to be sent to the chief executive officer of the municipality, a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective January 31, 1991; amended March 30, 1999)

Sec. 12-129d-2. Penalty waiver procedure

(a) The penalty pursuant to subsection (a) of Section 12-129d of the general statutes may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the filing date of the claim for reimbursement for which the penalty waiver is sought. Such application, which shall set forth the reason for the waiver request, shall be signed by the official responsible for filing the report and co-signed by the chief executive officer of the municipality. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the official responsible for filing the claim for reimbursement. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the report filing date;

(3) Failure regarding delivery of any such claim, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery had been made;

(4) Administrative or technical problems encountered with regard to the filing of such claim, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the claim filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the municipality to establish a mill rate within thirty days of the claim filing date;

(C) The enactment of legislation by the General Assembly in the session immediately preceding the claim filing date, which would require a substantial recalculation of the amount of reimbursement of revenue loss to be claimed.

(D) Failure on the part of the municipality to receive from the Secretary at least thirty days prior to the claim filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen business days.

(Effective January 31, 1991; amended March 30, 1999)

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Certification of Tax Collectors

Sec. 12-130a-1. Tax collector certification

Competence in tax collection administration in the State of Connecticut shall be evidenced by a Connecticut Certified Municipal Collector (C.C.M.C.) designation. Such designation shall be awarded by the Secretary of the Office of Policy and Management to candidates who are recommended by the Certified Connecticut Municipal Collector Committee (hereinafter referred to as the Committee), the members of which are appointed by said Secretary in accordance with the provisions of Section 12-130a of the Connecticut General Statutes. No candidate shall be recommended by the Committee for the C.C.M.C. designation, unless he has passed the comprehensive examination pursuant to Section 12-130a-4, and has fulfilled a three year municipal tax collection experience requirement, pursuant to Section 12-130a-5.

(Effective May 28, 1991)

Sec. 12-130a-2. Eligibility requirements

A person may satisfy the eligibility requirements for taking the comprehensive examination by either of the following methods:

(a) **Regular Method:** successfully complete the prescribed training program consisting of three basic courses:

C.C.M.C. I- Introduction to Connecticut Tax Collection Administration and Law

C.C.M.C. II- Municipal Finance Administration and Management

C.C.M.C. III- Connecticut Government, Supervision and Public Relations

(1) In order to be eligible to take the comprehensive examination a passing grade in each of the three basic course examinations, must have been received.

(2) Anyone who fails a C.C.M.C. course examination shall be eligible to retake the examination one time, without repeating the course.

(b) **Alternate Method:** application may be made to the Secretary of the Office of Policy and Management for a waiver of any course other than C.C.M.C. I. No more than one waiver shall be granted to any candidate.

(1) The following minimum qualifications must be met, before a waiver may be granted:

A. the person requesting a waiver must show evidence of successful completion of an equivalent course(s), and

B. he must have a minimum of five (5) years experience in the municipal tax collection field.

(Effective May 28, 1991)

Sec. 12-130a-3. C.C.M.C. courses

(a) Course schedules and registration fees shall be determined by the Committee. Fees are subject to annual review by the Committee and may be increased or decreased to reflect costs incurred, enrollment levels, subsidies, etc.

(b) No person shall be eligible to attend class sessions or take a course examination, unless the registration fee is paid on or before the second class session. The Committee may cancel courses due to insufficient enrollment.

(c) No person may register for more than two courses at one time.

(Effective December 1, 1989)

Sec. 12-130a-4. Comprehensive examination application procedure

(a) The comprehensive examination shall be conducted annually, at a time and location to be determined by the Committee.

(b) Written application for the comprehensive examination shall be accepted by the Committee for any person meeting the eligibility standards under the Regular or Alternate Methods as described in Section 12-130a-2.

(c) The deadline for submitting an application shall be three weeks before the scheduled examination date. Applications may be obtained from the Secretary of the Office of Policy and Management.

(d) Anyone having qualified under the Regular Method as described in Section 12-130a-2, who fails the comprehensive examination will be eligible to retake the comprehensive examination one (1) time.

(1) Anyone having qualified to retake the comprehensive examination in accordance with subsection (d) of this section, who subsequently fails such examination must:

A. requalify in accordance with Section 12-130a-2 (a), or

B. may submit a complete and detailed resume of his municipal tax collection experience to the Committee for its consideration. The Committee shall review each such resume and may specify that the Secretary waive not more than two (2) of the required courses.

(e) Anyone having qualified under the Alternate Method as described in Section 12-130a-2, who fails the comprehensive examination, must requalify under the Regular Method as described in said section, in order to become eligible to retake the comprehensive examination.

(f) No candidate shall be eligible to take more than one examination on the same day.

(Effective May 28, 1991; amended June 4, 1999)

Sec. 12-130a-5. Experience requirements for C.C.M.C. designation

(a) Successful completion of the prescribed training program described in Sections 12-130a-2 through 12-130a-4, inclusive, shall include a minimum of three years experience in municipal tax collection.

(b) If a candidate successfully completes all tax collection courses and examinations, including the comprehensive examination, but does not meet the experience requirement, he will receive written acknowledgement of these accomplishments from the Committee.

(c) The C.C.M.C. designation from the Office of Policy and Management will be issued upon completion of the three (3) year municipal tax collection experience requirement.

(Effective May 28, 1991)

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Reimbursement to Municipalities for Tax Reductions to Elderly Homeowners

Sec. 12-170aa-1. Application for reimbursement

(a) On or before the first day of July of each year, each municipality shall file a claim with the Secretary of the Office of Policy and Management for reimbursement for the loss of property tax revenue related to the tax reductions allowed under Section 12-170aa of the General Statutes. The claim shall be made on a form prescribed and furnished by the Secretary and shall be accompanied by such supporting information as the Secretary may require. The reimbursement claim shall include;

(1) A certification of the claim signed by the assessor and tax collector of the municipality;

(2) The names and addresses of those receiving a property tax reduction under Section 12-170aa; the amount of such reductions; and the amount of property tax revenue lost to the municipality due to such reductions; and

(3) Copies of all applications filed with the municipality as required by subsection (f) of Section 12-170aa and copies of any documentation submitted by claimants in support of their applications, as the secretary may require.

(b) A computer generated print-out may be substituted in lieu of the prescribed reimbursement claim for the information required in subdivision (2) of subsection (a) of this section.

(Effective May 23, 1986; amended March 30, 1999)

Sec. 12-170aa-2. Notification, reconsideration and certification of reimbursement

The Secretary of the Office of Policy and Management shall notify each municipality which has submitted a reimbursement claim of his acceptance or modification of the claim not later than the thirtieth day of June following its receipt. Any municipality aggrieved by the action of said Secretary may request a reconsideration within thirty days after receipt of such notification. Such request shall be made in writing and shall state the reason for such request. If the municipality has so requested, the Secretary shall, in his discretion, grant the municipality an oral hearing and shall provide ten days' notice of the time and place of the hearing. The Secretary shall notify the municipality in writing in his determination regarding the request for reconsideration.

(Effective May 23, 1986; amended March 30, 1999)

Sec. 12-170aa-3. Penalty forfeit

(a) In the event the Secretary of the Office of Policy and Management determines that a municipality is required to forfeit the amount specified as a penalty for failure to comply with the provisions of subsection (g) or subsection (i) of Section 12-170aa of the general statutes, he shall cause to be sent to the chief executive officer thereof a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(b) The penalty pursuant to subsection (g) or subsection (i) of Section 12-170aa shall not be imposed by the Secretary with regard to a municipal claim for reimbursement or report of adjustments thereto that is required to be filed on or before the effective date of these regulations.

(Adopted effective March 1, 1999)

Sec. 12-170aa-4. Penalty waiver procedures

(a) The penalty pursuant to subsection (g) or subsection (i) of Section 12-170aa, may be waived by the Secretary of the Office of Policy and Management, provided he receives a written application for penalty waiver within thirty business days of the filing date for the reimbursement claim or report of adjustments thereto. Such application, which shall set forth the reason for the waiver request, shall be signed by the official responsible for filing such claim or report and co-signed by the chief executive officer of the municipality. It shall be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the official responsible for filing the claim or report. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the filing date for such claim or report;

(3) Failure regarding delivery of any such claim or report, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery has been made;

(4) Administrative or technical problems encountered with regard to the filing of such claim or report, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the filing date for such claim or report. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the municipality to establish a mill rate within thirty days of date of the filing date for such claim;

(C) The enactment of legislation by the General Assembly in the session immediately preceding the filing date of such claim or report which would require a substantial recalculation of the amount of the reimbursement to be claimed or the amount of adjustments to be reported;

(D) Failure on the part of the municipality to receive from the Secretary, at least thirty days prior to said filing date, the forms necessary for submitting such claim or report.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen business days.

(Adopted effective March 1, 1999)

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Penalties and the Waiver of Penalties Regarding Certain Elderly/Total Disability Tax Relief Programs

Sec. 12-170f-1. Penalty forfeit

In the event the Secretary of the Office of Policy and Management determines that a municipality is required to forfeit the amount specified as a penalty for failure to comply with the provisions of subsection (a) of Section 12-170f of the general statutes, he shall cause to be sent to the chief executive officer thereof a notification of the penalty amount due and a request for its prompt payment. The forfeit shall be required to be in the form of a bank check, certified check or money order made payable to the Treasurer of the State of Connecticut and forwarded to the Secretary of the Office of Policy and Management.

(Effective January 31, 1991; amended March 30, 1999)

Sec. 12-170f-2. Penalty waiver procedure

(a) The penalty pursuant to Section 12-170f, may be waived by the Secretary of the Office of Policy and Management provided he receives a written application for waiver within thirty business days of the filing date of the grant claim for which the penalty waiver is sought. Such application, which shall set forth the reason for the waiver request, shall be signed by the official responsible for filing the grant claim and co-signed by the chief executive officer of the municipality. It must be established to the Secretary's satisfaction that the failure to file in a timely manner and in the form required, was due to reasonable cause and was not intentional or due to neglect. Examples of reasonable cause shall include, but not be limited to, the following:

(1) An Act of God;

(2) A vacancy in the position of the official responsible for filing the grant claim. Such vacancy, which may be due to death, serious illness or resignation, must have occurred within sixty days of the claim filing date;

(3) Failure regarding delivery of any such claim, provided it is established to the Secretary's satisfaction that a reasonable attempt to make timely delivery has been made;

(4) Administrative or technical problems encountered with regard to the filing of such claim, including but not limited to:

(A) Adoption of a computer system, or conversion to an alternate computer system, wherein serious problems concerning retrieval of the data to be submitted were not resolved prior to the claim filing date. It must be established to the Secretary's satisfaction that attempts to resolve such problems were undertaken within a reasonable period of time prior to such date;

(B) Failure on the part of the municipality to establish a mill rate within thirty days of the claim filing date;

(C) The enactment of legislation by the General Assembly in the session immediately preceding the claim filing date, which would require a substantial recalculation of the amount of benefit adjustment to be reported;

(D) Failure on the part of the municipality to receive from the Secretary at least thirty days prior to the claim filing date, the form(s) necessary for submitting the required information.

(b) The Secretary shall promptly consider any such written application for penalty waiver and shall notify the applicants of his decision to grant or deny such waiver within fifteen business days.

(Effective January 31, 1991; amended March 30, 1999)

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Estimated Tax Payments for Short Years

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Estimated Tax Payments for Short Years

Sec. 12-204c-1. Estimated tax payments for short years

(a) **Definitions.** In this section:

(1) “Companies” means insurance companies, as defined in section 12-201(4) of the Connecticut General Statutes; hospital and medical service corporations, as described in section 12-212a of the Connecticut General Statutes; and health care centers, as defined in section 38a-175 of the Connecticut General Statutes;

(2) “Required annual payment” means the required annual payment, as defined in section 12-204c(d)(2) of the Connecticut General Statutes; and

(3) “Short taxable year” means a period of less than 12 months.

(b) **How many instalments are required?** Use the chart below to determine how many instalments a company is required to make. In determining how many instalments are required, treat a portion of a month as a full month.

For short taxable years of:	The number of estimated tax instalments that shall be made is:	Which are due on or before the 15th day of the:	The percentage of the required annual payment that is due with each instalment is:
1 month or less	0	—	—
2 to 3 months	1	Last month of the short taxable year.	100% of the required annual payment.
4 to 6 months	2	3rd and last months of the short taxable year.	30% of the required annual payment for the first instalment, and 70% of the required annual payment for the second instalment.
7 to 9 months	3	3rd, 6th and last months of the short taxable year.	30% of the required annual payment for the first instalment; 30% of the required annual payment for the second instalment; and 40% of the required annual payment for the third instalment.
10 to 11 months	4	3rd, 6th, 9th and last months of the short taxable year.	30% of the required annual payment for the first instalment; 30% of the required annual payment for the second instalment; 20% of the required annual payment for the third instalment; and 20% of the required annual payment for the fourth instalment.

(Adopted effective May 3, 2001)

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Corporation Business Tax

Sec. 12-213-1. Definitions

(a) “Due date” means the date prescribed under chapter 208 or the regulations promulgated thereunder on or before which any document is required to be filed with, or any payment is required to be made to, the commissioner. “Due date” does not mean an extended due date.

(b) “Extended due date” means a date (subsequent to the due date on or before which any document is required to be filed with, or any payment is required to be made to, the commissioner) requested by a company for filing such document or making such payment if—

(1) the commissioner is empowered under chapter 208 to grant such request for extension;

(2) the request for extension (and any other document required to accompany such request) is filed on or before the due date to which such request for extension pertains;

(3) the request for extension is made on forms furnished or prescribed by the commissioner for such a request;

(4) the request for extension demonstrates, to the satisfaction of the commissioner, due cause for such extension; and

(5) the commissioner, in his discretion, consents to or approves, in writing, such request for extension.

(c) “Document” means and includes any return, affidavit, request, declaration, claim, petition, application, notice or other document.

(d) “Joint stock company” means an organization of individuals for purposes of profit, having a capital stock contributed by the members composing it, such capital stock being divided into shares of which each member possesses one or more, and which are transferable by the owner.

(e) “Association” or “association taxable as a corporation for federal income tax purposes” means an unincorporated organization that has, as described in section 301.7701-2 (a) (1) of title 26 of the Code of Federal Regulations, associates, an objective to carry on business and divide the gains therefrom, continuity of life, centralization of management, liability for corporate debts limited to corporate property, and free transferability of interests; and, as described in section 301.7701-2 (a) of title 26 of the Code of Federal Regulations, more corporate characteristics than noncorporate characteristics.

(Effective July 6, 1989)

Sec. 12-213-2. Prohibition against double deductions and/or exclusions

(a) A company, in arriving at its net income as defined in section 12-213 of the general statutes, shall not exclude or deduct, or exclude and deduct, any item, directly or indirectly, more than once.

(b) A life insurance company, in arriving at its net income as defined in section 12-213 of the general statutes, shall not exclude or deduct, or exclude and deduct, more than the life insurance company’s share of any item of income, the taxation of which by the state of Connecticut is prohibited by the laws or constitution of the United States, as applied, or by the laws or constitution of the state of Connecticut, as applied.

(c) This section shall be applicable to amended returns, as defined in subsection (b) of section 12-225 of the general statutes, irrespective of when such returns were filed, in connection with which a claim for refund is granted or denied or an

adjustment to net income is allowed, in whole or in part, on or after March 8, 1995 (the effective date of Public Act 95-2).
(Effective March 8, 1995)

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Corporation Business Tax

Sec. 12-214-1. Carrying on, or having the right to carry on, business

(a) A company is “carrying on business in this state” if, within this state, it engages in one or more of the following activities, including but not limited to:

- (1) owning or leasing (as lessee) real property;
- (2) maintaining an office, or compensating its employee for the use of his home if such employee works from such home; if its property, including product samples, brochures and advertising materials, and instructions on product usage, is stored in such home; and if the address or telephone number of such home is listed in its advertisements and public announcements;
- (3) selling tangible personal property (as opposed to soliciting orders therefor);
- (4) performing or soliciting orders for services;
- (5) selling or soliciting orders for real property;
- (6) maintaining a stock of inventory in a public warehouse;
- (7) having an employee, wherever based: engage in managerial or research activities; make collections on regular or delinquent accounts; offer technical assistance and training to its customer or user of its product after the sale; repair or replace faulty or damaged goods; install or assemble its product; visit its customer or user of its product to determine customer or user satisfaction; pick up returned merchandise from its customer or user of its product; rectify or assist in rectifying any product, credit, shipping or similar complaint arising from the purchase or use of its product; verify the destruction of damaged merchandise; coordinate the delivery of merchandise, whether or not special promotions are involved; distribute replacement parts; inspect the installation of its product by its customer or user of its product; or conduct credit investigations or arrange for credit and financing for its customer or user of its product;
- (8) delivering merchandise inventory on consignment to its distributors or dealers;
- (9) owning or leasing (as lessee) personal property which is not related to solicitation of orders; and
- (10) participating in the approval of servicing distributors and dealers where its customer or user of its product can have such product serviced or repaired.

(b) A company has “the right to carry on business in this state” if:

(1) in the case of a company incorporated or organized under the laws of this state, the secretary of the state has endorsed its certificate of incorporation. A company shall thereafter have such right until a certificate of dissolution is filed as required by Section 33-376 (d), 33-377 (b), 33-383 (d) or 33-387 (d).

(2) in the case of a company incorporated or organized under the laws of another state, the secretary of the state has issued to it a certificate of authority. A company shall thereafter have such right until a certificate of withdrawal is filed as required by Section 33-408 (c) or until a certificate of revocation is filed as required by Section 33-409 (c).

(Effective December 19, 1984)

Sec. 12-214-2. Companies exempt from tax

(a) **In general.** Any corporation carrying on, or having the right to carry on, business in this state is subject to the tax imposed under chapter 208 (the corporation business tax). Section 12-214 exempts certain companies from the tax imposed under chapter 208. Subsection (b) of this section defines, to the extent not otherwise defined in section 12-213, terms used in this section and section 12-214. Subsection

(b) of this section also describes the companies which are exempt from the tax imposed under chapter 208.

(b) **Definitions.** As used in this section and in section 12-214, the following terms have the meaning ascribed to them in this subsection. The meaning which such terms have ascribed to them elsewhere is not pertinent to their use in this section and section 12-214.

(1) “Insurance company incorporated or organized under the laws of any other state or foreign government” means an insurance company (as defined in section 12-201) other than a domestic insurance company (as defined in section 12-201). Domestic insurance companies are subject to the taxes imposed under chapters 207 and 208. Insurance companies incorporated or organized under the laws of any other state or foreign government are subject to the taxes imposed under chapter 207 (sections 12-210 and 12-211).

(2) “Company exempt by the federal corporation net income tax law” means:

(A) a farmers’ cooperative marketing and purchasing association which is exempt from federal income taxes under section 521 (a) of the Internal Revenue Code and which has been determined by the Internal Revenue Service to be an association described in section 521 (b) (1) of the Internal Revenue Code and section 1.521-1 of title 26 of the Code of Federal Regulations. The association shall be exempt from the tax imposed under chapter 208 for each income year to which such determination applies. If the Internal Revenue Service subsequently determines that the association has ceased to be exempt from federal income taxes under section 521 (a), the association shall immediately give written notice of such subsequent determination to the commissioner and shall be subject to the tax imposed under chapter 208 for each income year to which such subsequent determination applies. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the association shall file with the commissioner a copy of its Form 990-C within the time, including extensions, allowed for filing an income tax return with the Internal Revenue Service for the year to which the Form 990-C pertains. The fact that the association is or may be, under the provisions of section 1381 (b) of the Internal Revenue Code, subject to the taxes imposed by section 11 or 1201 of the Internal Revenue Code shall not affect its exemption from the tax imposed under chapter 208.

(B) a homeowners association (whether a condominium management association or a residential real estate management association) which is exempt from federal income taxes under section 528 (a) of the Internal Revenue Code, which is described in section 528 (c) (1) of the Internal Revenue Code and section 1.528-1 of title 26 of the Code of Federal Regulations, and which has elected to be treated as a homeowners association under the provisions of section 1.528-8 of title 26 of the Code of Federal Regulations. For each income year for which such an election is not made, the association shall be subject to the tax imposed under chapter 208. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the association shall file with the commissioner a copy of its Form 1120H within the time, including extensions, allowed for filing an income tax return with the Internal Revenue Service for the year to which the Form 1120H pertains. The fact that the association is or may be subject to the tax imposed by section 528 (b) of the Internal Revenue Code shall not affect its exemption from the tax imposed under chapter 208.

(C) a domestic international sales corporation which is exempt from federal income taxes under section 991 of the Internal Revenue Code, which is described

in section 992 (a) (1) of the Internal Revenue Code, and which has elected to be treated as a domestic international sales corporation under the provisions of section 992 (b) (1) of the Internal Revenue Code. For each income year for which the company is not treated as a domestic international sales corporation (either because of its failure to satisfy the conditions of section 992 (a) (1) of the Internal Revenue Code or because of its revocation of the election), the company shall immediately give written notice of such treatment to the commissioner and shall be subject to the tax imposed under chapter 208. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the company shall file with the commissioner a copy of its Form 1120-DISC within the time, including extensions, allowed for filing an income tax return with the Internal Revenue Service for the year to which the Form 1120-DISC pertains. The fact that the company is or may be subject to the tax imposed by section 1491 of the Internal Revenue Code shall not affect its exemption from the tax imposed under chapter 208.

(D) a company (other than a company which is described in any of the preceding paragraphs of this subdivision or in any of the subdivisions of this subsection) which is exempt from federal income taxes under section 501 (a) or any other section of the Internal Revenue Code and which has been determined by the Internal Revenue Service, in a determination referring to the company, to be a company which is exempt from federal income taxes. The company shall be exempt from the tax imposed under chapter 208 for each income year to which such determination applies. If the Internal Revenue Service subsequently determines that the company has ceased to be exempt from federal income taxes, the company shall immediately give written notice of such subsequent determination to the commissioner and shall be subject to the tax imposed under chapter 208 for each income year to which such subsequent determination applies. The fact that the company is or may be subject to the tax imposed by section 507 (c), 511 (a) (1) or 527 (f) (1) of the Internal Revenue Code shall not affect its exemption from the tax imposed under chapter 208.

(3) “Company subject to gross earnings taxes under chapter 210” means a company which is described in section 12-249. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the company shall file with the commissioner the annual return which is required by section 12-222, by the due date of such return or, if applicable, its extended due date.

(4) “Company all of the properties of which in this state are operated by a company subject to such gross earnings taxes” means a company, all of the properties of which in this state are operated for railroad purposes by another company which is subject to gross earnings taxes under chapter 210. If all such properties (or any portion thereof) in this state are not operated by such other company for railroad purposes, then the company which owns such property shall be subject to the tax imposed under chapter 208. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the company shall file with the commissioner the annual return which is required by section 12-222, by the due date of such return or, if applicable, its extended due date.

(5) “Nonprofit cooperative ownership housing stock and nonstock corporation, when residence in such housing is restricted to members of the corporation and ownership in such corporation is restricted to occupants of such housing” means a company which is described in section 1715e (a) (1) of title 12 of the United States Code, which is eleemosynary, and which owns or leases houses or apartment buildings and restricts occupancy of such houses or apartments in such apartment

buildings to members, in the case of a nonstock corporation, or to shareholders, in the case of a stock corporation. As used in the preceding sentence, “occupancy” means occupancy for dwelling purposes. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the company shall file with the commissioner the annual return which is required by section 12-222, by the due date of such return or, if applicable, its extended due date.

(6) “Cooperative housing corporation which has no taxable income” means a company which is described in section 216 (b) (1) of the Internal Revenue Code and section 1.216-1 (d) of title 26 of the Code of Federal Regulations and which has no taxable income as described in section 63 (a) of the Internal Revenue Code. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the company shall file with the commissioner the annual return which is required by section 12-222, by the due date of such return or, if applicable, its extended due date.

(7) “Organization or association of two or more persons established and operated for the exclusive purpose of promoting the success or defeat of any candidate for public office, of any political party, or of any question or constitutional amendment to be voted upon at any state or national election” means an organization which is exempt from federal income taxes under section 527 (a) of the Internal Revenue Code and which is described in section 527 (e) (1) of the Internal Revenue Code and section 1.527-2 (a) of title 26 of the Code of Federal Regulations. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the organization shall file with the commissioner a copy of its Form 1120-POL within the time, including extensions, allowed for filing an income tax return with the Internal Revenue Service for the year to which the Form 1120-POL pertains. The fact that the organization is or may be, under the provisions of section 527 (b) of the Internal Revenue Code, subject to the taxes imposed by section 11 or 1201 of the Internal Revenue Code shall not affect its exemption from the tax imposed under chapter 208.

(8) “Individually owned company which had gross annual revenues not in excess of one hundred million dollars in the most recently completed year; which engaged in the research, design, manufacture, sale or installation of alternative energy systems; and the net income of which is directly attributable to engaging in the research, design, manufacture, sale or installation of alternative energy systems; and the net income of which is directly attributable to engaging in the research, design, manufacture, sale or installation of alternative energy systems” means a company, the gross receipts or sales of which in its income year next preceding the income year for which exemption from the tax imposed under chapter 208 is claimed (as reported on the Form 1120 or Form 1120S which it filed for such preceding year) were not in excess of one hundred million dollars; the net income of which for the income year for which exemption from the tax imposed under chapter 208 is claimed is directly attributable to the research, design, manufacture, sale or installation of alternative energy systems (as defined in section 12-213) or parts and components thereof; and which has only one shareholder, and such shareholder is an individual. Notwithstanding the provisions of the preceding sentence, the company may have two shareholders, if the two are married to each other. For each income year for which exemption from the tax imposed under chapter 208 is claimed, the company shall file with the commissioner the annual return which is required by section 12-222, by the due date of such return or, if applicable, its extended due date.

(Effective December 19, 1984)

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Corporation Business Tax

Sec. 12-217-1. Carryovers

(a) The operating loss carryover provisions are applicable only to a company which was subject to the tax imposed under chapter 208 in, and filed the annual return required to be made for, the year in which the operating loss occurred.

(b) The capital loss carryover provisions are applicable only to a company which was subject to the tax imposed under chapter 208 in, and filed the annual return required to be made for, the year in which the capital loss occurred.

(Effective July 21, 1982)

Sec. 12-217-2.

Repealed, February 25, 2000.

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Cooperative Work Education-Diversified Occupations
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**Regulations to Provide Uniform Procedures for the Approval of
Cooperative Work Education-Diversified Occupations
Programs Described in Public Act No. 79-474**

Secs. 12-217f-1—12-217f-4.

Repealed, August 3, 2001.

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Corporate Tax Credit in the Machine Tool and Metal Trade Apprenticeships

Sec. 12-217g-1. Authority

This regulation is authorized by Public Act No. 79-475, as amended by Public Act No. 94-4, which provides a tax credit for Machine Tool and Metal Trade apprenticeship training against the corporation business tax imposed under Chapter 208 of the Connecticut General Statutes. The Commissioner of Labor is required to adopt regulations for the purpose of implementing this act.

(Effective March 24, 1995)

Sec. 12-217g-2. Definitions

(a) "Apprenticeship" means the establishment and continuance, under a qualified program, of one or more full time apprentice training positions within a pool of skilled workers whereby unskilled or semi-skilled persons are employed full time as apprentices under a written agreement.

(b) "Apprentice" means a person employed with a taxpayer receiving machine and metal trades skill training under a written agreement registered with the Commissioner which provides specific terms of apprenticeship and employment including, but not limited to, wage progression; specific hours of job training processes; hours and courses of school instruction which satisfactory completion thereof provides recognition as a qualified skilled worker.

(c) "Pre-Apprentice" means a person, student, or minor employed less than full time under a written agreement with an apprenticeship program sponsor for a term of training and employment not exceeding 2,000 hours within a two year period.

(d) "Commissioner" means the administrator of the State Labor Department who with the advice of the State Apprenticeship Council, executes apprenticeship policy and standards.

(e) "Council" means the twelve member Connecticut State Apprenticeship Council appointed by the Governor with equal representation from labor, management and the public sector including the Deputy Labor Commissioner. The Council advises the Commissioner regarding apprenticeship policies.

(f) "Taxpayer" means any corporation subject to taxes imposed under Chapter 208 of the Connecticut General Statutes.

(g) "Income Year" means a specific twelve month period conforming to a fiscal year established for tax purposes under Chapter 208 of the Connecticut General Statutes.

(h) "Qualified Program" means an apprenticeship program operating in the Machine and Metal trades and approved by the Connecticut Labor Department as meeting the Commissioner of Labor's prescribed Work Training Standards for Apprenticeship and Training Programs.

(i) "Machine Tool and Metal Trades" means recognized metal working occupations in which satisfactory completion of an apprenticeship training program advances an apprentice to recognized skill job classifications in such operations as Machinist, Toolmaker, Tool and Diemaker, Model Maker, Gage Maker, Patternmaker, Tool and Machine Setter, Diesinker, Moldmaker, Machine Tool Repairer and in similar occupations which as above involve multiple work processes including the shaping of metals by machine tool equipment designed to perform cutting, grinding, milling, turning, drilling, boring, planning, hobbing and abrading operations.

(Effective March 24, 1995)

Sec. 12-217g-3. Eligibility

Any taxpayer who employs a machine tool and metal trade apprentice duly enrolled and registered under the terms of a qualified program is entitled to a tax credit for each eligible apprentice of up to \$4,800.00 maximum or 50% of actual wages, whichever is less, provided such apprenticeships meet the following requirements:

(a) The tax credit is limited to qualified Machine Tool and Metal Trade programs with apprenticeship periods of duration which are not less than 4,000 hours (2 years) and not more than 8,000 hours (4 years).

(b) The apprentice must be employed on a full time basis which is defined as working a minimum of 120 hours per month at the trade. Up to 80 hours may be applied during the tax year against the 120 hour limitation.

(c) Pre-apprentices are not counted as apprenticeships begun and wages earned by pre-apprentices are not eligible for tax credits under this regulation.

(d) The number of apprenticeships for which tax credit is allowed must exceed the average number of such apprenticeships begun during the five preceding income years.

(Effective March 24, 1995)

Sec. 12-217g-4. Method of computation**(a) Determining number of eligible apprenticeships**

(1) Total the number of months any apprentice was employed at least 120 hours in any one month during the current claim year and divide by twelve (12) which equals the apprentice level for the claim year.

(2) Total the number of months any apprentice was employed at least 120 hours in any month for the five tax years preceding the current claim year and divide by sixty (60) which equals the apprenticeship average.

(3) If the apprentice average is greater than the apprentice level for the claim year then no tax credit can be received. However, if the apprentice level for the year is greater than the apprentice average then the difference between these two numbers represents the eligible number of apprenticeships for which a tax credit can be received.

(b) Computing tax credit

(1) Convert the number in subsection (a) (3) of this section to specific apprentices employed in the claim year who were in the first half of their apprenticeship term.

(2) Multiply each hour worked by such apprentice by four dollars (\$4.00). Any work hours included in this computation for a specific claim year must be from the first half of an apprenticeship period only, except that for taxable years beginning on or after January 1, 1994, any work hours included in this computation for a specific year of a four-year term of apprenticeship must be only from the first three-quarters of the four-year term of apprenticeship. Work hours occurring in any other portion of an apprenticeship period are disallowed for purposes of this part.

(3) Claim tax credit based on the lesser of the following three amounts:

(A) Total number of hours worked in a claim year times \$4.00 as in subsection (b) (2) of this section.

(B) 50% of actual wages paid in claim year based on the first half of an apprenticeship period only.

(C) Maximum credit of \$4,800.00.

(Effective March 24, 1995)

Sec. 12-217g-5. Limitations

The amount of tax credit allowed any taxpayer under this section for any income year may not exceed the amount of corporate business taxes due from such taxpayers under Chapter 208 of the Connecticut General Statutes with respect to such income year.

(Effective May 9, 1980)

Sec. 12-217g-6. Registration procedures

(a) Each apprentice, in order to be considered eligible for tax credit purposes, must be enrolled in a qualified program with each apprenticeship agreement being submitted to the department for approval by the Commissioner.

(b) Existing procedures and policies for the awarding of advanced status to apprentices for previous experience will remain in effect. Time awarded in recognition of satisfactory completion of previous training is not eligible for a tax credit. Apprentices with advance status beyond the first half of the apprenticeship are considered in computing the existing level of apprenticeships.

(c) After due process, in accordance with Chapter 54 of the Connecticut General Statutes, a finding that the apprenticeship program is not in compliance with the prescribed standards shall be sufficient cause for revocation of tax credit eligibility.

(Effective May 9, 1980)

Sec. 12-217g-7. Application

Application for the apprenticeship tax credit or to establish a qualified program may be accomplished by contacting the:

Connecticut Labor Department
Attn: Machine Tool Apprenticeship Tax Credit
200 Folly Brook Boulevard
Wethersfield, CT 06109
Tel. No. 566-2450

(Effective March 24, 1995)

Sec. 12-217g-8. Prescribed data format submission

(a) The format of the information required to substantiate tax credit claims is contained in form ATX-792, Apprenticeship Tax Credit Worksheet, available at the Connecticut Labor Department.

(b) Any similar format containing the required information will be acceptable.

(Effective March 24, 1995)

Sec. 12-217g-9. Certification of tax credit

Based on an analysis of the prescribed data submitted and a review of apprenticeship records, the Labor Department will issue to the taxpayer appropriate certification of its approval of the apprenticeship tax credit claim for subsequent submission to the Department of Revenue under current corporate tax filing procedures.

(Effective May 9, 1980)

Sec. 12-217g-10. Tax years eligible

(a) Eligibility is for tax years ending on or after January 1, 1979.

(Effective May 9, 1980)

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Film Production Tax Credit Program

Sec. 12-217jj-1. Statement of purpose

These rules and regulations, which were drafted in consultation with the Department of Revenue Services, have been adopted to implement and are intended to be applied so as to accomplish the purposes of the film industry tax credit program as established in section 12-217jj of the General Statutes. The film industry tax credit program is administered by the Connecticut Commission on Culture and Tourism and is designed to encourage the production of films and other entertainment media within the State so as to increase employment and develop a more productive state economy.

(Adopted effective February 5, 2009)

Sec. 12-217jj-2. Definitions

As used in sections 12-217jj-1 through 12-217jj-13, inclusive, of the Regulations of Connecticut State Agencies:

(1) “American Institute of Certified Public Accountants (AICPA)” shall mean the national organization which establishes financial, accounting and auditing procedures to which certified public accountants (CPAs) must adhere.

(2) “Applicant” or “the applicant” shall mean, as the context of these regulations shall require:

(A) An eligible production company which applies to the Commission for state-certified qualified production status with respect to its production, or,

(B) An eligible production company which applies to the Commission for a tax credit voucher after eligibility certification for its production.

(3) “Commission” shall mean the Connecticut Commission on Culture and Tourism.

(4) “Commissioner” shall mean the Commissioner of Revenue Services.

(5) “Detailed cost report” or “cost report” shall mean the itemized production expenses or costs report filed with the Commission by an applicant for a tax credit voucher.

(6) “Eligible production company” means “Eligible production company” as defined in subsection (a) of section 12-217jj of the Connecticut General Statutes.

(7) “Eligibility certification” shall mean the written notice issued by the Commission certifying that a production is a qualified production.

(8) “Financial Accounting Standards Board (FASB)” shall mean the board designated by the AICPA to have the authority to set and specify generally accepted accounting principals (GAAP).

(9) “Income year” shall mean the period established by an applicant for federal income tax purposes.

(10) “Production” shall mean the creation, organization and presentation for public consumption of entertainment by means of one or more of the exhibition formats enumerated in subsection (a)(3)(A) of section 12-217jj of the Connecticut General Statutes.

(11) “Production expenses or costs” means “Production expenses or costs” as defined in subsection (a)(5) of section 12-217jj of the Connecticut General Statutes.

(12) “Production expenses or costs incurred in this state” shall mean an applicant’s actual expenditures for services and tangible property used or consumed in this State in connection with a qualified production; provided that pursuant to the provisions of subsection (b)(1) of section 12-217jj of the Connecticut General Statutes on and after January 1, 2009 fifty percent of such expenses or costs shall

be counted toward the tax credit when incurred outside the State and used within the State and one hundred percent of such expenses or costs counted toward such credit when incurred within this State and used within this State; and, provided further, that on and after January 12, 2012, no expenses incurred outside the State and used within the State shall be counted towards such tax credit and one hundred percent of such expenses or costs shall be counted toward such credit when incurred within this State and used within the State.

(13) “Qualified production” means “Qualified production” as defined in subsection (a) of section 12-217jj of the Connecticut General Statutes.

(14) “State” shall mean the State of Connecticut.

(15) “State-certified qualified production” means “State-certified qualified production” as defined in subsection (a) of section 12-217jj of the Connecticut General Statutes.

(Adopted effective February 5, 2009)

Sec. 12-217jj-3. Application for certification as state-certified qualified production

(a) An applicant shall file a written application for eligibility certification under oath on such forms as the Commission may prescribe no later than ninety (90) calendar days after the applicant incurs its first production expenses or costs in the State in connection with the production which is the subject of its application.

(b) An applicant may file only one application for each production for which it seeks eligibility certification and there may be only one applicant for each production.

(c) An applicant shall be primarily responsible for managing the production and shall have access to all financial books and records as are necessary to comply with the financial and other reporting requirements of section 12-217jj of the Connecticut General Statutes and sections 12-217jj-1 through 12-217jj-13, inclusive, of the Regulations of Connecticut State Agencies.

(d) The Commission shall reject any application not filed within the time limit set forth by section 12-217jj of the General Statutes as having been late filed and no further processing of said application shall be undertaken.

(e) An applicant for eligibility certification shall provide the Commission with information including, but not limited to, the following:

(1) Legal name, address and telephone number;

(2) Name, title and telephone number of primary contact person and other contact persons whom the Commission may contact to discuss the application information;

(3) Type of business entity (i.e. proprietorship, partnership, corporation, etc.);

(4) Satisfactory evidence from the Secretary of the State and the Commissioner that the applicant is authorized to do business in the state and is registered as a taxpayer;

(5) Federal Employer Identification Number (FEIN) or Tax Identification Number (TIN);

(6) The applicant’s income year;

(7) Title of production and description of the type of production;

(8) Script, story-line or log-line for production;

(9) Length of production;

(10) Date that principal filming, taping or recording will begin and end in the state;

(11) Estimated total production budget;

(12) Estimated total production expenses and costs to be incurred in the state with detail information;

(13) The applicant's certification that the production does not and will not require the maintenance of records pursuant to 18 U.S.C. § 2257;

(14) The applicant's certification that it will at all times maintain books and records in accordance with generally accepted accounting principles consistently applied in connection with the production which is the subject of its application;

(15) Listing of key personnel associated with the production with name, title, address, telephone/fax number and e-mail address;

(16) Post production distribution plan; and,

(17) Such additional pertinent application information concerning the applicant or its production as the Commission may request.

(f) Upon the Commission's written request, the applicant shall provide any necessary written authorization for the release of information concerning the applicant or its production from any federal, state or local governmental authority including, but not limited to, financial reports and records relating to the applicant or its production.

(g) An applicant is responsible for the accuracy of all data, information and documentation included with the application. Applications and all documentation submitted shall become the property of the Commission.

(h) If the Commission determines after review that an application is incomplete, it may request in writing that the applicant submit additional pertinent application information which shall be submitted by the applicant within fifteen (15) days of such request. If the Commission determines that the application remains incomplete after such additional time period, then no further processing of the application shall take place.

(Adopted effective February 5, 2009)

Sec. 12-217jj-4. Disposition of application for certification as state-certified qualified production

(a) The Commission shall review all complete applications submitted pursuant to section 12-217jj-3 of the Regulations of Connecticut State Agencies and determine whether the criteria and qualifications for certification of applicant's production as a state-certified qualified production under sections 12-217jj-1 to 12-217jj-13, inclusive, of the Regulations of Connecticut State Agencies have been met.

(b) If the Commission finds that such criteria and qualifications are met it shall issue written notice of such eligibility certification to the applicant for that production.

(c) The Commission's notice of eligibility certification shall provide a unique identification number for the qualified production assigned by the Commission which shall be referenced on all future correspondence and notices regarding the production.

(d) The Commission's notice of eligibility certification does not grant or convey any state tax credits or benefits and signifies only that the Commission has determined that the production which is the subject of the application is a qualified production under sections 12-217jj-1 to 12-217jj-13, inclusive, of the Regulations of Connecticut State Agencies at the time of the Commission's review of the application.

(Adopted effective February 5, 2009)

Sec. 12-217jj-5. Fiscal and accounting requirements

(a) Each applicant issued a notice of state eligibility certification pursuant to subsection 12-217jj-4 of the Regulations of Connecticut State Agencies shall utilize an accounting system which conforms to generally accepted accounting principles (GAAP) in accounting for all production expenses or costs incurred in connection

with the qualified production. Such expenses or costs shall be included in the detailed cost report which shall accompany any application for a tax credit voucher.

(b) The following accounting records and documentation, at a minimum, shall be made and maintained by an applicant issued a notice of eligibility certification:

(1) Invoices, purchase orders, vouchers, paid bills, crew call sheets, second unit call sheets, and production reports;

(2) Individual payroll records for all employees working on the qualified production;

(3) Individual attendance records for all employees working on the qualified production;

(4) Records relating to refunds, rebates, invoicing errors, purchase returns, sales of equipment, props or other production assets and insurance claims;

(5) Records relating to costs and expenses regarding the ownership or lease of any real property, improved or unimproved, together with sufficient documentation to support one of the cost allocation methods set forth in subsection (a) of section 12-217jj-8 of the Regulations of Connecticut State Agencies;

(6) Records relating to costs and expenses regarding the purchase or rental of any tangible personal property together with sufficient documentation to support the cost allocation method set forth in subsection (b) of section 12-217jj-8 of the Regulations of Connecticut State Agencies; and,

(7) Records relating to any related party transaction as such are defined and specified by the Financial Accounting Standards Board (FASB) Statement No. 57, sufficient to permit an auditor to provide the information required pursuant to subsection 12-217jj-10 (c)(3) of the Regulations of Connecticut State Agencies.

(Adopted effective February 5, 2009)

Sec. 12-217jj-6. Application for issuance of a film production tax credit voucher

(a) An applicant may apply to the Commission for the issuance of a tax credit voucher at one or more of the following times:

(1) Not earlier than three (3) months following submission to the Commission of applicant's eligibility certification application as provided in Section 12-217jj-3 of the Regulations of Connecticut State Agencies; or,

(2) Annually not later than ninety (90) days after the close of the applicant's income year; or,

(3) Not later than ninety (90) days after the last production expenses or costs are incurred in this state.

(b) An applicant shall apply to the Commission for issuance of a tax credit voucher(s) on such forms as the Commission may prescribe. The Commission shall certify the actual amount of the tax credit awarded to the applicant pursuant to section 12-217jj of the Connecticut General Statutes at the time the Commission acts on such application for a tax credit voucher(s).

(c) With each application for the issuance of a tax credit voucher(s), the applicant shall provide the Commission with a detailed cost report to the date of application together with an independent audit report of such cost report pursuant to the provisions of section 12-217jj-10 of the Regulations of Connecticut State Agencies.

(d) The Commission shall provide a unique identification number on each tax credit voucher issued which shall include a reference to the Commission's identification number assigned at the time the Commission's notice of eligibility certification

was issued pursuant to the provisions of Section 12-217jj-4 of the Regulations of Connecticut State Agencies.

(Adopted effective February 5, 2009)

Sec. 12-217jj-7. Detailed cost report

(a) Each applicant for a tax credit voucher shall file with the Commission, under oath, a detailed cost report on such forms as the Commission may prescribe.

(b) The detailed cost report shall classify the production costs and expenditures actually incurred by the applicant under each of the categories specified below:

- (1) Writing;
- (2) Producer and staff;
- (3) Director and staff;
- (4) Talent;
- (5) Travel;
- (6) Fringe benefits – pre-production;
- (7) Production;
- (8) Extra talent;
- (9) Camera;
- (10) Art department;
- (11) Set construction;
- (12) Special effects;
- (13) Set operations;
- (14) Electrical;
- (15) Set dressing;
- (16) Action props;
- (17) Picture vehicles/animals;
- (18) Special photography;
- (19) Wardrobe;
- (20) Makeup and hairdressing;
- (21) Production sound;
- (22) Locations;
- (23) Video tape;
- (24) Transportation;
- (25) Production film and lab;
- (26) Tests;
- (27) Facility expenses;
- (28) Audience relations;
- (29) Second unit;
- (30) Special unit;
- (31) Fringes – shooting period;
- (32) Editing and projection;
- (33) Music;
- (34) Sound – post production;
- (35) Film and stock shots;
- (36) Visual effects;
- (37) Titles, opticals, inserts;
- (38) Fringes – post production;
- (39) Insurance;
- (40) Unit publicity;
- (41) General expenses;
- (42) Insurance claims; and,

(43) Completion bond.

(c) Within the foregoing general cost categories, the Commission may prescribe such sub-categories as it deems necessary to facilitate the applicant's reporting of production expenses or costs and the Commission's review of such expenses or costs.

(Adopted effective February 5, 2009)

Sec. 12-217jj-8. Allocation of costs

(a) Real Property

(1) An applicant owning or leasing real property used in connection with a qualified production may allocate a portion of the total ownership or leasehold costs related to such asset to the production expenses or costs in the detailed cost report under one of the following allocation methods at the election of applicant:

(A) Average lease value method

(i) The applicant may utilize deemed operational and ownership costs based on the average lease value method;

(ii) To arrive at the total deemed operational and ownership costs, the applicant must multiply the average per day lease value of comparable real property by the number of days the asset is used in connection with the production.

(B) Actual operational and ownership costs times production square footage ratio:

(i) An applicant may allocate to the production expenses or costs a portion of the operational and ownership costs of real property by multiplying the production square footage ratio by actual operational and ownership expenses related to the real asset;

(ii) The production square footage ratio is obtained by dividing the square footage of the real asset principally utilized in connection with a production by the total square footage of the real property owned by applicant; and,

(iii) Actual operational and ownership costs of real property may include, but not be limited to: utilities, real estate taxes, depreciation, insurance, property management fees, mortgage expense, and repairs and maintenance.

(b) Personal Property

(1) An applicant purchasing personal property which is not eligible for the credit provided in section 12 -217kk of the Connecticut General Statutes, shall allocate the cost of such personal property pursuant to class life categories and current depreciation rules promulgated by the Internal Revenue Service;

(2) The applicant shall divide the cost of the item of personal property by the applicable class life published by the Internal Revenue Services to determine an annual expense which shall then be multiplied by the ratio obtained from dividing the number of days the item of personal property was actually in use in this State in connection with a qualified production by 365.

(c) Costs for services or wages

(1) Costs for personal services or wages paid by applicant on a daily or hourly basis shall be allocated to the qualified production based on the time the services or work were actually performed in this State;

(2) When an applicant incurs costs for personal services performed partially in this State and such costs are not paid on a daily or hourly basis, then the applicant shall allocate such costs to the qualified production based on the ratio of the number of days the services were performed in this State over the total number of working days the personal services were to be provided to applicant.

(Adopted effective February 5, 2009)

Sec. 12-217jj-9. Limitations on allowable expenses and costs

(a) An applicant may include in the detailed cost report only actual, paid production expenses or costs. The detailed cost report must provide sufficient information so that an independent auditor and the Commission can readily determine that portion of applicant's total qualified production expenses or costs which were incurred in this State.

(b) Costs only generally identified such as "accounts payable" and "accrued charges or deferrals" shall not be allowable.

(c) Amortization of costs related to the production of series or mini-series shall be allocated to specific costs categories.

(d) Refunds, rebates, insurance claim recoveries, discounts, invoicing errors, returns and other such credits must be credited against the costs set forth in the detailed cost report.

(e) When an applicant incurs related party transaction costs, the cost allowable shall be limited to the fair market value as determined by the Commission of the services, goods or other tangible property provided to applicant by the related party.

(f) When an applicant has contracted with a third party for the provision of personnel to perform personal services ("Loan Out Companies") such costs are allowable only if applicant submits to the Commission satisfactory evidence that the Loan Out Company was registered to do business in this State with the Secretary of State and was registered with the Commissioner.

(g) Costs which have been included in any prior application for a tax credit voucher or included in an application for a tax credit voucher under sections 12-217kk or 12-217ll of the Connecticut General Statutes shall not be allowable.

(h) All costs as itemized in subdivision (a)(5)(C) of section 12-217jj of the Connecticut General Statutes shall not be allowable.

(Adopted effective February 5, 2009)

Sec. 12-217jj-10. Scope of and procedures for audit

(a) The purpose of the independent audit is to provide assurances to the Commission that the production expenses or costs set forth in the detailed cost report have in fact been expended and are otherwise accurate and reasonable.

(b) The audit shall be completed in accordance with generally accepted auditing standards as established by the AICPA and FASB and shall be at the sole cost and expense of applicant. The audit shall be performed by a certified public accountant licensed in this State, unrelated to the applicant and having no direct or indirect financial interest in the applicant or the applicant's production.

(c) The auditor's report shall state that the audit was conducted in accordance with this section and shall include and be subject to the following requirements:

(1) A schedule disclosing the applicant's noncompliance with any applicable law, regulation, provision of contracts or other agreements which could have a material effect on the costs reported in the detailed cost report;

(2) A schedule disclosing all sources of funds used by the applicant to finance the production including any non-cash or barter transactions included in the detailed cost report;

(3) A schedule disclosing all related party transactions as such are defined, specified and explained by the Financial Accounting Standards Board (FASB) in Statement No. 57 and which are encompassed in the detailed cost report to include:

(A) The name of the related party;

(B) The nature of the relationship between the related party and the applicant; and,

(C) A description of the nature of the transaction and the amount.

(4) The auditor's opinion shall be dated as of the date that audit fieldwork was completed and shall be addressed to the applicant;

(5) The auditor shall have demonstrated knowledge and familiarity with the accounting practices generally recognized in the film or other media production industry and shall cooperate fully with the Commission in responding to the Commission's post audit inquiries and in complying with such audit guidelines applicable to all such audits as the Commission may prescribe in writing; and,

(6) The audit work papers must be maintained by the auditor for a period of six (6) years from the date that the audit was submitted to the Commission and shall be made available to the Commission upon written request.

(Adopted effective February 5, 2009)

Sec. 12-217jj-11. Confidentiality of application information and documents

When an applicant or other entity submits information it considers to be of a proprietary or confidential nature in connection with its applications for eligibility certification and issuance of tax credit vouchers or notice of transfer of tax credits, such information shall be clearly marked or labeled "CONFIDENTIAL" in capital letters. The applicant or other entity shall also submit a statement briefly setting forth the grounds on which the information should be treated as confidential. Upon the Commission's determination that such information may be lawfully maintained by it as confidential, it shall maintain such portions of the application or notice of transfer of tax credits as confidential to the extent permitted by law.

(Adopted effective February 5, 2009)

Sec. 12-217jj-12. Disposition of application for film production tax credit voucher

(a) The Commission shall review the application and the audit and evaluate whether the applicant has met the criteria set forth under sections 12-217jj-1 to 12-217jj-13, inclusive, of the Regulations of Connecticut State Agencies for issuance of a tax credit voucher. If the Commission determines that the applicant has met such criteria, it shall thereupon issue the written tax credit voucher(s) for the tax credit amount substantiated to the satisfaction of the Commission as of the date of the application.

(b) If the Commission determines after its evaluation that the applicant has not met such criteria for issuance of a tax credit voucher(s), it shall notify the applicant in writing of the deficiencies in the application or audit and the remedial action, if any, that is required of the applicant before the Commission can issue a tax credit voucher(s) in response to the application.

(Adopted effective February 5, 2009)

Sec. 12-217jj-13. Transfers of tax credits

(a) Tax credit vouchers may be sold, assigned or otherwise transferred by the applicant to one or more taxpayers, in whole or in part, up to a maximum of three (3) times and to the extent the tax credit has not previously been claimed. Any taxpayer that is assigned or transferred a tax credit must claim such assigned credit in the same income year that the applicant was eligible to claim the tax credit.

(b) Each tax credit voucher transferor and transferee shall jointly provide written notice of such transfer to the Commission on such forms as may be prescribed by the Commission, not later than thirty (30) days after the transfer. For the purposes of subsections 12-217jj(b)(2) and (d) of the Connecticut General Statutes, a taxpayer

to which a tax credit evidenced by a tax credit voucher may be sold, assigned or otherwise transferred, or that may sell, assign or otherwise transfer such tax credit, shall include a corporation, partnership, limited liability company, or other business entity; provided, however, that the tax credits evidenced by such tax credit voucher may only be claimed against the taxes imposed under chapters 207 and 208 of the Connecticut General Statutes.

(c) The written notice to the Commission of transfer shall include the following:

- (1) The tax credit voucher number;
- (2) The date of transfer;
- (3) The total amount of credit transferred;
- (4) The tax credit voucher balance before and after the transfer;
- (5) The transferor's and transferee's federal tax identification numbers; and,
- (6) Consideration paid by the transferee for the transfer;
- (7) Such other information as the Commission may require.

(d) Failure to comply with all transfer notification requirements contained in this section and subsection (d) of section 12-217jj of the Connecticut General Statutes shall result in the disallowance of the tax credit transfer until such time as the Commission determines that the transferor and transferee are in full compliance. The Commission shall provide notice to the Commissioner of any such disallowance and subsequent allowance of the tax credit transfer, if requested by the Commissioner.

(e) Failure to comply with the time limitation for notice to the Commission of such transfer in subsection (b) of this section and subsection (d) of section 12-217jj of the Connecticut General Statutes shall result in the disallowance of such tax credit transfer unless the Commission determines that such failure was for good cause shown.

(f) In the event that a tax credit voucher is sold, assigned or otherwise transferred to a business entity that is treated as a pass-through entity for federal income tax purposes, the tax credits evidenced by such tax credit voucher shall not be deemed to be allocated or otherwise transferred to any partner, member, shareholder or other equity owner of such transferee (notwithstanding any provision of the governing documents of such entity), and such tax credits shall only be transferred to any such partner, member, shareholder or other equity owner by sale, assignment or other transfer of the tax credit voucher evidencing such tax credits in the manner provided for in this section, subject to the limitation that no tax credit voucher or any fractional part thereof may be assigned or otherwise transferred, in whole or in part, more than three times.

(Adopted effective February 5, 2009)

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Film and Digital Media Infrastructure Tax Credit Program

Sec. 12-217kk-1. Statement of purpose

These rules and regulations, which were drafted in consultation with the Department of Revenue Services, have been adopted to implement and are intended to be applied so as to accomplish the purposes of the film industry infrastructure tax credit program as established by section 12-217kk of the General Statutes. The film industry infrastructure tax credit program is administered by the Connecticut Commission on Culture and Tourism. The film industry infrastructure tax credit program is designed to encourage the development of a strong infrastructure base for film and other entertainment media in order to foster the development of the industry in this State with state of the art facilities and equipment.

(Adopted effective June 26, 2009)

Sec. 12-217kk-2. Definitions

As used in sections 12-217kk-1 to 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies:

(1) “American Institute of Certified Public Accountants (AICPA)” shall mean the organization which establishes financial, accounting and auditing procedures to which certified public accounts (CPA’s) must adhere.

(2) “Applicant” or “the applicant” shall mean, as the context of these regulations shall require:

(a) An entity undertaking an infrastructure project which applies to the Commission for eligibility certification with respect to that project; or,

(b) An entity which applies to the Commission for a tax credit voucher after eligibility certification for an infrastructure project.

(3) “Commission” shall mean the Connecticut Commission on Culture and Tourism.

(4) “Commissioner” shall mean the Commissioner of Revenue Services.

(5) “Detailed cost report” or “cost report” shall mean the itemized listing of eligible expenditures filed with the Commission in connection with an application for a tax credit voucher.

(6) “Eligible expenditures” means “Eligible expenditures” as defined in section 12-217kk of the Connecticut General Statutes.

(7) “Eligibility certification as a state certified project” or “eligibility certification” shall mean the written notice issued by the Commission certifying that an applicant’s infrastructure project is a state-certified project.

(8) “Estimated cost report” shall mean the itemized listing of projected eligible expenditures filed with the Commission in connection with an application for eligibility certification.

(9) “Financial Accounting Standards Board (FASB)” shall mean the board designated by the AICPA to have the authority to set and specify generally accepted accounting principles (GAAP).

(10) “Income year” shall mean the period established by an applicant for federal income tax purposes.

(11) “Infrastructure project” or “project” means “Infrastructure project” as defined in section 12-217kk of the Connecticut General Statutes.

(12) “Investment” shall mean the total eligible expenditures for an infrastructure project which an applicant establishes to the satisfaction of the Commission.

(13) “State” shall mean the State of Connecticut.

(14) “State-certified project” means “State-certified project” as defined in section 12-217kk of the Connecticut General Statutes.

(15) “State-certified project tax credit voucher” or “voucher” shall mean the document issued by the Commission evidencing the tax credit authorized under the provisions of section 12-217kk of the Connecticut General Statutes and sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies.

(Adopted effective June 26, 2009)

Sec. 12-217kk-3. Application for eligibility certification as state-certified project

(a) An applicant with an infrastructure project seeking eligibility certification shall file a written application with the Commission under oath on such forms as the Commission may prescribe not later than ninety (90) calendar days after the applicant incurs the first eligible expenditure in connection with the infrastructure project which is the subject of the application.

(b) An applicant may file only one application for each infrastructure project for which it seeks eligibility certification and there may be only one applicant for each infrastructure project.

(c) An applicant shall be the entity which will own or lease the realty associated with the project and shall have access to all books and records documenting the project’s eligible expenditures as may be necessary to comply with the provisions of section 12-217kk of the Connecticut General Statutes and sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies.

(d) The Commission shall identify any application not filed within the time limit set forth in subsection (a) of section 12-217kk-3 of the Regulations of Connecticut State Agencies as having been late filed and no further processing of said application shall be undertaken.

(e) An applicant seeking State-certified project status for its project shall provide the Commission with information pertinent to it and the project which shall include, but not be limited to, the following:

- (1) Legal name, address and telephone number;
- (2) Name, title and telephone number of primary contact person and other contact persons whom the Commission may contact to discuss the application information;
- (3) Type of business entity (i.e., sole proprietorship, partnership, corporation, etc.);
- (4) Satisfactory evidence from the Secretary of the State and the Commissioner that applicant is authorized to do business in the state and registered as a taxpayer;
- (5) Federal Employer Identification Number (FEIN) or Tax Identification Number (TIN);
- (6) Detailed description of the project including specific address at which the project will be built, constructed, or installed;
- (7) Estimated total project budget with itemized estimated cost report as described in section 12-217kk-4 of the Regulations of Connecticut State Agencies;
- (8) Names, addresses, contact persons, and telephone numbers of all architectural, engineering and other professional and consulting firms providing services in connection with the project;
- (9) Copies of all project related purchase, lease, option, construction and construction management agreements;
- (10) Estimated project start date and completion date;

(11) Detailed listing of all municipal or regional agency approvals required for the project and copies of all such municipal or regional agency approvals, including building permits;

(12) Detailed description of applicant's financing arrangements to underwrite the project, including lending sources, and copies of all loan agreement and commitment letters;

(13) The applicant's certification that it will at all times maintain books and records relating to the project's eligible expenditures in accordance with generally accepted accounting principles (GAAP) consistently applied;

(14) The applicant's certification that neither it, nor any partner, officer, director, or shareholder owning more than ten percent (10%) of the shares outstanding, has ever defaulted on a State loan or loan guaranteed by the State or, individually or as a principal in a business entity, had a debt or obligation owing to a public agency discharged in bankruptcy;

(15) The applicant's certification that the project facilities and equipment will not be used for purposes which require the maintenance of records pursuant to 18 U.S.C. § 2257; and,

(16) Such additional pertinent application information concerning the applicant or the infrastructure project as the Commission may request.

(f) Information or material required pursuant to subsection 12-217kk-3(e) of the Regulations of Connecticut State Agencies which is not available to the Applicant at the time of application shall be submitted to the Commission by the applicant as soon as such information becomes available to the applicant.

(g) Upon the Commission's written request, applicant shall provide any necessary written authorization for the release of information concerning applicant, or any investors or entities associated with applicant and its infrastructure project, from any federal, state or local governmental authority including, but not limited to, financial reports and records.

(h) The applicant is responsible for the accuracy of all data, information and documentation submitted or included with the application. Applications and all documentation submitted therewith shall become the property of the Commission.

(i) The applicant shall demonstrate to the satisfaction of the Commission that the project which is the subject of the eligibility certification application will be used solely for the functioning in this State of the digital media, motion picture or other entertainment industry as authorized under the provisions of section 12-217kk of the Connecticut General Statutes.

(j) If the Commission determines after review that an application is incomplete, it may request in writing that the applicant submit additional pertinent application information which shall be submitted within fifteen (15) days from the date of the Commission's request. If the Commission determines that the application remains incomplete after such additional time period, then no further processing of the application shall take place.

(Adopted effective June 26, 2009)

Sec. 12-217kk-4. Estimated cost report

(a) Each applicant with a project seeking eligibility certification shall file with its application an estimated cost report on such forms as the Commission may prescribe.

(b) The estimated cost report shall describe in detail the eligible expenditures to be incurred by the applicant with respect to the project which is the subject of the application and classify such expenditures under each of the categories specified below:

- (1) Land acquisition;
- (2) Building acquisition;
- (3) Building construction;
- (4) Building rehabilitation/renovation;
- (5) Capital equipment;
- (6) Other improvement; or,
- (7) Project development including design, engineering and related professional fees.

(c) Within the foregoing general eligible expenditures categories, the Commission may prescribe such sub-categories as it deems necessary to facilitate the applicant's reporting of its estimated eligible expenditures and the Commission's review of such estimated eligible expenditures.

(Adopted effective June 26, 2009)

Sec. 12-217kk-5. Review and disposition of application for eligibility certification as a state-certified project; liability insurance

(a) The Commission shall review all complete applications submitted pursuant to sections 12-217kk-3 and 12-217kk-4 of the Regulations of Connecticut State Agencies and determine whether the criteria for eligibility certification as a state-certified project under section 12-217kk of the Connecticut General Statutes and sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies have been met.

(b) During review of the application, the Commission may request additional pertinent application information, conduct site or field visits, consult with independent professional consultants, or require the applicant, at its sole cost and expense, to submit an independent consultant's report of the estimated eligible expenditures to be performed by an independent consultant unrelated to applicant, licensed to do business in this State and having no direct or indirect financial interest in the applicant or the project. The purpose of such pre-certification audit or independent professional review is to provide the Commission with assurances that the estimated eligible expenditures and costs set forth by applicant are accurate, necessary and reasonable.

(c) If the Commission finds that all such criteria for eligibility certification are met it will issue to the applicant written notice of the project's certification as a State-certified project which shall specify the total estimated eligible expenditures and amount of potential tax credits available to applicant should the project be completed as described in the application.

(d) The Commission's notice of eligibility certification shall provide a unique identification number assigned by the Commission for the project which shall thereafter be referenced in all future correspondence and notices relative to the project. Eligibility certification for an infrastructure project shall be non-transferable.

(e) The notice of eligibility certification issued by the Commission shall not grant or convey any state tax credits or benefits and signifies only that the project is a state-certified project and that the Commission may issue voucher(s) pursuant to the provisions of section 12-217kk of the Connecticut General Statutes if the project's estimated eligible expenditures as determined by the Commission are in fact expended and the applicant for such tax credits is otherwise in conformity with the provisions of section 12-217kk of the Connecticut General Statutes and sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies.

(f) Before construction of any certified project commences, the Commission may require the applicant or its construction contractor to furnish a general liability insurance policy with such policy limits as the Commission may prescribe and issued by an insurance company licensed to do business in this state and in good standing and which shall be rated “A-” or better by the latest edition of A.M. Best’s Rating Guide or, if such Guide is no longer available, any generally recognized replacement therefore. The Commission and the State shall be named as additional insureds under any such policy.

(Adopted effective June 26, 2009)

Sec. 12-217kk-6. Project progress reports; document submission

An applicant whose project has been certified as a State-certified project shall submit to the Commission periodic progress reports on such forms and at such times as the Commission may prescribe. Such reports shall describe in detail the current status of the project together with any revisions to the estimated cost report, estimated project timetable or completion date together with a detailed explanation of the reasons for such revisions.

(Adopted effective June 26, 2009)

Sec. 12-217kk-7. Lapse of eligibility certification; surety bond

(a) Upon the Commission’s written notice to the applicant, the project’s certification as a State-certified project shall lapse not earlier than 180 days after the issuance of notice of eligibility certification upon the Commission’s determination that an applicant has failed to provide satisfactory evidence that the project has substantially commenced and will be substantially completed as proposed.

(b) At any time after certification of a project as a State-certified project, the Commission may direct the applicant to file a surety bond at the applicant’s sole cost and expense and in such form and principal amount as the Commission may determine to assure completion of the project or construction of any project installation in accordance with the application documents submitted to the Commission. Such surety bond shall be issued by a bonding or insurance company authorized and licensed to do business in this State and in good standing and which shall be rated “A-” or better by the latest edition of A.M. Best’s Ratings Guide or, if such Guide is no longer available, any generally recognized replacement therefore. The Commission shall be named in any such bond as a dual obligee.

(Adopted effective June 26, 2009)

Sec. 12-217kk-8. Application for issuance of state-certified project tax credit voucher

(a) After the Commission has issued notice of eligibility certification with respect to a project, an applicant may apply to the Commission for the issuance of a State-certified project voucher. Such voucher may be issued:

(1) No sooner than at such time as the Commission determines in its sole discretion that such project is not less than sixty percent (60%) complete; or,

(2) Not later than ninety (90) days after the last project expenses or costs are incurred by the applicant and the project has been determined to be complete by the Commission.

(b) An applicant shall apply to the Commission for issuance of a voucher on such forms as the Commission may prescribe.

(c) With each application for issuance of a voucher, the applicant issued the notice of eligibility certification shall file with the Commission, on such forms

as the Commission may prescribe, a detailed cost report of the project's eligible expenditures actually expended to the date of the application. The detailed cost report shall include the same categories and sub-categories of eligible expenditures as in the estimated cost report required under section 12-217kk-4 of the Regulations of Connecticut State Agencies. The eligible expenditures itemized in the detailed cost report shall not exceed the total eligible expenditures as itemized in the estimated cost report unless any and all such additional costs were previously approved by the Commission in writing. The Commission shall require the applicant to provide an independent audit report of such actual eligible expenditures as described in section 12-217kk-10 of the Regulations of Connecticut State Agencies.

(Adopted effective June 26, 2009)

Sec. 12-217kk-9. Limitation on eligible expenditures

(a) An applicant may include only actual paid eligible expenditures in the detailed cost report required to be submitted to the Commission pursuant to section 12-217kk-8 of the Regulations of Connecticut State Agencies. The cost report must provide sufficient information so that the independent auditor can verify whether the expenditures set forth by the applicant are allowed under the provisions of section 12-217kk of the Connecticut General Statutes and sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies.

(b) Refunds, rebates, insurance claim recoveries, discounts, invoicing errors, returns and other such credits must be credited against the expenditures itemized in the detailed cost report.

(c) When an applicant incurs related party transaction costs, the costs allowable shall be limited to the fair market value as determined by the Commission of the services, goods or other tangible property provided to applicant by the related party.

(d) Expenses or costs which have been included in any prior application for a tax credit voucher or included in an application for a tax credit under sections 12-217jj or 21-217ll of the Connecticut General Statutes are not eligible expenditures.

(e) Expenses or costs related to the transfer of any tax credit are not eligible expenditures.

(f) Expenses or costs shall constitute eligible expenditures under sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies, only if incurred by an applicant in connection with a State-certified project which results in permanent improvement(s) or accretions(s) to real estate.

(g) Costs and expenses to remediate asbestos or other hazardous substances shall constitute eligible expenditures only to the extent such costs are incurred by an applicant in connection with above ground building remediation and are otherwise allowable pursuant to the section 12-217kk of the Connecticut General Statutes and sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies.

(h) Costs and expenses related to leasehold expenditures for grounds and buildings shall be allowable only to the extent that the associated lease constitutes a capital lease as defined and explained in FASB Statement No. 13, and then only to the extent that the present value of such lease expenditures are determined in accordance with a generally recognized and accepted formula selected by the Commission with prior notice to the applicant. Lease expenditures for tangible personal property shall be allowable only to the extent that such expenditures are incurred pursuant to a capital equipment lease as defined and explained in FASB Statement No. 13.

(Adopted effective June 26, 2009)

Sec. 12-217kk-10. Scope of and procedures for state-certified project audit

(a) The purpose of the independent audit required under subsection (c) of section 12-217kk-8 of the Regulations of Connecticut State Agencies is to provide the Commission with assurances that the eligible expenditures as set forth in the detailed cost report have in fact been expended and are otherwise accurate, necessary, and reasonable and are in accordance with the provisions of section 12-217kk of the Connecticut General Statutes and in accordance with sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies.

(b) The audit shall be completed in accordance with generally accepted auditing standards as established by the AICPA and FASB and shall be at the sole cost and expense of applicant. The audit shall be performed by a certified public accountant licensed in this State, unrelated to the applicant and having no direct or indirect financial interest in the applicant or any business conducted by the applicant.

(c) The auditor's report shall state that the audit was conducted in accordance with this section and shall include and be subject to the following requirements:

(1) A schedule disclosing the applicant's noncompliance with any applicable law, regulation, provision of contracts or other agreements which could have a material effect on the costs reported in the detailed cost report;

(2) A schedule disclosing all sources of funds used by the applicant to finance the state certified project including any non-cash or barter transactions included in the detailed cost report;

(3) A schedule disclosing all related party transactions as such are defined, specified and explained by Financial Accounting Standards Board (FASB) in Statement No. 57 and which are encompassed in the detailed cost report to include:

(A) The name of the related party;

(B) The nature of the relationship between the related party and the applicant; and,

(C) A description of the nature of the transaction and the amount.

(4) The auditor's opinion shall be dated as of the date that audit fieldwork was completed and shall be addressed to the applicant;

(5) The auditor shall cooperate fully with the Commission in responding to the Commission's post audit inquiries and in complying with such audit guidelines applicable to all such audits as the Commission may prescribe in writing; and,

(6) The audit work papers must be maintained by the auditor for a period of six (6) years from the date that the audit was submitted to the Commission and shall be made available to the Commission upon written request.

(Adopted effective June 26, 2009)

Sec. 12-217kk-11. Disposition of application for tax credit voucher

(a) The Commission shall review the application for a voucher and the independent audit and evaluate whether the applicant has met the criteria set forth under section 12-217kk of the Connecticut General Statutes and sections 12-217kk-1 through 12-217kk-13, inclusive, of the Regulations of Connecticut State Agencies for issuance of a tax credit voucher. If the Commission determines that the application and audit do meet such criteria it shall certify on the voucher the total eligible expenditures substantiated to the satisfaction of the Commission to the date of the application and the amount of the tax credit awarded.

(b) If the Commission determines that either the application or audit do not meet the established criteria for issuance of a voucher, it shall notify the applicant in writing of the deficiency in the application or audit and the remedial action, if any, that is required before the Commission can act on the voucher application.

(Adopted effective June 26, 2009)

Sec. 12-217kk-12. Confidentiality of application information and documents

When an applicant or other entity submits information it considers to be of a proprietary or confidential nature in connection with its applications for eligibility certification and issuance of tax credit vouchers or notice of transfer of tax credits, such information shall be clearly marked or labeled “CONFIDENTIAL” in capital letters. The applicant or other entity shall also submit a statement briefly setting forth the grounds on which the information should be treated as confidential. Upon the Commission’s determination that such information may be lawfully maintained by it as confidential, it shall maintain such portions of the application or notice of transfer of tax credits as confidential to the extent permitted by law.

(Adopted effective June 26, 2009)

Sec. 12-217kk-13. Transfers of tax credits

(a) Tax credit vouchers may be sold, assigned or otherwise transferred by the applicant or subsequent transferee, in whole or in part, up to a maximum of three (3) times and to the extent the tax credit has not previously been claimed. Any taxpayer that is assigned or transferred a tax credit must claim such assigned credit in the same income year that the applicant was eligible to claim the tax credit. Any assignee or transferee that does not fully utilize the tax credit in the income year in which it is claimed may carry such credit forward as permitted by section 12-217kk of the Connecticut General Statutes.

(b) Each tax credit voucher transferor and transferee shall jointly provide written notice of such transfer to the Commission on such forms as may be prescribed by the Commission, not later than thirty (30) days after the transfer. For the purposes of subsections 12-217kk(b)(3) and (d) of the Connecticut General Statutes, a taxpayer to which a tax credit evidenced by a tax credit voucher may be sold, assigned or otherwise transferred, or that may sell, assign or otherwise transfer such tax credit, shall include a corporation, partnership, limited liability company, or other business entity; provided, however, that the tax credits evidenced by such tax credit voucher may only be claimed against the taxes imposed under chapters 207 and 208 of the Connecticut General Statutes.

(c) The written notice to the Commission of transfer shall include, but may not be limited to, the following:

- (1) The tax credit voucher number;
- (2) The date of transfer;
- (3) The total amount of credit transferred;
- (4) The tax credit voucher balance before and after the transfer;
- (5) The transferor’s and transferee’s federal tax identification numbers;
- (6) Consideration paid by the transferee for the transfer; and,
- (7) Such other pertinent information as the Commission may require.

(d) Failure to comply with all transfer notification requirements contained in section 12-217kk-13 of the Regulations of Connecticut State Agencies and subsection (d) of section 12-217kk of the Connecticut General Statutes shall result in the disallowance of the tax credit transfer until such time as the Commission determines that the transferor and transferee are in full compliance. The Commission shall provide notice to the Commissioner of any such disallowance and subsequent allowance of the tax credit, if requested by the Commissioner.

(e) Failure to comply with the time limitation for notice to the Commission of such transfer in Section 12-217kk-13(b) of the Regulations of Connecticut State Agencies and subsection (d) of section 12-217kk of the Connecticut General Statutes

shall result in the disallowance of such tax credit transfer unless the Commission determines that such failure was for good cause shown.

(f) In the event that a tax credit voucher is sold, assigned or otherwise transferred to a business entity that is treated as a pass-through entity for federal income tax purposes, the tax credits evidenced by such voucher shall not be deemed to be allocated or otherwise transferred to any partner, member, shareholder or other equity owner of such transferee (notwithstanding any provision of the governing documents of such entity), and such tax credits shall only be transferred to any such partner, member, shareholder or other equity owner by sale, assignment or other transfer of the tax credit evidenced by such voucher in the manner provided for in this section 12-217kk-13 of the Regulations of Connecticut State Agencies, subject to the limitation that no tax credit or any fractional part thereof may be assigned or otherwise transferred, in whole or in part, more than three times.

(Adopted effective June 26, 2009)

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Digital Animation Production Company Tax Credit Program

Sec. 12-217ll-1. Statement of purpose

These rules and regulations, which were drafted in consultation with the Department of Revenue Services, have been adopted to implement and are intended to be applied so as to accomplish the purposes of the digital animation production company tax credit program as established by section 12-217ll of the General Statutes. The digital animation production company tax program is administered by the Connecticut Commission on Culture and Tourism and is designed to encourage the development of strong digital animation production activity within the State so as to increase employment and foster a more productive state economy.

(Adopted effective February 5, 2009)

Sec. 12-217ll-2. Definitions

As used in sections 12-217ll-1 to 12-217ll-12, inclusive, of the Regulations of Connecticut State Agencies:

(1) “American Institute of Certified Public Accountants (AICPA)” shall mean the national organization which establishes financial, accounting and auditing procedures to which certified public accountants (CPAs) must adhere.

(2) “Applicant” or “the applicant” shall mean, as the context of these regulations shall require:

(A) A digital animation production company which applies to the Commission for certification as a state-certified digital animation production company; or,

(B) A state-certified digital animation production company which applies to the Commission for a digital animation tax credit voucher.

(3) “Commission” shall mean the Connecticut Commission on Culture and Tourism.

(4) “Commissioner” shall mean the Commissioner of Revenue Services.

(5) “Detailed cost report” or “cost report” shall mean the itemized expenses or costs report filed with the Commission by an applicant for a tax credit voucher as described in section 12-217ll-7 of the Regulations of Connecticut State Agencies.

(6) “Digital animation production activity” shall have the same meaning as provided in subsection (a) of section 12-217ll of the Connecticut General Statutes.

(7) “Digital animation production company” shall have the same meaning as provided in subsection (a) of section 12-217ll of the Connecticut General Statutes.

(8) “Financial Accounting Standards Board (FASB)” shall mean the board designated by the AICPA to have the authority to set and specify generally accepted accounting principals (GAAP).

(9) “Full-time employee” shall have the same meaning as provided in subsection (a) of section 12-217ll of the Connecticut General Statutes.

(10) “Income year” shall mean the period established by an applicant for federal income tax purposes.

(11) “Production expenses or costs” shall have the same meaning as provided in subsection (a) of section 12-217ll of the Connecticut General Statutes.

(12) “State” shall mean the State of Connecticut;

(13) “State-certified digital animation production company” shall have the same meaning as provided in subsection (a) of section 12-217ll of the Connecticut General Statutes; and,

(Adopted effective February 5, 2009)

Sec. 12-217ll-3. Application for certification as state-certified digital animation production company

(a) An applicant shall file a written application for certification with the Commission under oath on such forms as the Commission may prescribe.

(b) An applicant seeking certification shall provide the Commission with information including, but not limited to, the following:

(1) Legal name, address and telephone number;

(2) Name, title and telephone number of primary contact person and other persons associated with the applicant whom the Commission may contact to discuss the application information;

(3) Type of business entity (i.e., proprietorship, partnership, corporation, etc.);

(4) Satisfactory evidence from the Secretary of the State and the Commissioner that the applicant is qualified to do business in the State and is registered as a taxpayer;

(5) Federal Employer Identification Number (FEIN) or Tax Identification Number (TIN);

(6) Detailed description of digital animation production activity engaged in by the applicant;

(7) Detailed description of digital animation production activity conducted by the applicant in this state;

(8) Detailed description of business activity other than digital animation production activity engaged in by the applicant;

(9) Detailed description of all locations where the applicant maintains facilities at which digital animation production activity is conducted and description of that activity;

(10) Listing of the total number of the applicant's full time employees and facility where employed;

(11) Actual or estimated total annual production expenses or costs incurred in the state;

(12) The applicant's certification that it will at all times maintain its books and records in accordance with generally accepted accounting principles (GAAP) consistently applied in connection with the conduct of its digital animation production activity in this state;

(13) The applicant's certification that it does not and will not engage in digital animation production activity which requires the maintenance of records pursuant to 18 U.S.C. § 2257;

(14) Date that the applicant began, or will begin, conducting digital animation production activities at facilities in this state;

(15) The applicant's income year; and,

(16) Such additional pertinent application information concerning the applicant, its officers and directors or its digital animation production activity as the Commission may request.

(c) Upon the Commission's written request, the applicant shall provide any necessary written authorization for the release of information concerning the applicant or its digital animation production activity from any federal, state or local governmental agency including financial reports and records relating to the applicant or its activity.

(d) An applicant is responsible for the accuracy of all data, information and documentation included with the application. The applicant shall be responsible for updating application data, information and documentation as soon as practicable after material changes in said information. All applications, information and documentation shall become the property of the Commission upon submission.

(e) If the Commission determines after review that an application is incomplete, it may request in writing that the applicant submit additional pertinent application information which shall be submitted within fifteen (15) days after the applicant's receipt of the Commission's request. If the Commission determines that the application remains incomplete after such additional time period, no further processing of said application shall take place.

(Adopted effective February 5, 2009)

Sec. 12-217II-4. Disposition of application for certification

(a) The Commission shall review all complete applications submitted pursuant to section 12-217II-3 of the Regulations of Connecticut State Agencies and determine whether the criteria for certification as a state-certified digital animation production company under sections 12-217II-1 to 12-217II-12, inclusive, of the Regulations of Connecticut State Agencies have been met.

(b) If the Commission finds that such criteria have been met it shall issue written notice of such certification to applicant and provide applicant with a unique identification number which shall be referenced on all future correspondence and notices filed with the Commission.

(c) The Commission's written notice that the applicant is a state-certified digital animation production company shall not grant or convey any state tax credits or benefits and signifies only that the Commission has determined that the criteria for such certification under sections 12-217II-1 to 12-217II-12, inclusive, of the Regulations of Connecticut State Agencies have been met at the time of the Commission's review of the application.

(Adopted effective February 5, 2009)

Sec. 12-217II-5. Fiscal and accounting requirements

(a) Each state-certified digital animation production company shall utilize an accounting system which conforms to generally accepted accounting principles (GAAP) in accounting for the production expenses or costs to be included in the detailed cost report which shall accompany an application for issuance of a digital animation production company tax credit voucher.

(b) The following accounting records and documentation, at a minimum, shall be made and maintained by a state-certified digital animation production company:

- (1) Invoices, purchase orders, vouchers, paid bills, and production reports;
- (2) Individual payroll and attendance records for all employees consistent with the requirements imposed upon employers generally under applicable federal and state law;
- (3) Records relating to refunds, rebates, invoicing errors, purchase returns, sales of equipment or other tangible property or other production assets and insurance claims;
- (4) Records relating to costs and expenses regarding the ownership or lease of any real property;
- (5) Records relating to costs and expenses regarding the purchase of any tangible personal property;
- (6) Records relating to any related party transaction sufficient to permit the independent auditor to provide the information required pursuant to subsection 12-217II-9(c)(3) of the Regulations of Connecticut State Agencies; and,
- (7) Records relating to production expenditures or costs for optioning or purchasing intellectual property as such costs are described and permitted under subsection (a) of section 12-217II of the Connecticut General Statutes.

(Adopted effective February 5, 2009)

Sec. 12-217ll-6. Application for issuance of a digital animation production company tax credit voucher; independent audit

(a) A state-certified digital animation production company may apply to the Commission for issuance of a tax credit voucher(s) not more than twice in any income year on such forms as the Commission may prescribe. Upon the Commission's determination that the applicant has satisfied all the criteria for issuance of a tax credit voucher(s), the Commission shall certify the total production expenses or costs incurred during the period encompassed by the cost report and the actual amount of the tax credit awarded to the applicant. The Commission shall not award digital animation production company tax credits which exceed in the aggregate the state fiscal year cap as provided in subsection (g) of section 12-217ll of the Connecticut General Statutes.

(b) With each application for a tax credit voucher the applicant shall file with the Commission the detailed cost report together with an audit report of such cost report.

(Adopted effective February 5, 2009)

Sec. 12-217ll-7. Detailed cost report

(a) Each applicant for a tax credit voucher shall file with the Commission, under oath, a detailed cost report on such forms as the Commission may prescribe.

(b) The detailed cost report shall classify costs and expenditures actually incurred by the applicant under each of the categories specified below:

- (1) Talent costs;
- (2) Payroll;
- (3) Overhead;
- (4) Post production; or
- (5) Other.

(c) Within the foregoing general expense or cost categories, the Commission may prescribe such sub-categories as it deems necessary to facilitate applicant's reporting of its production expenses or costs and the Commission's review of such production expenses and costs.

(Adopted effective February 5, 2009)

Sec. 12-217ll-8. Limitations on allowable production expenses or costs

(a) An applicant may include only actual, paid production expenses or costs in the detailed cost report. The cost report must provide sufficient information so that an independent auditor can verify the production expenses or costs and determine whether such costs are allowed pursuant to the act and these regulations.

(b) Refunds, rebates, insurance claim recoveries, discounts, invoicing errors, returns and other such credits must be credited against the expenses or costs itemized in the cost report.

(c) When an applicant incurs related party transaction costs, the costs allowable shall be limited to the fair market value as determined by the Commission of the services, goods or other tangible property provided to applicant by the related party.

(d) Production expenses or costs which have been included in any prior application for a tax credit voucher or included in an application for a tax credit under sections 12-217jj or 12-217kk of the Connecticut General Statutes or any other section of the Connecticut General Statutes shall not be allowable.

(e) Expenses or costs related to the transfer of any tax credit shall not be allowable.

(Adopted effective February 5, 2009)

Sec. 12-217ll-9. Scope of and procedures for audit

(a) The purpose of the independent audit is to provide assurances to the Commission that the production expenses or costs set forth in the detailed cost report have in fact been expended and are otherwise accurate and reasonable.

(b) The audit shall be completed in accordance with generally accepted auditing standards as established by the AICPA and FASB and shall be at the sole cost and expense of the applicant. The audit shall be performed by a certified public accountant licensed in this State, unrelated to the applicant and having no direct or indirect financial interest in the applicant or applicant's digital animation production activity.

(c) The auditor's report shall state that the audit was conducted in accordance with this section and shall include or comply with the following:

(1) A schedule disclosing the applicant's non-compliance with any applicable law, regulation, provision of contracts or other agreements which could have a material effect on the expenses or costs reported in the detailed cost report;

(2) A schedule disclosing all sources of funds used by the applicant to finance the digital animation production activity including any non-cash or barter transactions included in the detailed cost report;

(3) A schedule disclosing all related party transactions as such are defined, specified and explained by the Financial Accounting Standards Board (FASB) in Statement No. 57 and which are encompassed in the detailed cost report to include:

(A) The name of the related party;

(B) The nature of the relationship between the related party and the applicant; and,

(C) A description of the nature of the transaction and the amount.

(4) The auditor's opinion shall be dated as of the date that audit fieldwork was completed and shall be addressed to the applicant;

(5) The auditor shall have demonstrated knowledge and familiarity with the accounting practices generally recognized in the digital animation or other media production industry and shall cooperate fully with the Commission in responding to the Commission's post audit inquiries and in complying with such audit guidelines applicable to all such audits as the Commission may prescribe in writing; and,

(6) The audit work papers must be maintained by the auditor for a period of six (6) years from the date that the audit was submitted to the Commission and shall be made available to the Commission upon written request.

(Adopted effective February 5, 2009)

Sec. 12-217ll-10. Disposition of application for tax credit vouchers

(a) The Commission shall review the application and the independent audit and evaluate whether the applicant has met the criteria set forth under sections 12-217ll-1 to 12-217ll-12, inclusive, of the Regulations of Connecticut State Agencies for issuance of digital animation tax credit vouchers. If the Commission determines that the applicant has met such criteria, it shall thereupon issue written tax credit voucher(s) which shall certify the total production expenses or costs substantiated to the satisfaction of the Commission and the amount of the tax credit(s) awarded.

(b) If the Commission determines after its evaluation that the applicant has not met the established criteria for issuance of tax credit vouchers, it shall notify the applicant in writing of the deficiencies in the application or audit and the remedial action, if any, that is required of the applicant before the Commission can act on the application for issuance of tax credit voucher(s).

(c) The Commission shall provide a unique identification number on each tax credit voucher issued which shall include a reference to the Commission's identifica-

tion number assigned at the time the Commission's notice of certification as a state-certified digital animation production company was issued pursuant to the provisions of section 12-217ll-4 of the Regulations of Connecticut State Agencies.

(Adopted effective February 5, 2009)

Sec. 12-217ll-11. Confidentiality of application information and documents

When an applicant or other entity submits information it considers to be of a proprietary or confidential nature in connection with its applications for eligibility certification and issuance of tax credit vouchers or notice of transfer of tax credits, such information shall be clearly marked or labeled "CONFIDENTIAL" in capital letters. The applicant or other entity shall also submit a statement briefly setting forth the grounds on which the information should be treated as confidential. Upon the Commission's determination that such information may be lawfully maintained by it as confidential, it shall maintain such portions of the application or notice of transfer of tax credits as confidential to the extent permitted by law.

(Adopted effective February 5, 2009)

Sec. 12-217ll-12. Transfers of tax credits

(a) Tax credit vouchers may be sold, assigned or otherwise transferred by the applicant to one or more taxpayers, in whole or in part, up to a maximum of three (3) times and to the extent the tax credit has not previously been claimed. Any taxpayer assigned a tax credit must claim such assigned credit in the same income year that the applicant was eligible to claim the tax credit.

(b) Each tax credit voucher transferor and transferee shall jointly provide written notice of such transfer to the Commission on such forms as may be prescribed by the Commission, not later than thirty (30) days after the transfer. For the purposes of subsections 12-217ll(b)(2) and (d) of the Connecticut General Statutes, a taxpayer to which a tax credit evidenced by a tax credit voucher may be sold, assigned or otherwise transferred, or that may sell, assign or otherwise transfer such tax credit, shall include a corporation, partnership, limited liability company, or other business entity; provided, however, that the tax credits evidenced by such tax credit voucher may only be claimed against the taxes imposed under chapters 207 and 208 of the Connecticut General Statutes.

(c) The written notice to the Commission of transfer shall include the following:

- (1) The tax credit voucher number;
- (2) The date of transfer;
- (3) The total amount of credit transferred;
- (4) The tax credit voucher balance before and after the transfer;
- (5) The transferor's and transferee's federal tax identification numbers;
- (6) Consideration paid by the transferee for the transfer; and,
- (7) Such other information as the Commission may require.

(d) Failure to comply with all transfer notification requirements contained in this section and subsection (d) of section 12-217ll of the Connecticut General Statutes shall result in the disallowance of the tax credit transfer until such time as the Commission determines that the transferor and transferee are in full compliance. The Commission shall provide notice to the Commissioner of any such disallowance and subsequent allowance of the tax credit transfer, if requested by the Commissioner.

(e) Failure to comply with the time limitation for notice to the Commission of such transfer in subsection (b) of this section and subsection (d) of section 12-217ll of the Connecticut General Statutes shall result in the disallowance of such tax

credit transfer unless the Commission determines that such failure was for good cause shown.

(f) In the event that a tax credit voucher is sold, assigned or otherwise transferred to a business entity that is treated as a pass-through entity for federal income tax purposes, the tax credits evidenced by such tax credit voucher shall not be deemed to be allocated or otherwise transferred to any partner, member, shareholder or other equity owner of such transferee (notwithstanding any provision of the governing documents of such entity), and such tax credits shall only be transferred to any such partner, member, shareholder or other equity owner by sale, assignment or other transfer of the tax credit voucher evidencing such tax credits in the manner provided for in this section, subject to the limitation that no tax credit voucher or any fractional part thereof may be assigned or otherwise transferred, in whole or in part, more than three times.

(Adopted effective February 5, 2009)

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The Traffic Reduction Tax Credit Program

Sec. 12-217s-1. Definitions

As used in sections 12-217s-1 to 12-217s-10, inclusive:

(1) **“Affected employer”** means an affected employer, as defined in section 13b-38o of the Connecticut General Statutes;

(2) **“Approved direct cost”** means a direct cost which is claimed on the tax credit application and is determined by the department to support a qualified corporation’s traffic reduction program;

(3) **“Certified credit”** is the amount that a corporation may claim on its annual return, as certified by the department;

(4) **“Corporation”** means any company which is required to pay a tax for the privilege of carrying on or doing business within the State in a corporate capacity pursuant to Chapter 208 of the Connecticut General Statutes;

(5) **“Credit year”** means a year in which the department reviews tax credit applications and determines the amount of tax credits which will be received by each corporation that submitted a tax credit application;

(6) **“Department”** means the Connecticut Department of Transportation;

(7) **“Commissioner”** means the Commissioner of Transportation;

(8) **“DRS”** means the Connecticut Department of Revenue Services;

(9) **“Eligible Credit”** means the amount of credit calculated for each corporation by the department after adjustment for the statutory limit;

(10) **“Income year”** means the corporation’s fiscal year in which the corporation incurred direct costs for traffic reduction programs and services related thereto;

(11) **“Maximum eligible credit”** means the amount of credit calculated for each corporation by the department prior to adjustment for the statutory limit;

(12) **“Participating employee”** means an affected employee who utilizes a commute option at least 1 day per week, as certified by the qualified corporation employer;

(13) **“Plan”** means any plan submitted by an affected employer pursuant to section 13b-38p of the Connecticut General Statutes.

(14) **“Statutory Limit”** means the total amount of credits available under section 12-217 of the Connecticut General Statutes to all qualified corporations in a single credit year; and

(15) **“Work Location”** means a site, building, group of buildings or set of contiguous buildings or portion thereof, under ownership, operation or control of an affected employer where employees perform work.

(Adopted effective April 1, 1999)

Sec. 12-217s-2. Qualification for the credit

Only qualified corporations are eligible for the Traffic Reduction Tax Credit. A qualified corporation is a corporation that:

(1) Is an affected employer;

(2) Participates in the traffic reduction program pursuant to sections 13b-38o through 13b-38x, inclusive, of the Connecticut General Statutes;

(3) Has incurred, on or after January 1, 1995, direct costs to implement a traffic reduction program at each work location; and

(4) Has a plan that has been approved by the department.

(Adopted effective April 1, 1999)

Sec. 12-217s-3. Limitations

The amount of the credit in a single credit year a qualified corporation may claim expenses for the operation of the traffic reduction program shall be limited to whichever of the following amounts is the least:

(1) Fifty percent of the approved direct costs incurred by the corporation during the credit year;

(2) \$250 per participating employee;

(3) The amount certified by the department after adjusting for the statutory limit; or

(4) The amount of tax imposed upon such corporation under Chapter 208 of the Connecticut General Statutes.

(Adopted effective April 1, 1999)

Sec. 12-217s-4. Traffic reduction plans

A plan submitted to and approved by the department and in effect on November 14, 1996 shall be deemed to be a traffic reduction plan. A qualified corporation's traffic reduction plan shall be deemed to have remained in effect during the period November 15, 1996 to the final adoption of these regulations provided the qualified corporation submits an annual update pursuant to section 38b-138p of the Connecticut General Statutes within 180 days of the adoption of these regulations.

(Adopted effective April 1, 1999)

Sec. 12-217s-5. Approval of plans and annual updates

(a) Upon receipt of a traffic reduction plan, annual update, or their revisions, the department shall evaluate the plan or annual update.

(b) The department shall notify the affected employer by mail that the plan or annual update is approved, approved with conditions, or disapproved.

(Adopted effective April 1, 1999)

Sec. 12-217s-6. Direct costs

(a) A direct cost is a cost that:

(1) Directly supports a traffic reduction program and was incurred primarily for the purpose of encouraging or supporting the use of a trip reduction measure;

(2) Can be audited using generally accepted accounting procedures; and

(3) Is customary and reasonable in amount for the service or the product.

(b) Direct costs include, but are not limited to:

(1) On-going or occasional cash or in-kind gifts or benefits of greater than nominal financial value provided to affected employees in exchange for their utilization or consideration of trip reduction measures;

(2) Capital and operating costs to provide or upgrade facilities, vehicles, vehicle services, and equipment, the primary purpose of which is to promote or support the use of trip reduction measures;

(3) Salary and benefit costs for employees and any contract staff to conduct traffic reduction program activities or administer the programs, and costs for office expenses and equipment directly related to the traffic reduction programs. Annual costs for staff who work part-time shall be prorated by the annual hours the employee devotes to traffic reduction program activities relative to the total hours worked; or

(4) Costs to prepare and distribute traffic reduction program information and costs to sponsor promotional activities and events.

(c) The direct cost for a service provided internally by corporate staff rather than by an outside vendor shall be the lesser of:

(1) The documented time and materials costs to provide the service; or

(2) The reasonable cost of an equivalent service if procured from an outside vendor.

(d) Costs excluded from direct costs include but are not limited to:

- (1) Benefits provided to employees not defined as participating employees;
- (2) Capital costs in excess of tax depreciation schedules; or
- (3) Salary costs and benefit costs such as overhead and indirect costs not directly attributable to the traffic reduction program, and costs related to the preparation and submission of plans.

(e) The total direct costs claimed by a corporation for purposes of the tax credit shall be the sum of direct costs less any revenue or reimbursement received by the corporation as a direct result of the voluntary traffic reduction program, including any gain from the sale of any capital equipment for which a credit was previously claimed.

(Adopted effective April 1, 1999)

Sec. 12-217s-7. Application for tax credit

(a) A qualified corporation shall apply for the tax credit on the department's form. No qualified corporation may claim the credit on its corporation business tax return unless it has received written notification from the department approving the amount of the affected employer's certified credit pursuant to section 12-217s-9 of the Regulations of Connecticut State Agencies. Applications shall be made in accordance with this section:

(b) Qualified corporations shall submit a completed application form to the department by 4:00 p.m. on July 1st (if July 1st is a Saturday, Sunday or holiday, by 4:00 p.m. on the first business day following July 1st).

(c) Application forms shall include the following information:

(1) The corporation's name, address, Connecticut tax registration number and Federal employer identification number;

(2) All direct costs incurred for each income year on or after January 1, 1995 contained in the application;

(3) The number of participating employees;

(4) All information requested by the Commissioner on the application form;

(5) Signature of a duly authorized officer of the corporation and evidence of the signatory's authority made under penalty of false statement as provided in sections 53a-157b of the Connecticut General Statutes; and

(6) The income year for which the application for credits is being filed.

(d) Each corporation participating in a plan with one or more other corporations shall submit individual tax credit applications. Corporations shall assign proportionate shares of direct costs jointly incurred by such corporations. Failure to properly assign shares may result in the rejection of all applications associated with the plan.

(Adopted effective April 1, 1999)

Sec. 12-217s-8. Department determination of eligible credit

(a) Each corporation's eligible credit shall be determined by the department on or before November 1st of each year, by the following procedure.

(1) The department shall compare the direct costs on the application form and the reduction measures in the approved plan or annual update (for each work location, if more than one) to determine if the direct costs on the application support the traffic reduction measures, and are reasonable for the level of effort described in the plan or annual update. If the department determines that the costs support the traffic reduction measures and are reasonable for the level of effort described in the plan, the department will approve the direct costs on the application.

(b) The department shall then calculate the qualified corporation's maximum eligible credit for each year on the application as the lesser of the following two amounts:

- (1) The number of participating employees multiplied by \$250; or
- (2) Fifty percent of the total approved direct costs.

(c) The department shall total the maximum eligible credits for all qualified corporations submitting applications for each credit year. If the total maximum eligible credits for all qualified corporations for a single credit year are less than or equal to the statutory limit, the eligible credit for any corporation shall be the amount of maximum eligible credit set for that corporation by the department. If the total maximum eligible credits for all qualified corporations for a single credit year are more than the statutory limit, the department will determine the amount of eligible credit to be a prorated percentage of the maximum eligible credit by the following formula:

$$EC = MEC \times (SL / TMEC)$$

where:

EC = Qualified corporation's eligible credit

MEC = Qualified corporation's maximum eligible credit

SL = Statutory limit

TMEC = Total of maximum eligible credits for all qualified corporations

Example: A qualified corporation's approved direct cost to implement its traffic reduction program is determined to be \$20,000. That corporation has 45 participating employees. That corporation's "maximum eligible credit" (MEC) is the lesser of 50% of the corporation's approved direct cost (\$20,000 x 50% = \$10,000) or \$250 per participating employee (\$250 x 45 = \$11,250). Therefore, that corporation's maximum eligible credit is \$10,000.

Continuing this example, the total maximum eligible credits for all qualified corporations (TMEC) is \$2,000,000. The statutory limit (SL) is \$1,500,000. Based upon the above, the corporation's Eligible Credit (EC) would be calculated to be \$7500 which equals (\$10,000 [MEC] x (\$1,500,000 [SL] / \$2,000,000) [TMEC]).

(Adopted effective April 1, 1999)

Sec. 12-217s-9. Certification of eligible credit

The department will issue to each qualified corporation that has claimed a credit, written notification designating the amount that may be claimed on the corporation's corporate business tax return. For income years commencing prior to January 1, 1998, the department will instruct the corporation regarding which income year the corporation shall take the credit against its tax. For income years commencing on or after January 1, 1998, the corporation shall take the credit against its tax for the income year in which it incurred the expenditures.

(Adopted effective April 1, 1999)

Sec. 12-217s-10. Document production and record keeping

Copies of all records and documents generated by or on behalf of the corporation pursuant to sections 12-217s-1 through 12-217s-10, inclusive, of the Regulations of Connecticut State Agencies, shall be retained so long as the contents thereof may become material in the administration of the tax imposed under Chapter 208 of the Connecticut General Statutes.

(Adopted effective April 1, 1999)

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Hiring Incentive Tax Credit Program

Sec. 12-217y-1. Definitions

As used in sections 12-217y-1 through 12-217y-8, inclusive, of the Regulations of Connecticut State Agencies:

- (1) “Application period” means July 1 through December 31;
- (2) “Business firm” means a “business firm,” as defined in section 12-217y of the Connecticut General Statutes;
- (3) “Commissioner” or “Labor Commissioner” means the Commissioner of the Connecticut Department of Labor;
- (4) “Department” means the Connecticut Department of Labor;
- (5) “Employed” means being in the service of another under any contract of hire creating the relationship of employer and employee or participating in a job training program approved by the Labor Commissioner, as defined in subsection (8) of this section;
- (6) “Fiscal year” means the State’s fiscal year, which begins July 1 and ends June 30;
- (7) “Income year” means a specific twelve month period conforming to a taxable year established by the business firm for tax purposes under Chapter 208 of the Connecticut General Statutes;
- (8) “Job training program approved by the Labor Commissioner” means (A) training that is sponsored or approved by the State Department of Labor, (B) any training approved pursuant to Section 31-236b-1 of the Regulations of Connecticut State Agencies, or (C) training that is sponsored by any other department of state or federal government or municipality or regional workforce development board established under section 31-3k of the Connecticut General Statutes in the State, or any labor organization, or private employer which provides the individual with educational and/or skill development opportunities to enhance the individual’s employability and meets the approval of the Commissioner;
- (9) “Qualifying employee” means, for purposes of fiscal year 2000 or with respect to the business firm’s income year commencing in 2000 or thereafter, any employee who, upon the initial hiring of such employee, is employed not less than thirty hours per week for a full calendar month by the same business firm and who, at the time of being hired by such firm, is and has been receiving benefits from the temporary family assistance program for more than nine consecutive months immediately preceding the date of hire;
- (10) “Temporary family assistance program” means the program described in § 17b-112 of the Connecticut General Statutes;
- (11) “United States Mail” means mail delivered by the United States Postal Service or by any delivery service designated by the Secretary of the Treasury of the United States pursuant to Section 7502 of the Internal Revenue Code of 1986, or any subsequent corresponding Internal Revenue Code of the United States, as from time to time amended. Any reference in sections 12-217y-1 to 12-217y-8, inclusive, of the Regulations of Connecticut State Agencies to a postmark made by the United States Postal Service shall be treated as including a reference to any date recorded or marked in the manner described in said Section 7502 of said Internal Revenue Code by a designated delivery service, and any reference in sections 12-217y-1 to 12-217y-8, inclusive, of the Regulations of Connecticut State Agencies to United States registered or certified mail shall be treated as including a reference to any substantially equivalent service provided by a designated delivery service; and

(12) “Work site” means a distinct geographical location secured by the business firm where employment is regularly performed.

(Adopted effective October 5, 2000)

Sec. 12-217y-2. Program purpose

This program provides eligible business firms with a corporation business tax credit of \$125 for each full calendar month that the business firm employs an individual who has received for more than nine months, and continues to receive, benefits from the temporary family assistance program. The total amount of credits awarded to all eligible business firms through the Hiring Incentive Tax Credit Program is limited to \$1 million per fiscal year.

(Adopted effective October 5, 2000)

Sec. 12-217y-3. Application and approval process

(a) Business firms shall submit their applications for credits under the Hiring Incentive Tax Credit Program annually to the Commissioner within the application period. The Commissioner shall approve or disapprove each application within sixty (60) days of receipt based upon the information submitted, the timeliness of the application, and the amount of tax credits remaining in the annual allotment for the fiscal year.

(b) The Department shall process applications in the order which they are received.

(c) With its application for the Hiring Incentive Tax Credit, each business firm shall furnish to the Department:

(1) The business firm’s Connecticut Tax Registration Number and Federal Employer Identification number;

(2) The business firm’s principal place of business;

(3) The number of employees working in the State of Connecticut as of the time of application;

(4) The beginning and ending date of the business firm’s income year for tax purposes;

(5) The amount of tax credits requested by the business firm;

(6) The number of work sites located in Connecticut; and

(7) A job order for each position to be filled by a qualifying employee which indicates:

(A) The number of hours of work per week;

(B) The nature of the position;

(C) The nature of any job training involved with the position; and

(D) The projected employment starting date.

(d) Business firms seeking tax credit reservations should file their applications and accompanying information with the Connecticut Department of Labor, Program Support Unit, 200 Folly Brook Boulevard, Wethersfield, CT 06109 during the application period.

(e) Except as provided in subsection (f) of this section, the maximum number of tax credit reservations allocated to a business firm will be dependent on the size of the business firm at the time of application.

(1) Business firms with one (1) to two hundred and forty-nine (249) Connecticut employees may receive up to five (5) tax credit reservations.

(2) Business firms with two hundred and fifty (250) to four hundred and ninety-nine (499) Connecticut employees may receive up to ten (10) tax credit reservations.

(3) Business firms with five hundred (500) or more Connecticut employees may receive up to twenty-five (25) tax credit reservations.

(f) Any business firm with more than one work site located in Connecticut may receive five (5) tax credit reservations for each Connecticut work site, regardless of the number of Connecticut employees employed by the business firm.

(g) Upon review of the business firm's application, the Department shall notify business firms in writing that their tax credit reservations have been approved or denied. If the application is approved, the notification shall specify the number of tax credit reservations approved. If the Department denies an application, it shall notify the business firm, in writing, of the reasons for the denial.

(h) If a business firm has received a tax credit reservation but fails to hire a qualified employee within thirty days of the projected hiring date as submitted to the Department on its application, the Department may reallocate the reservation to the next eligible firm based on the date of application submittal.

(Adopted effective October 5, 2000)

Sec. 12-217y-4. Allocation of tax credit

If the Commissioner approves the application, and the maximum number of allowable tax credit reservations for that fiscal year has not yet been allocated, the Commissioner shall allocate and reserve an amount of tax credits for such firm as provided in subsections (e) and (f) of section 12-217y-3 of the Regulations of Connecticut State Agencies. If tax credit reservations remain available at the close of the application period, additional tax credit reservations may then be approved by date of request up to the maximum available credits remaining.

(Adopted effective October 5, 2000)

Sec. 12-217y-5. Certification process

(a) Any business firm seeking the tax credit shall apply for and receive certification from the Department that the employee for whom it is seeking the tax credit is a qualifying employee before the business firm can claim the tax credit on its Connecticut corporation business tax return. To apply for certification, business firms shall submit, by letter postmarked not later than the twenty-first day after an employee's employment starting date:

(1) The name of the qualifying employee on the form provided by the Department and a statement indicating that the individual is and has been receiving Temporary Family Assistance for more than nine consecutive months at the time of the employment starting date; and

(2) The Social Security number of the qualifying employee.

(b) The Department shall issue to the business firm either a written tax credit certification of an employee's eligibility or a written denial of certification for each employee who is the subject of the tax credit eligibility application.

(c) The Department will issue additional tax credit certifications, if necessary, to replace certified employees who are terminated during the business firm's income year.

(Adopted effective October 5, 2000)

Sec. 12-217y-6. Business firm to submit report at end of income year

(a) Within thirty days of the end of its income year, the business firm which has received a tax credit certification shall submit a report to the Department of Labor, which specifies the number of full calendar months that it employed a qualifying employee during the income year, including a log of the specific dates of the weeks and number of hours per such weeks that the qualifying employee was employed and the name and Social Security number of each qualifying employee. The Depart-

ment shall notify eligible business firms in writing that they are approved to claim the credit. The notification shall specify the amount of credit the business firm may claim on behalf of each qualifying employee and the total amount of credit the business firm may claim under the Hiring Incentive Tax Credit Program. A copy of this notification shall be attached by the business firm to its corporate business tax return filed with the Department of Revenue Services.

(b) The Department will provide the Department of Revenue Services with a list of each business firm's certified employees and the amount of the firm's tax credit eligibility.

(Adopted effective October 5, 2000)

Sec. 12-217y-7. Timeliness; evidence of mailing

(a) Materials submitted by the business firm shall be filed timely if the materials are received by the Department's Office of Program Support within the specified time period or bear a legible United States mail postmark which indicates that within such time period it was placed in the possession of the postal authorities for delivery to the Department. If the postmark bears a date that falls beyond the specified time frame, the document shall be considered not timely filed. If the last day of the specified time frame for filing falls on a day when the Department was not open for business, the last day shall be extended to the next business day of the Department. Postage meter postmarks alone, other than those provided by the United States Postal Service, are not acceptable as evidence of timely filing unless received within a reasonable amount of time through the United States Postal Service.

(b) If the envelope has a United States Postal Services postmark in addition to another postmark, the postmark not made by the United States Postal Service or any designated delivery service described in subsection (11) of section 12-217y-1 of the Regulations of Connecticut State Agencies shall be disregarded. Whether the envelope was mailed in accordance with this subsection shall be determined solely on the basis of whether the document was deposited within the prescribed time in the mail in the United States with sufficient postage prepaid.

(c) If the document is sent by United States Registered mail, the date of the registration of the document shall be treated as the postmark date.

(d) If the document is sent by United States Certified mail and the sender's receipt is postmarked by the postal employee to whom such document is presented, the date of the United States postmark on such receipt shall be treated as the postmark date of the document.

(e) In cases where there are multiple United States Postal Service postmarks, the earliest postmark is used to determine the filing date, such as mail that is forwarded from the receiving office to the certifying office.

(f) If the postmark on the envelope is not legible, and the Department has no evidence of receipt within reasonable mail delivery time, the business firm or business firm representative who is required to file the document has the burden of proving the time when the postmark was made. If the cover containing a document bearing a timely postmark made by the United States Postal Service is received after the time when a document postmarked and mailed at such time would ordinarily be received, the sender may be required to prove that it was timely mailed. To establish that proof, the employer or his or her representative must show:

(1) that it was actually deposited in the mail before the last collection of the mail from the place of deposit not later than the last day of the prescribed time frame;

(2) that the delay in receiving the document was due to a delay in the transmission of the mail; and

(3) the cause of such delay.
(Adopted effective October 5, 2000)

Sec. 12-217y-8. Tax credit carry forwards

The amount of tax credit allowed to a business firm which is not used in the income year in which the expenditure was made may be carried forward for the five immediately succeeding income years until the full credit has been allowed.

(Adopted effective October 5, 2000)

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Corporation Business Tax

Sec. 12-218-1. Definitions

(a) “Entire net income” means net income apportioned to this state under section 12-218. Only a company which is taxable both within and without this state shall be entitled to apportion its net income to this state. In the case of a company which is not taxable both within and without this state, any reference to its entire net income means its net income.

(b) “Entire net loss” means the excess (of allowable deductions over gross income) apportioned to this state under section 12-218. Only a company which is taxable both within and without this state shall be entitled to apportion its excess (of allowable deductions over gross income) to this state. In the case of a company which is not taxable both within and without this state, any reference to its entire net loss means its excess of allowable deductions over gross income.

(c) The commissioner, in his discretion, may require a company which files its annual return as if it were “taxable both within and without this state” to submit an official ruling from a state (which purportedly has taxing jurisdiction over such company) concerning its jurisdiction to impose a net income tax, a franchise tax for the privilege of doing business or a corporate stock tax on such company. Such an official ruling shall in no event bind the commissioner or be deemed conclusive.

(d) The “principal place of business” of a company is deemed to be within this state if the nerve center from which its officers control and coordinate corporate activities in furtherance of corporate objectives is within this state, or if the location of its overall, active management is within this state.

(e) Interest income and intangible assets are “managed or controlled” by a company within this state if—

(1) an office separate and distinct (if applicable) from the principal place of business of such company and officers of such company, charged with or responsible for the administration of, and the routine corporate activities involving, this particular aspect (interest income and intangible assets) of business operations are within this state; or

(2) no such separate and distinct office (as described in subdivision (1)) exists within or without this state, but the principal place of business of such company is within this state.

(Effective July 21, 1982)

Sec. 12-218-2. Derivation of income or loss

(a) Whether or not the net income or loss of a company is derived from the manufacture, sale or use of tangible personal or real property shall be determined by examining its business wherever carried on and not just by examining its business carried on within this state.

(b) The primary derivation of net income or loss shall be controlling. If the net income or loss of a company is primarily derived from the manufacture, sale or use of tangible personal or real property and only secondarily derived from an activity not involving the manufacture, sale or use of tangible personal or real property, the net income or loss of such company shall be deemed to be derived from the manufacture, sale or use of tangible personal or real property.

(Effective July 21, 1982)

Sec. 12-218-3. Apportionment fraction

(a) If the net income or loss of a company is primarily derived from the manufacture, sale or use of tangible personal or real property, such net income or loss shall

be apportioned within and without this state by multiplying such net income or loss by the apportionment fraction, the numerator of which is described in subsection (b) and the denominator of which is described in subsection (c).

(b) The numerator of the apportionment fraction is the sum of the property factor, the payroll factor, and twice the receipts factor. These factors are defined in section 12-218 (b). If a company cannot compute a factor, e.g., if a company paid no wages, salaries or other compensation to employees, then a zero shall be substituted for the factor which cannot be computed.

(c) The denominator of the apportionment fraction is four, unless a company cannot compute a factor, as illustrated by the example in subsection (b). If a company cannot compute a factor, the denominator of the apportionment fraction is the sum of the following for the factors which it can compute: in the case of the property factor, one; in the case of the payroll factor, one; and in the case of the receipts factor, two. Thus, e.g., if a company cannot compute the payroll factor but can compute the property factor and the receipts factor, then the denominator of the apportionment fraction is three.

(Effective August 1, 1983)

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Corporation Business Tax

Sec. 12-219a-1. Definitions

(a) “Entire additional tax base” means the additional tax base apportioned to this state under section 12-219a. Only a company which is taxable both within and without this state shall be entitled to apportion its additional tax base to this state. In the case of a company which is not taxable both within and without this state, any reference to its entire additional tax base means its additional tax base.

(b) The commissioner, in his discretion, may require a company which files its annual return as if it were “taxable both within and without this state” to submit an official ruling from a state (which purportedly has taxing jurisdiction over such company) concerning its jurisdiction to impose a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business or a corporate stock tax on such company. Such an official ruling shall in no event bind the commissioner or be deemed conclusive.

(c) The “principle place of business” of a company is deemed to be within this state if the nerve center from which its officers control and coordinate corporate activities in furtherance of corporate objectives is within this state, or if the location of its overall, active management is within this state.

(d) “Private corporation” means a corporation, the majority of the shares (of any class or type) of which are not held by or for, directly or indirectly, the United States, any State, or any subdivision or agency of the United States or any State. The stock of a private corporation includes treasury stock shown on the balance sheet.
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Corporation Business Tax
Alternate Method of Apportionment Under Section 12-221a

Sec. 12-221a-1. Alternate method of apportionment

(a) **In general.** (1) The standard that the Commissioner adopts under this regulation is that section 12-221a of the general statutes is to be interpreted to permit a departure from the statutory apportionment formula only in limited and specific cases, and use of an alternate method of apportionment under section 12-221a of the general statutes is appropriate only in specific cases where unusual fact situations (which ordinarily will be unique and nonrecurring) produce incongruous results under the statutory apportionment formula. Where there are no such unusual fact situations producing incongruous results under the statutory apportionment formula, the statutory apportionment formula must be used.

(2) **Special industry apportionment.** With respect to certain industries, such as rail transportation, ship transportation, television, radio, magazine publishing or motion pictures, for which some jurisdictions have adopted, by statute or regulation, a substitute apportionment formula for an entire industry in lieu of an otherwise applicable statutory apportionment formula, this regulation is not intended to establish a substitute apportionment formula for an entire industry. The Commissioner, however, has the inherent power under section 12-221a of the general statutes, after adopting regulations in accordance with the provisions of chapter 54, to establish such substitute apportionment formulae.

(3) Topics not covered by this regulation. The invocation of section 12-221a of the general statutes, especially to “throw back” or “throw out” receipts from the receipts factor, is not appropriate where the issue is whether or not a company is entitled to apportion its net income or its additional tax base. Section 12-218, 12-218a or 12-219a, as the case may be, of the general statutes governs such disputes, and not section 12-221a of the general statutes. If a company is entitled to apportion its net income or its additional tax base, the statutory apportionment formula must be used, unless an alternate method of apportionment is petitioned for (and granted) under subsection (b) or required under subsection (c) of this regulation.

(b) **Invocation by company.** A company may petition for an alternate method of apportionment when the statutory apportionment formula unfairly attributes to this state an undue proportion of its net income or additional tax base. A petition for alternate method of apportionment shall be granted only in limited and specific cases where unusual fact situations (which ordinarily will be unique and nonrecurring) produce incongruous results under the statutory apportionment formula. The provisions of the foregoing to the contrary notwithstanding, the Commissioner shall grant a petition for alternate method of apportionment if it is clearly established that either the Due Process Clause or the Commerce Clause or any other provision of the United States Constitution would be violated by applying the statutory method of apportionment to a company.

(c) **Invocation by Commissioner.** The Commissioner may require an alternate method of apportionment when the statutory apportionment formula has operated or will operate so as to subject the company to taxation on a lesser portion of its net income or additional tax base than is equitably attributable to this state. An alternate method of apportionment shall be used only in limited and specific cases where unusual fact situations (which ordinarily will be unique and nonrecurring) produce incongruous results under the statutory apportionment formula. Disparity among apportionment factors shall not establish (or tend to establish) that the

statutory apportionment formula has operated or will operate so as to subject the company to taxation on a lesser portion of its net income or additional tax base than is equitably attributable to this state, as the phrase is used in section 12-221a of the general statutes. For example, the invocation of section 12-221a of the general statutes, on account of a disparity between, on the one hand, a company's property factor or payroll factor and, on the other hand, its receipts factor, is not appropriate.

(d) **Alternate methods of apportionment.** (1) If it can be clearly established that the use of an alternate method of apportionment is appropriate, the company may petition for, or the Commissioner may require, (A) separate accounting; (B) the exclusion of any one or more of the factors; (c) the inclusion of one or more additional factors which will fairly represent the company's business activity in this state; or (D) the employment of any other method to effectuate an equitable apportionment of the company's income.

(2) An example of the employment of any other method to effectuate an equitable apportionment of the company's income is a situation where a company has closed and been unable to sell a manufacturing plant that it owns because the plant produced goods for which the market had permanently collapsed. Including the value of the plant in either the numerator (if the plant is situated in Connecticut) or the denominator of the property factor would distort the company's business activity inside and outside Connecticut. Therefore, it is appropriate to exclude the value of the plant from the numerator (if the plant is situated in Connecticut) and the denominator of the property factor.

(e) **Burden of proof for invoking section 12-221a.** The person, whether it is the company or the Commissioner, petitioning for or requiring, respectively, the use of an alternate method of apportionment, has the burden of proving, by clear and convincing evidence, that there are unusual fact situations (which ordinarily will be unique and nonrecurring) producing incongruous results under the statutory apportionment formula. Furthermore, if a company proposes the use of an alternate method of apportionment on the grounds that the application to the company of the statutory apportionment formula would violate either the Due Process Clause or the Commerce Clause or any other provision of the United States Constitution, the company bears the burden of proving, by clear and convincing evidence, such violation.

(f) **Definitions.** For purposes of this regulation, unless the context otherwise requires:

(1) "Statutory apportionment formula" means the apportionment formula that is prescribed in section 12-218, 12-218a or 12-219a, as the case may be, of the general statutes;

(2) "Commissioner" means the Commissioner of Revenue Services.

(g) **Effective date.** This regulation shall apply to actions that are taken by the Commissioner, permitting or requiring a company to change from using the statutory apportionment formula to using an alternate method of apportionment, on or after the date that this regulation is filed with the Secretary of the State.

(Effective November 22, 1995)

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Corporation Business Tax

Sec. 12-223a-1. Combined tax

(a) There shall be added to the combined tax an amount equal to the number of companies included in such combined return less one, multiplied by two hundred fifty dollars.

(b) The sum computed under subsection (a) shall not be less than an amount equal to the number of companies included in such combined return, multiplied by two hundred fifty dollars.

(Effective July 21, 1982)

Sec. 12-223a-2. Combined operating loss

(a) A “combined operating loss” exists in an income year (the combined loss year) in which the companies included in a combined return have a combined entire net loss (i.e., the sum of the entire net loss or, if applicable, the entire net income of each company included in such combined return is less than zero).

(b) The portion of a combined operating loss which may be deducted as a combined operating loss carryover in any of the five income years next succeeding the combined loss year shall be limited to the lesser of the following:

(1) the combined entire net income (i.e., the sum, if greater than zero, of the entire net income or, if applicable, the entire net loss of each company included in such combined return) of the succeeding income year in which such deduction is sought to be allowed, or

(2) the excess, if any, of such combined operating loss over the aggregate amount of the combined entire net income for any preceding income year succeeding such combined loss year, such combined entire net income of such preceding tax years being—

(A) computed for such purposes without regard to any combined operating loss carryover allowed from such combined loss year;

(B) computed for such purposes with regard to any operating loss carryover allowed from a loss year (preceding such combined loss year) to a company not included in a combined return in such loss year; and

(C) regarded for such purposes as not less than zero.

(c) The combined operating loss of any combined loss year shall be deducted in any of the five succeeding years, to the extent available therefor, before the combined operating loss of any succeeding combined loss year is deducted.

(d) The combined operating loss carryover provisions are applicable only to companies which were included in the same combined return made for, and subject to the tax imposed under chapter 208 in, the combined loss year.

(e) The operating loss of a company included in a combined return attributable to a loss year preceding the inclusion of such company in such combined return shall be deductible as an operating loss carryover in each of the five income years next succeeding such loss year. To the extent that any portion of such operating loss is so deducted, the entire net income of such company shall likewise be reduced for purposes of determining—

(1) whether a combined entire net income or a combined entire net loss exists with respect to such combined return made for an income year succeeding such loss year; and

(2) whether any portion of a combined operating loss may be deducted as a combined operating loss carryover therefrom.

Example:

Company A files a separate return in Year One (a loss year) and Year Two. Company A is included in a combined return with Companies B and C in Year Three, Year Four (a combined loss year), Year Five and Year Six.

	<i>Company A</i>		<i>Company B</i>	<i>Company C</i>	Combined Entire	
	Entire Net				Net Income or (Loss)	
	Income or (Loss)				A, B & C	
	Before	After			Before	After
	Carryover	Carryover			Combined	Combined
	Deduction	Deduction			Carryover	Carryover
Year 1:	(100)	—	15	25	40	—
Year 2:	20	0	5	30	35	—
* * * * *						
Year 3:	7	0	12	16	28	—
Year 4:	43	0	(53)	17	(36)	—
Year 5:	29	0	8	14	22	0
Year 6:	9	8	31	(12)	27	13

(f) Any company included in a combined return made for a combined loss year shall, in any of the five income years succeeding such combined loss year for which it is not included in such combined return, deduct a portion of such combined operating loss carryover not exhausted by the combined entire net income of any of such five succeeding years, provided—

- (1) such company had an entire net loss in such combined loss year; and
- (2) such company shall only deduct that portion of such unexhausted combined operating loss carryover which the entire net loss of such company in such combined loss year bore to the combined entire net loss of such year.

Example:

Company A is included in a combined return with Companies B and C in Year One, Year Two (a combined loss year), Year Three and Year Four. Company A, B and C are not included in such combined return in Year Five, Year Six and Year Seven.

	<i>Company A</i>		<i>Company B</i>	<i>Company C</i>	Combined Entire		
	Entire Net				Net Income or (Loss)		
	Income or (Loss)				A, B & C		
	Before	After			Before	After	
	Carryover	Carryover			Combined	Combined	
	Deduction	Deduction			Carryover	Carryover	
	Deduction	Deduction			Deduction	Deduction	
Year 1:	12	—	26	(10)	—	28	—
Year 2:	(40)	—	27	(20)	—	(33)	—
Year 3:	2	—	23	(13)	—	12	0
Year 4:	3	—	8	(11)	—	0	—
* * * * *							
Year 5:	7	0	15	8	1	—	—
Year 6:	4	0	21	9	—	—	—
Year 7:	5	2	18	0	—	—	—

(Effective July 21, 1982)

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Sec. 12-225-1.

Repealed, August 3, 2001.

Sec. 12-225-2. Adjustments to net income resulting from subtraction of exempt income shall be net of expenses

(a) **Definitions.** As used in this section, the following terms have the meaning ascribed to them in this subsection. The meaning which such terms have ascribed to them elsewhere is not pertinent to their use in this section.

(1) “Interest expense” means the aggregate amount allowable for purposes of chapter 208 of the general statutes to the taxpayer as a deduction for interest paid or incurred for the income year, determined without regard to section 12-225 of the general statutes or this section, and includes amounts, whether or not designated as interest, paid or incurred in respect of deposits, investment certificates, or withdrawable or repurchasable shares. “Interest expense” also includes, with respect to interest paid or incurred on indebtedness incurred or continued to purchase or carry tax-exempt obligations, any amount paid or incurred by any person making a short sale, as defined for federal income tax purposes, in connection with personal property used in such short sale, or any amount paid or incurred by any other person for the use of any collateral with respect to such short sale, but shall not include any amount paid or incurred by any person making a short sale if the taxpayer provides cash as collateral for any short sale, and the taxpayer receives or accrues no material earnings on such cash during the period of the sale.

(2) “Exempt income” means income, the taxation of which by the State of Connecticut is prohibited by the laws or constitution of the United States, as applied, or by the laws or constitution of the State of Connecticut, as applied, and includes exempt interest income.

(3) “Exempt interest income” means interest income, the taxation of which by the State of Connecticut is prohibited by the laws or constitution of the United States, as applied, or by the laws or constitution of the State of Connecticut, as applied.

(4) “Tax-exempt obligation” means any obligation the interest on which is exempt interest income.

(5) “Financial institution” means any person who accepts deposits from the public in the ordinary course of such person’s trade or business, and is subject to Federal or State supervision as a financial institution.

(b) **Expenses relating to exempt income.** Any refund or adjustment to net income based on the erroneous inclusion of exempt income, and that is based on a claim made in accordance with subsection (b) of section 12-225 of the general statutes, shall be calculated net of expenses related thereto. Where the corrected return adjusts net income by subtracting an amount of exempt income reported on the originally filed return, no amount shall be allowed as a deduction, as permitted by subsection (a) of section 12-217 of the general statutes or, in the case of a life insurance company, as permitted by section 12-213 of the general statutes, for any expense or amount which is otherwise allowable as a deduction and which is allocable to a class or classes of exempt income, determined without regard to the exclusion or deduction referred to in section 12-213-2 of the regulations of Connecticut state agencies, related to such subtracted income. Accordingly, any deductions taken for expenses related to the income subtracted on the corrected return shall be disallowed in calculating the corrected net income.

(c) **Allocation of expense to a class or classes of exempt income.** Expenses and amounts otherwise allowable which are directly allocable to any class or classes of exempt income shall be allocated thereto; and expenses and amounts allocable to any class or classes of nonexempt income shall be allocated thereto. If any expense or amount otherwise allowable is indirectly allocable to both a class of nonexempt income and a class of exempt income, a reasonable proportion thereof determined in light of all the facts and circumstances in each case shall be allocated to each.

(d) **Interest expense relating to tax-exempt income.** No amount shall be allowed as a deduction for interest expense paid or incurred on any indebtedness incurred or continued to purchase or carry any tax-exempt obligation.

(e) **Pro rata allocation of interest expense of financial institutions to tax-exempt interest.** (1) In general. Any provision of this section to the contrary notwithstanding, in the case of a financial institution, no deduction shall be allowed for that portion of the taxpayer's interest expense which is allocable, as provided in this subsection, to exempt interest income. Accordingly, any financial institution filing a corrected return under section 12-225 of the general statutes, which corrected return adjusts net income by subtracting exempt interest income, shall adjust its interest expense deduction in accordance with the allocation required by this subsection.

(2) Allocation. For purposes of this subsection, the portion of a financial institution's interest expense which is allocable to exempt interest income is an amount which bears the same ratio to such interest expense as the taxpayer's average adjusted basis, for federal income tax purposes, of tax-exempt obligations bears to such average adjusted basis for all assets of the taxpayer.

(f) **Interpretation.** Section 12-225 of the general statutes and this section shall be interpreted to apply to any expense related to exempt income that is earned on tax exempt obligations that are issued by or on behalf of the State of Connecticut, its agencies, authorities, commissions or other instrumentalities, or by or on behalf of any Connecticut political subdivision, its agencies or instrumentalities, to the same extent as section 12-225 of the general statutes and this section apply to any expense related to exempt interest that is earned on tax exempt obligations that are issued by or on behalf of the United States, its agencies, authorities, commissions or instrumentalities. This subsection shall apply only to income years prior to income years with respect to which Public Act 95-2 is effective.

(g) This section shall be applicable to amended returns, as defined in subsection (b) of section 12-225 of the general statutes, irrespective of when such returns were filed, in connection with which a claim for refund is granted or denied or an adjustment to net income is allowed, in whole or in part, on or after March 8, 1995 (the effective date of Public Act 95-2).

(Effective March 8, 1995)

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Repealed, August 3, 2001.

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Corporation Business Tax
Adjustments by the Commissioner under Section 12-226a

Sec. 12-226a-1. Adjustments by commissioner

(a) **In general.** All that is necessary in order for the Commissioner to make adjustments under section 12-226a of the general statutes is an agreement, arrangement or understanding between the company and another person that, whether by inadvertence or design, results in an improper or inaccurate reflection of income. The Commissioner is not required to establish improper accounting; fraudulent, colorable, or sham transactions; or arrangements designed to reduce or avoid tax by shifting or distorting income, deductions or capital. Nor is the Commissioner required to establish that the agreement, arrangement or understanding is unlawful or not legally binding upon the parties thereto. The Commissioner shall, however, examine whether the terms of such agreements, arrangements or understandings are consistent with the economic substance of the underlying transactions and the actual conduct of the parties. Said section 12-226a requires the Commissioner to adopt a regulation that sets forth standards for taking the actions that are authorized under section 12-226a. This regulation sets forth those standards.

(b) **Transactions at more or less than a fair price with related persons.**

(1) Section 12-226a of the general statutes authorizes the Commissioner to make adjustments where a company has entered into a transaction with a related person at more or less than a fair price which, but for such agreement, arrangement, or understanding, might have been paid or received therefor, and there is a significant deviation between the amount actually paid or received and the amount which, but for such agreement, arrangement, or understanding, might have been paid or received. The standard that the Commissioner adopts under this subsection of this regulation is arm's-length consideration, as defined in subdivision (4) of subsection (g) of this regulation. Adjustments made by the Commissioner under section 12-226a to reflect arm's-length consideration have no effect on other Connecticut taxes (e.g., sales and use taxes, real estate conveyance tax, etc.) where the amount paid or received—not the amount which, but for such agreement, arrangement, or understanding, might have been paid or received—is the measure of the tax.

(2) The following subparagraphs are by way of example and not of limitation.

(A) Transfers of tangible property. Where one person sells or otherwise disposes of tangible property to a related person at other than an arm's-length price, the Commissioner may make proper adjustments to reflect arm's-length consideration for that property.

(B) Loans and advances. Where one person makes a bona fide loan or advance directly or indirectly to, or otherwise becomes a creditor of, a related person, and either charges no interest, or charges interest at a rate which is not equal to an arm's-length rate of interest with respect to the loan or advance, the Commissioner may make proper adjustments to reflect an arm's-length rate of interest for that loan or advance.

(C) Services. Where one person performs marketing, managerial, administrative, technical, or other services for the benefit of, or on behalf of, a related person either without charge, or at a charge which is not equal to an arm's-length charge, the Commissioner may make proper adjustments to reflect an arm's-length charge for such services. However, a parent corporation providing supervisory services (also known as stewardship or overseeing functions) to a subsidiary need not charge the subsidiary for those services, which are regarded as providing the parent corporation with a benefit relating to the conservation and protection of its investment. (This

is due to the fact that a parent corporation often coordinates and oversees major policy decisions and sets strategic direction for its subsidiaries.) A parent corporation is required to make an arm's-length charge only for managerial services that would have provided the subsidiary with a benefit had they been provided by a third party.

(D) Use of tangible property. Where possession, use or occupancy of tangible property owned or leased by one person is transferred by lease or other arrangement to a related person either without charge or at a charge which is not equal to an arm's-length rental charge, the Commissioner may make appropriate adjustments to reflect an arm's-length rental charge.

(E) Transfer or use of intangible property. Where intangible property or an interest therein is transferred, sold, assigned, loaned or otherwise made available in any manner by one person to a related person for other than arm's-length consideration for such property or its use, the Commissioner may make appropriate adjustments to reflect an arm's-length consideration for such property or its use.

(c) **Arrangements with little or no business purpose.** (1) Section 12-226a of the general statutes authorizes the Commissioner to disregard an arrangement under which related companies may operate where one company so dominates and controls the other that income of the companies is improperly or inaccurately reflected, and it is neither realistic nor feasible to reconstruct the transactions between them using the arm's-length consideration standard.

(2) In determining whether an arrangement under which related companies may operate results in the improper or inaccurate reflection of the activity, business, income or capital of the companies, the Commissioner shall consider whether (A) the companies are motivated by business purposes other than tax avoidance or are principally motivated by tax avoidance purposes; (B) the separate businesses of the companies have economic substance because a reasonable possibility of obtaining a profit exists, apart from achieving tax benefits; and (C) one company has a significant amount of capital gains, interest, dividend, or similar income, with only minimal capital, activity, or expenses, because essential corporate functions are performed for the company by the other company without arm's-length charges.

(3) In determining whether related companies are motivated by business purposes other than tax avoidance or are principally motivated by tax avoidance purposes and whether the separate businesses of the companies have economic substance, the Commissioner shall consider whether (A) the related person has an identifiable place of business with supporting business records; (B) the related person maintains books and related accounting records; (C) the related person has a staff of employees or engaged contractors adequate in number and with sufficient expertise to conduct its business affairs; (D) the company so controls and dominates the finances, policy and business activities of the related person that the related person has virtually no separate existence; (E) the form employed for doing business is a sham; and (F) the separate businesses have economic substance because a reasonable possibility of obtaining a profit exists, apart from achieving tax benefits. No one factor is controlling in determining whether the company and the related person are motivated by business purposes and whether the arrangements have economic substance. An arrangement between a foreign sales corporation, as defined in 26 U.S.C. §922 and meeting the requirements of 26 U.S.C. §§921 to 927, and its shareholders shall not be considered an arrangement that is principally motivated by tax avoidance purposes.

(4) The following examples illustrate the application of this subsection.

Example 1: Company A carries on business in Connecticut and is subject to corporation business tax. Company B, a wholly-owned subsidiary of Company A, is a company that is exempt from the Delaware Corporation Income Tax, under

Del. Code Ann. tit. 30, §1902(b) (8), because its activities within Delaware are confined to the maintenance and management of its intangible investments. Company B leases an office for its exclusive use in Delaware where it has a staff of employees adequate in number to conduct all of its business affairs. All of Company B's assets are located in Delaware, and all its business activities, including all day-to-day decision-making and management functions, are conducted by its own officers and employees in Delaware, who have appropriate authority and expertise commensurate with their responsibilities. Company B received its intangible assets from Company A in a transfer by Company A under 26 U.S.C. §351 solely in exchange for stock in Company B.

Based on these facts, the Commissioner shall determine that the arrangement under which Company A and Company B operate does not result in the improper or inaccurate reflection of the activity, business, income or capital of the companies.

Example 2: Company G carries on business in Connecticut and is subject to corporation business tax. Company H, a wholly-owned subsidiary of Company G, is a company that is exempt from the Delaware Corporation Income Tax, under Del. Code Ann. tit. 30, §1902(b) (8), because its activities within Delaware are confined to the maintenance and management of its intangible investments. Company H does not lease an office for its exclusive use in Delaware and it does not have adequate staff to conduct its business affairs. Not all of Company H's assets are located in Delaware, and some or all its business activities, including all day-to-day decision-making and management functions, are conducted by Company G in Connecticut. Company H received its intangible assets from Company G in a transfer by Company G under 26 U.S.C. §351 solely in exchange for stock in Company H.

Based on these facts, the Commissioner shall determine that the arrangement under which Company G and Company H operate results in the improper or inaccurate reflection of the activity, business, income or capital of the companies, because Company G controls and dominates the business activities of Company H. Therefore, the Commissioner may shift income from Company H to Company G, or expenses from Company G to Company H, to reflect income properly or accurately.

(d) Transfers for tax avoidance purposes. (1) Section 12-226a of the general statutes authorizes the Commissioner to make adjustments to items of income, deduction or capital in order to prevent the avoidance, in whole or in part, of corporation business tax, where property is transferred between a company and a related person in anticipation of a sale to an unrelated person. The Commissioner shall weigh, as a factor in determining whether a transfer was made to avoid, in whole or in part, corporation business tax, the interval of time between the transfer by the company to the related person and the sale to the unrelated person. This subsection may apply even if arm's-length consideration is paid or received between the company and the related person. However, this subsection shall not apply to any transfer to which the provisions of subsection (c) of this regulation also apply.

(2) The following examples illustrate the application of this subsection.

Example 1: Company J carries on business in Connecticut and is subject to corporation business tax. Company K, a wholly-owned subsidiary of Company J, does not carry on business in Connecticut. In anticipation of a sale of certain of its property that is situated in Connecticut to an unrelated person, Company J transfers the property to Company K, which then promptly sells the property to the unrelated person for the sales price for which Company J itself could have sold the property directly to the unrelated person.

Based on these facts, the Commissioner shall determine that the arrangement between Company J and Company K with respect to the property results in the

improper or inaccurate reflection of the net income of Company J, and shall include in the net income of Company J the fair profits which, but for such arrangement, Company J might have derived from the sale of the property.

Example 2: The facts are the same as in Example 1, except that Company K holds the property for a considerable length of time, making use of it in the interim in its own business, before eventually reselling it to the unrelated person.

Based on these facts, the Commissioner shall determine that the arrangement between Company J and Company K with respect to the property does not result in the improper or inaccurate reflection of the net income of Company J (assuming that arm's-length consideration was paid by Company K on the transfer of the property to it by Company J).

(e) **Nonrecognition provisions may not bar adjustments.** Section 12-226a of the general statutes authorizes the Commissioner to disregard statutory nonrecognition provisions when necessary to prevent the avoidance of taxes or to reflect income properly or accurately.

(f) **Use of section 12-226a by a company.** A company has no right to apply section 12-226a of the general statutes at will or to compel its application by the Commissioner. However, section 12-226a of the general statutes does not limit a company's ability properly or accurately to reflect its activity, business, income or capital on its corporation business tax return. Thus, if a company has conducted its activity or business under any agreement, arrangement or understanding in such manner as either directly or indirectly to benefit its members or stockholders, or any other persons directly or indirectly interested in such activity or business, by entering into any transaction at more or less than a fair price which, but for such agreement, arrangement, or understanding, might have been paid or received therefor, the company may report the results of any such transaction based upon a price different from that actually paid or received if necessary to reflect an arm's-length result. (If reported results differ from transactional results recorded in the regular books and records of the company, such difference must be accounted for in the same manner as such difference would be accounted for federal income tax purposes.)

(g) **Definitions.** For purposes of this regulation, unless the context otherwise requires:

(1) "Person" means person, as defined in section 12-1 of the general statutes;

(2) "Commissioner" means the Commissioner of Revenue Services;

(3) "Arm's-length consideration" is the amount of consideration that would be paid or received (or the profits that would have been earned) in a transaction between unrelated persons, where neither person is under any compulsion to enter into the transaction and each person has reasonable knowledge of all relevant facts.

(4) "Arms-length price" or "arms-length charge" is the price or charge, respectively, that would be paid or received (or the profits that would have been earned) in a transaction between unrelated persons, where neither person is under any compulsion to enter into the transaction and each person has reasonable knowledge of all relevant facts.

(5) "Arms-length rental charge" is the rental charge that would be paid or received (or the profits that would have been earned) in a rental transaction between unrelated persons, where neither person is under any compulsion to enter into the transaction and each person has reasonable knowledge of all relevant facts.

(h) **Effective date.** This regulation shall apply to actions taken by the Commissioner on or after the date of filing of this regulation with the Secretary of the State. (Effective November 22, 1995)

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Corporation Business Tax

Repealed 12-233-1

Corporation Business Tax

Sec. 12-233-1.

Repealed, February 25, 2000.

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Corporation Business Tax

Repealed 12-236-1

Corporation Business Tax

Sec. 12-236-1.

Repealed, February 25, 2000.

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Corporation Business Tax

Repealed 12-242- 1

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Amortization of bond premiums. 12-242- 4

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Changes of accounting basis. 12-242- 9

The nondeductibility of funds which escheat to the state 12-242-10

Repealed 12-242-11

Corporation Business Tax

Sec. 12-242-1.

Repealed, July 21, 1982.

Secs. 12-242-2—12-242-3.

Repealed, February 25, 2000.

Sec. 12-242-4. Amortization of bond premiums

Corporations shall compute amortization of bond premiums on their Connecticut corporation tax returns in the same manner as computed and reported under the provisions of the federal corporation net income tax law except that amortization on federally exempt or partially exempt bonds shall be reported and deducted from bond interest income on Connecticut returns.

Secs. 12-242-5—12-242-7.

Repealed, July 21, 1982.

Sec. 12-242-8. Changes of accounting period

Any company which is required to file corporation business tax returns and which changes its accounting period from the calendar year to a fiscal year, a fiscal year to the calendar year, or from one fiscal year to another fiscal year, shall, at or before the time for filing the return for the short income year which is required to effect the change, file with the tax commissioner either (1) a copy of a letter from the United States treasury department approving the change or (2) a copy of the statement filed with the district director of internal revenue to the effect that the change is authorized without prior approval pursuant to applicable sections of the United States internal revenue code.

Sec. 12-242-9. Changes of accounting basis

Any company which is required to file corporation business tax returns and which has received permission from the United States treasury department to change its accounting method shall, within ten days after receipt thereof, file with the tax commissioner a copy of the letter granting such permission.

Sec. 12-242-10. The nondeductibility of funds which escheat to the state

No deduction may be taken by any savings bank, national bank, trust company, private bank or building or savings and loan association on its corporation business tax return for monies which have escheated to the state of Connecticut in accordance with the provisions of sections 3-57a and 3-65a to 3-75a of the General Statutes, or prior similar statutory provisions, regardless of whether such monies have been previously credited to income on the books of the taxpayer or included as income on the corporation business tax return of a prior year.

Sec. 12-242-11.

Repealed, February 25, 2000.

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Corporation Business Tax

Repealed 12-242b-1

Corporation Business Tax

Sec. 12-242b-1.

- (a) Repealed, August 3, 2001.
- (b) Repealed, December 19, 1984.
- (c) Repealed, December 19, 1984.

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Corporation Business Tax

Sec. 12-242d-1. Estimated payments for short years

(a) **Definitions.** In this section:

(1) “Companies” means companies subject to tax under chapter 208 of the Connecticut General Statutes;

(2) “Required annual payment” means the required annual payment, as defined in section 12-242d(e) of the Connecticut General Statutes; and

(3) “Short income year” means an income year of less than 12 months.

(b) **General.** Under section 12-242d of the Connecticut General Statutes, certain companies are required to make estimated corporation business tax payments. Subsection (g) of section 12-242d of the Connecticut General Statutes requires the department to adopt regulations applying the estimated tax payment requirements to companies with short income years in accordance with those regulations. This section applies the estimated tax payment requirements to companies with short income years.

(c) **How many instalments are required?** Use the chart below to determine how many instalments a company is required to make. In determining how many instalments are required, treat a portion of a month as a full month.

FOR SHORT INCOME YEARS OF:	THE NUMBER OF ESTIMATED TAX INSTALMENTS TO BE MADE IS:	WHICH ARE DUE ON OR BEFORE THE 15TH DAY OF THE:	THE PERCENTAGE OF THE REQUIRED ANNUAL PAYMENT DUE WITH EACH INSTALMENT IS:
1 MONTH OR LESS	0	—	—
2 TO 3 MONTHS	1	LAST MONTH OF THE SHORT INCOME YEAR.	100% OF THE REQUIRED ANNUAL PAYMENT.
4 TO 6 MONTHS	2	3RD AND LAST MONTHS OF THE SHORT INCOME YEAR.	30% OF THE REQUIRED ANNUAL PAYMENT FOR THE FIRST INSTALMENT, AND 70% OF THE REQUIRED ANNUAL PAYMENT FOR THE SECOND INSTALMENT.
7 TO 9 MONTHS	3	3RD, 6TH AND LAST MONTHS OF THE SHORT INCOME YEAR.	30% OF THE REQUIRED ANNUAL PAYMENT FOR THE FIRST INSTALMENT; 40% OF THE REQUIRED ANNUAL PAYMENT FOR THE SECOND INSTALMENT; AND 30% OF THE REQUIRED ANNUAL PAYMENT FOR THE THIRD INSTALMENT.
10 TO 11 MONTHS	4	3RD, 6TH, 9TH AND LAST MONTHS OF THE SHORT INCOME YEAR.	30% OF THE REQUIRED ANNUAL PAYMENT FOR THE FIRST INSTALMENT; 40% OF THE REQUIRED ANNUAL PAYMENT FOR THE SECOND INSTALMENT; 10% OF THE REQUIRED ANNUAL PAYMENT FOR THE THIRD INSTALMENT; AND 20% OF THE REQUIRED ANNUAL PAYMENT FOR THE FOURTH INSTALMENT.

Authority for regulation. The regulation proposed in Section 6 is required by Conn. Gen. Stat. § 12-242d(g). It is numbered to correspond to the statute it interprets, in accordance with the Department’s authority under Conn. Gen. Stat. § 12-2(a)(2)(B).

(Effective December 19, 1984; amended August 3, 2001)

Sec. 12-242d-2.

Repealed, August 3, 2001.

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Water, Gas, Electric and Power Companies

Repealed 12-268m-1

Water, Gas, Electric and Power Companies

Sec. 12-268m-1.

Repealed.

(Effective March 7, 1967)

(December 18, 1980)

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Unincorporated Business Tax

Repealed 12-269-1—12-269-15

Unincorporated Business Tax

Secs. 12-269-1—12-269-15.

Repealed, December 18, 1980.

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Cigarette Tax

Licenses for cigarette vending machines 12-289-1

Cigarette Tax

Sec. 12-289-1. Licenses for cigarette vending machines

(a) Definitions.

As used in this section:

(1) “License” means a cigarette vending machine license issued for a cigarette vending machine under this section; and

(2) “Licensee” means a person to whom a license is issued.

(b) License required.

(1) A separate license is required for each cigarette vending machine that is operated in Connecticut. A cigarette vending machine shall not be operated in Connecticut without a license. The license for each cigarette vending machine that is operated in Connecticut is in addition to, and not instead of, a cigarette dealer’s license, as described in section 12-287 of the Connecticut General Statutes, or a cigarette distributor’s license, as described in section 12-288 of the Connecticut General Statutes, as the case may be, that a cigarette vending machine owner is required to obtain.

(2) The owner of the cigarette vending machine is required to apply for the license, or to apply for renewal of the license. The license shall be valid for up to one year.

(3) Each license shall be printed with the license number and the license expiration date. A licensee is required to keep the license permanently affixed to the cigarette vending machine for which it is issued in a conspicuous place, and in a legible condition.

(c) Application for license.

(1) A cigarette vending machine owner shall apply for a license by filing Form REG-2 CIG, *Application Cigarette/Tobacco Products Tax Registration*, with the department. The applicant shall provide the applicant’s name and address and the name and address of the premises where each cigarette vending machine is or will be located.

(2) If, after form REG-2 CIG is submitted, any information provided by the applicant on the form changes, including but not limited to the name and address of premises where a cigarette vending machine is located, the applicant is required to report those changes, by mail, fax or e-mail, to the department no later than 30 calendar days after the change. The department is required to provide each licensee with a mailing address, fax number or e-mail address to report such changes.

(3) The commissioner may refuse to issue a license for the same reason or reasons, as described in subsection (d) of section 12-286 of the Connecticut General Statutes, that the commissioner may refuse to issue a dealer’s license or distributor’s license.

(d) Application for renewal of license.

(1) A cigarette vending machine owner shall apply for renewal of a license by filing form REG-9, *Application for Renewal*, with the department. The applicant shall provide the applicant’s name and address and the name and address of the premises where each cigarette vending machine is or will be located.

(2) If, after form REG-9 is submitted, any information provided by the applicant on the form changes, including but not limited to the name and address of the premises where a cigarette vending machine is located, the applicant is required to report those changes, by mail, fax or e-mail, to the department no later than 30 calendar days after the change. The department is required to provide each licensee with a mailing address, fax number or e-mail address to report such changes.

(3) The commissioner may refuse to renew a license for the same reason or reasons, as described in section 12-286(d) of the Connecticut General Statutes, that the commissioner may refuse to issue a dealer's license or distributor's license.

(Adopted effective October 1, 2003)

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Cigarette Tax

Sec. 12-293a(a)-1. Annual report in lieu of monthly reports for certain distributors

(a) Except as otherwise provided in this subsection, each distributor which does not, in the regular course of its business, acquire unstamped cigarettes may file with the department an annual report, prescribed as to form by the department, in lieu of the monthly reports required by subsection (a) of section 12-293a of the Connecticut General Statutes and known as Form CT-15, *Monthly Tax Stamp and Cigarette Report/Resident Distributor*, in the case of a resident distributor, or Form CT-15A, *Monthly Tax Stamp and Cigarette Report/Nonresident Distributor*, in the case of a nonresident distributor. The annual report, which shall bear notice to the effect that false statements made therein are punishable, shall be filed at the time that the distributor applies for, or applies to renew, a distributor's license under section 12-288 of the Connecticut General Statutes. The distributor, in signing the annual report, shall acknowledge and agree that, in the event the distributor acquires unstamped cigarettes, the distributor shall be required to file monthly reports required by subsection (a) of section 12-293a of the Connecticut General Statutes. The provisions of the preceding sentence to the contrary notwithstanding, the commissioner may, in his or her discretion, require a distributor which has filed such annual report to file the monthly reports required by section 12-293a of the Connecticut General Statutes if the enforcement of chapter 214 otherwise would be adversely affected.

(b) A distributor which has filed with the department the annual report described in subsection (a) of this section shall send notice to the department if the distributor intends to acquire unstamped cigarettes and shall file with the department form CT-15 or form CT-15A, as the case may be, if such distributor acquires unstamped cigarettes during any month.

(Transferred from § 12-293a-2 and amended, effective December 5, 2003; amended April 11, 2006)

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Repealed 12-293a(c)-1

Cigarette Tax

Sec. 12-293a(c)-1.

Repealed April 11, 2006.

(Transferred from § 12-293a-1 and amended, effective December 5, 2003; repealed April 11, 2006)

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Cigarette Taxes

Sec. 12-293a-1. Distributor's customer lists

(Effective December 19, 1984. Renumbered and amended, December 5, 2003. See § 12-293a(c)-1.)

Sec. 12-293a-2. Annual report by certain distributors or dealers

(Effective January 24, 1986. Renumbered and amended, December 5, 2003. See § 12-293a(a)-1.)

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Cigarette Tax

Sec. 12-300-1. Redemption of stamps

(a) The department shall redeem any stamp affixed to any package of cigarettes which has become unfit for use and consumption or unsalable on the filing by the distributor and the manufacturer of such cigarettes of form CT-30, *Cigarette Stamp Refund Claim*, attesting to the return to the manufacturer of such package and to the number and denomination of the stamps affixed thereto and attesting to the receipt by such manufacturer from such distributor of such package and the destruction of the stamps affixed thereto.

(b) The department shall, at the election of the distributor, allow a credit against the tax to such distributor or issue new stamps to such distributor. If the distributor requests that new stamps be issued, the distributor shall choose either to have:

(1) an authorized employee of the distributor be issued the new stamps in person at the headquarters of the department or at any designated field office of the department, or

(2) the new stamps shipped to the distributor.

(c) If a distributor chooses to have the new stamps shipped to the distributor, the department shall ship the new stamps subject to the following conditions:

(1) the distributor shall choose the shipper;

(2) all costs of shipping the new stamps shall be borne and prepaid by the distributor;

(3) the risk that the new stamps being shipped may not be received by the distributor shall be borne solely and exclusively by the distributor;

(4) in the event that the new stamps are not received by the distributor, any demand or claim against the state by the distributor for refund or credit of the amount allowed for the redeemed stamps is waived and released; and

(5) the distributor signs a document, acceptable to the department, releasing and waiving any demand or claim against the state by the distributor for refund or credit of the amount allowed for the redeemed stamps in the event that the new stamps are not received by the distributor.

(Transferred from § 12-313-4a and amended, effective December 5, 2003)

Sec. 12-300-2. Exchange of stamps

(a) The department shall, on request of a distributor or dealer, exchange new stamps for stamps mutilated while being affixed to a package of cigarettes. The provisions of the preceding sentence to the contrary notwithstanding, the commissioner may, in his discretion, refuse to exchange new stamps for mutilated stamps until he has examined the stamping records of the distributor or dealer. The distributor or dealer shall choose either:

(1) to have an authorized employee of the distributor or dealer be issued the new stamps in person at the headquarters of the department or at any designated field office of the department, or

(2) to have the new stamps shipped to the distributor or dealer.

(b) If a distributor or dealer chooses to have the new stamps shipped to the distributor or dealer, the department shall ship the new stamps subject to the following conditions:

(1) the distributor or dealer shall choose the shipper;

(2) all costs of shipping the new stamps shall be borne and prepaid by the distributor or dealer;

(3) the risk that the new stamps may not be received by the distributor shall be borne solely and exclusively by the distributor or dealer;

(4) in the event that the new stamps are not received by the distributor or dealer, any demand or claim against the state by the distributor or dealer for refund or credit of the amount allowed for the mutilated stamps is waived and released; and

(5) the distributor or dealer signs a document, acceptable to the department, releasing and waiving any demand or claim against the state by the distributor or dealer for refund or credit of the amount allowed for the mutilated stamps in the event that the new stamps are not received by the distributor or dealer.

(Transferred from § 12-313-5a and amended, effective December 5, 2003)

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Cigarette Tax

Sec. 12-302-1. Affixing of stamps by distributor

(a) A distributor shall affix stamps to the bottom of each unstamped package of cigarettes.

(b) A distributor shall cancel, in ink, the stamps with such distributor's license number.

(Transferred from § 12-313-6a and amended, effective December 5, 2003)

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Affixing of stamps by dealer 12-303-1

Cigarette Tax

Sec. 12-303-1. Affixing of stamps by dealer

(a) A dealer shall affix stamps to the bottom of each unstamped package of cigarettes.

(b) A dealer shall cancel, in ink, the stamps with such dealer's license number.
(Transferred from § 12-313-7a and amended, effective December 5, 2003)

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Secs. 12-313-1—12-313-31.

Repealed, January 24, 1986.

Secs. 12-313-1a—12-313-2a.

Repealed, December 5, 2003.

Sec. 12-313-3a.

Repealed, April 6, 2000.

Sec. 12-313-4a. Redemption of stamps

(Effective January 24, 1986. Renumbered and amended, December 5, 2003. See § 12-300-1.)

Sec. 12-313-5a. Exchange of stamps

(Effective January 24, 1986. Renumbered and amended, December 5, 2003. See § 12-300-2.)

Sec. 12-313-6a. Affixing of stamps by distributor

(Effective January 24, 1986. Renumbered and amended, December 5, 2003. See § 12-302-1.)

Sec. 12-313-7a. Affixing of stamps by dealer

(Effective January 24, 1986. Renumbered and amended, December 5, 2003. See § 12-303-1.)

Sec. 12-313-8a. Licenses required for temporary stand

(a) A dealer's license issued for a regular place of business does not cover a temporary stand located at a place apart from the regular place of business, whether or not cigarettes are sold only for a limited time. Each stand selling cigarettes at fairs, stadiums, expositions or other businesses of a temporary nature shall be licensed separately.

(b) This section is prescribed pursuant to section 12-313 of the general statutes.
(Effective January 24, 1986)

Sec. 12-313-9a. Inventories

(a) Each licensed distributor shall, on form CT-31, *Cigarette and Unaffixed Stamp Inventory Report for Resident Distributors*, in the case of a resident distributor, or on form CT-31A, *Cigarette and Unaffixed Stamp Inventory Report for Nonresident Distributors*, in the case of a nonresident distributor, take a physical inventory at the close of business on the last day of each month, whether or not a perpetual inventory is kept, of unstamped packages of cigarettes on hand and unaffixed stamps on hand. The commissioner may, without prior notice to the licensed distributor, assign an authorized officer of the department to assist in the taking of such physical inventory. form CT-31 or form CT-31A, as the case may be, shall be submitted with each monthly report referred to in subsection (a) of section 12-293a of the Connecticut General Statutes and known as form CT-15, *Monthly Tax Stamp and Cigarette Report/Resident Distributor*, in the case of a resident distributor, or form CT-15A, *monthly tax stamp and cigarette report/nonresident distributor*, in the case of a nonresident distributor.

(b) If a licensed distributor discovers that some or all of its unaffixed stamps are lost or missing, the distributor shall immediately notify the department in writing of this discovery and provide the roll number or numbers of the lost or missing stamps. If the distributor subsequently finds unaffixed stamps that it previously reported to the department as lost or missing, the distributor shall immediately notify the department in writing that such stamps were found and provide the roll number

or numbers of the found stamps. The distributor may not affix the found stamps to packages of cigarettes until the department authorizes the distributor in writing to affix the stamps to packages of cigarettes.

(Effective January 24, 1986; amended December 5, 2003)

Sec. 12-313-10a. Purchase of stamps

(a) Stamps may be purchased if and only if a distributor or dealer files form O-252, *Order and Invoice/Cigarette Tax Stamps*. In filing form O-252, a distributor or dealer shall choose either

(1) to have an authorized employee of the distributor or dealer purchase the ordered stamps in person at the headquarters of the department or at any designated field office of the department, or

(2) to have the ordered stamps shipped to the distributor or dealer.

(b) If a distributor or dealer chooses to have the ordered stamps shipped to the distributor or dealer, the department shall ship the ordered stamps subject to the following conditions:

(1) the distributor or dealer shall choose the shipper;

(2) all costs of shipping the ordered stamps shall be borne and prepaid by the distributor or dealer;

(3) the risk that the ordered stamps may not be received by the distributor shall be borne solely and exclusively by the distributor or dealer;

(4) in the event that the ordered stamps are not received by the distributor or dealer, the distributor or dealer shall be liable for the purchase price of such stamps, and any demand or claim against the state by the distributor or dealer for refund or credit of the amount paid for the ordered stamps is waived and released; and

(5) the distributor or dealer signs a document, acceptable to the department, releasing and waiving any demand or claim against the state by the distributor or dealer for refund or credit of the amount paid for the ordered stamps in the event that the ordered stamps are not received by the distributor or dealer.

(Effective January 24, 1986; amended December 5, 2003)

Sec. 12-313-11a. Records

(a) The complete and accurate records required under section 12-309 of the general statutes to be kept by a licensed distributor shall include a sales journal which shows daily sales both of stamped packages of cigarettes and of unstamped packages of cigarettes by such distributor, a purchases journal which shows daily purchases both of stamped packages of cigarettes and of unstamped packages of cigarettes by such distributor, a copy of each sales invoice which shall show the date, the name and address of the purchaser, the quantity of cigarettes sold, the sales price, and whether or not the cigarettes were delivered to the purchaser, and a copy of each purchase invoice which shall show the date, the name and address of the seller, the quantity of cigarettes purchased, the list price of the manufacturer, and whether or not the face value of stamps required by chapter 214 is included in such list price.

(b) The complete and accurate records required under section 12-309 of the general statutes to be kept by a licensed dealer shall include a sales journal which shows daily sales by such dealer, a purchases journal which shows daily purchases both of stamped packages of cigarettes and of unstamped packages of cigarettes by such dealer, and a copy of each purchase invoice which shall show the date, the name and address of the distributor, the quantity of stamped cigarettes purchased,

the quantity of unstamped cigarettes purchased, the cost to such dealer, and whether or not a trade discount other than a cash discount is allowed to such dealer.

(c) This section is prescribed pursuant to section 12-313 of the general statutes. (Effective January 24, 1986; amended December 1, 2000, December 5, 2003)

Sec. 12-313-12a. Sales, exchanges and transfers of unstamped packages of cigarettes by distributors

If unstamped packages of cigarettes are sold, exchanged or transferred by a distributor, such distributor shall complete in duplicate form AU-761, *Acknowledgment of Receipt of Unstamped Cigarettes*, attesting to the sale, exchange or transfer of such packages and the name and address of the person to whom such packages are sold or transferred or with whom such packages are exchanged. Duplicates shall be furnished by such distributor to such other person which shall certify to and return one copy to such distributor and shall keep the other copy with its records.

(Effective January 24, 1986; amended December 5, 2003)

Sec. 12-313-13a. Computation of cost

(a) In computing “cost to the distributor,” as defined in section 12-323 of the general statutes—

(1) a decimal of less than five-tenths of one cent shall be disregarded and a decimal of five-tenths of one cent or more shall be considered to be one cent.

(2) “no delivery is made” by a distributor to its customer, if cigarettes are delivered to such customer at the place of business of such distributor or, if the freight is paid by such customer, to a common carrier.

(3) “delivery is made” by a distributor to its customer, if cigarettes are delivered to such customer at some place other than the place of business of such distributor or, if the freight is paid by such distributor, to a common carrier.

(b) In computing “cost to the dealer,” as defined in section 12-323 of the general statutes, a decimal of less than five-tenths of one cent shall be disregarded and a decimal of five-tenths of one cent or more shall be considered to be one cent.

(c) This section is prescribed pursuant to section 12-313 of the general statutes. (Effective January 24, 1986)

Sec. 12-313-14a. Nonresident distributors

(a) All costs of sending an authorized officer of the Department of Revenue Services to the place of business of a person authorized by the commissioner under section 12-301 of the general statutes to affix, or cause to be affixed, the stamps required by chapter 214 for the purpose of examination of the books, accounts and records of such person shall be borne and, to the extent deemed feasible by the commissioner, prepaid by such person.

(b) This section is prescribed pursuant to section 12-313 of the general statutes. (Effective January 24, 1986)

Sec. 12-313-15a. Receipt and distribution of sample packages of cigarettes

(Effective January 24, 1986. Renumbered and amended, December 5, 2003. See § 12-314a-1.)

Sec. 12-313-16a. Delivery by distributors to agents

(a) A licensed distributor shall not furnish and deliver to any agent of such distributor packages of cigarettes on which the tax imposed under chapter 214 has been paid unless such delivery is made to such agent solely for the purpose of selling such packages on behalf of such distributor to a licensed dealer or dealers and is made pursuant to a written contract, which has been approved under subsection

(b) of this section by the commissioner, by and between such distributor and such agent.

(b) The contract shall be approved by the commissioner if it specifies the price and quantity of cigarettes which will be delivered to the agent and the date of delivery and provides that the agent shall be obligated, within ten days after such date of delivery, either to sell such cigarettes and account for the sales proceeds to such distributor or to return such cigarettes to such distributor, that title to such cigarettes, until sold, shall remain in such distributor, and that the agent shall act in the capacity of agent of such distributor in dealing with a licensed dealer or dealers. The contract may contain additional provisions, provided such provisions shall not conflict with the provisions of chapter 214 or the regulations promulgated thereunder. The contract shall be submitted for approval to the Department of Revenue Services, Audit Division, Excise Tax Subdivision.

(c) Violations by the agent of a distributor of the provisions of chapter 214 or the regulations promulgated thereunder shall be deemed to be violations by such distributor.

(d) This section is prescribed pursuant to section 12-313 of the general statutes. (Effective January 24, 1986)

Sec. 12-313-17a. Schedule required under 2000 Conn. Pub. Acts 208

(a) **Monthly schedule.** As part of the monthly report that is referred to in section 12-293a of the general statutes and that is known as Form CT-15, in the case of a resident distributor, or Form CT-15A, in the case of a nonresident distributor, every affected distributor shall complete and attach to such report a schedule, in such form as is prescribed by the Department of Revenue Services and containing the information specified by subsection (b) of this section, to account for and reconcile the number of Connecticut heat-applied decals that are affixed to packages of cigarettes during the monthly period that is covered by the associated Form CT-15 or Form CT-15A, as the case may be.

(b) **Required information.**

(1) The schedule that is required to be filed by subsection (a) of this section shall contain the information that is specified by this subsection.

(2)

(A) The schedule shall list each manufacturer from which the affected distributor made direct purchases of packages of cigarettes that were actually manufactured by such manufacturer, and the number of Connecticut heat-applied decals that were affixed by the affected distributor to such packages of cigarettes that were purchased from each such manufacturer.

(B)

(i) For each such manufacturer so listed that is a participating manufacturer, the schedule shall list all cigarettes purchased from such manufacturer, the number of connecticut heat-applied decals that were affixed to such packages of cigarettes by the affected distributor, and the number of cigarettes in such packages.

(ii) For each such manufacturer so listed that is a nonparticipating manufacturer, the schedule shall list, by brand, all cigarettes purchased from such manufacturer, the number of connecticut heat-applied decals that were affixed to such packages of cigarettes by the affected distributor with respect to each such brand, and the number of cigarettes in such packages.

(3) The schedule shall also list all other suppliers from which the affected distributor made purchases of packages of cigarettes, including packages of cigarettes that were purchased from one manufacturer but that were actually manufactured by

another manufacturer. Such list shall include all purchases that were made by the affected distributor during the month of packages of cigarettes, other than purchases that were made directly from the actual manufacturer of the cigarettes.

(4) For each separate supplier listed under subdivision (3) of this subsection, the schedule shall list all brands of cigarettes purchased from such supplier, the number of Connecticut heat-applied decals that were affixed to such packages of cigarettes by the affected distributor with respect to each such brand, and the number of cigarettes in such packages.

(5) For each brand of cigarette listed for each supplier under subdivision (4) of this subsection, the schedule shall list (A) the name of the manufacturer of such cigarettes, where such manufacturer intended the cigarettes to be sold in the United States, and indicate whether such manufacturer is a nonparticipating manufacturer, or (B) the name of the person or entity first responsible for such cigarettes being designated or identified for sale in the United States, where the actual manufacturer of such cigarettes did not intend such cigarettes to be sold in the United States, and indicate whether such person or entity first responsible for such cigarettes being designated or identified for sale in the United States is a nonparticipating manufacturer. The schedule shall also list any other information as may be required by the Department of Revenue Services.

(c) **Filing on magnetic media or filing electronically.** Upon sixty days' written notice to an affected distributor, the Department may require an affected distributor to file the schedule that is required by subsection (a) of this section for a month ending on or after such sixtieth day on magnetic media or in an electronic format, the specifications for which are furnished to the affected distributor in such written notice. If such notice is given by the Department, the affected distributor shall not be permitted to file such schedule with the Department using paper forms, and filing such schedule using paper forms shall be treated as a failure to comply with the provisions of this section.

(d) **Recordkeeping.** An affected distributor shall keep complete and accurate records to support the information that is required by subsection (b) of this section to be reported on the schedule that is required by subsection (a) of this section.

(e) **Failure to comply.** Failure of an affected distributor to comply with the provisions of this section by not filing the schedule required by subsection (a) of this section, or by not furnishing complete and accurate information as required by such schedule, shall be deemed a violation of this section, and the license of the affected distributor shall be subject to suspension or revocation under section 12-295 of the general statutes.

(f) **Definitions.** For purposes of this section, (1) "Connecticut heat-applied decals" means the heat-applied decals that are affixed to packages of cigarettes as evidence of the payment of the tax imposed under chapter 214 of the general statutes; (2) "affected distributor" means a person who has been issued a distributor's license under chapter 214 of the general statutes and who affixes connecticut heat-applied decals to packages of cigarettes; (3) "nonparticipating manufacturer" means any tobacco product manufacturer, as defined in section 4-28h of the general statutes, that is required to place funds into escrow pursuant to subsection (a) of section 4-28i of the general statutes; (4) "participating manufacturer" means any participating manufacturer, as that term is defined in section II(jj) of the master settlement agreement; (5) "master settlement agreement" means the master settlement agreement, as defined in section 4-28h of the general statutes; and (6) "cigarette" means cigarette, as defined in section 12-285 of the general statutes.

(Adopted effective December 1, 2000; amended December 21, 2001)

Sec. 12-313-18a. Definitions

(a) As used in regulations adopted under chapter 214 of the Connecticut General Statutes:

(1) “Commissioner” means the Commissioner of Revenue Services;

(2) “Department” means the Department of Revenue Services; and

(3) “Stamp” means any stamp authorized to be used under chapter 214 of the Connecticut General Statutes by the commissioner and includes heat-applied decals.

(Adopted effective December 5, 2003)

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Cigarette Tax

Sec. 12-314a-1. Authorized distribution of sample packages of cigarettes

(a) A dealer or distributor may give or deliver sample packages of cigarettes in connection with the promotion or advertisement of such cigarettes but only if the dealer or distributor has received prior written authorization from the department to give or deliver such sample packages. A dealer or distributor shall not receive such prior written authorization unless the dealer or distributor applies in writing to the excise and public services taxes subdivision of the audit division of the department for written authorization to give or deliver such sample packages and is able to establish, to the satisfaction of the department, that all the conditions set forth in subsection (b) of this section are met. Such written application shall be made no fewer than ten business days before the proposed distribution of cigarettes. The department, upon receiving such written application and if satisfied that all the conditions set forth in subsection (b) of this section are met, shall authorize in writing the giving or delivering of such sample packages by the dealer or distributor.

(b)

(1) The department shall authorize a dealer or distributor to give or deliver sample packages of cigarettes in connection with the promotion or advertisement of such cigarettes if it is established, to the satisfaction of the department, that all the conditions that are set forth in subdivisions (2) and (3) of this subsection are met.

(2) Each sample package of cigarettes shall contain at least two cigarettes; and

(3) the dealer or distributor, as the case may be, shall:

(A) receive no monetary consideration for the sample packages of cigarettes that are being given or delivered;

(B) have previously paid to the department all taxes imposed on the sample packages of cigarettes, including those taxes imposed under chapters 214 and 219 of the Connecticut General Statutes;

(C) keep records pertaining to the receipt and distribution of the sample packages of cigarettes, including the date, location and quantity of sample packages received and distributed, and to the date and amount of taxes paid on sample packages received and distributed; and

(D) distribute sample packages of cigarettes only on the premises of a dealer, or within an area to which access is limited to persons 18 years of age or older.

(Transferred from § 12-313-15a and amended, effective December 5, 2003)

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Regulations Required under 2000 Conn. Pub. Acts 208**Sec. 12-330n-1. Records**

In addition to the records that are required to be kept by a licensed distributor under chapter 214a of the general statutes, complete and accurate records relating to the schedule that is required to be filed by section 12-330n-2 shall be kept by each licensed distributor, as defined in subsection (f) of section 12-330n-2. Failure of a licensed distributor to comply with the provisions of this section by not keeping complete and accurate records relating to such schedule shall be deemed a violation of this section, and the license of the licensed distributor shall be subject to suspension or revocation under section 12-330e of the general statutes.

(Adopted effective December 1, 2000)

Sec. 12-330n-2. Schedule required under 2000 Conn. Pub. Acts 208

(a) **Monthly schedule.** As part of the monthly report that is referred to in section 12-330d of the general statutes and that is known as Form OP-300, every licensed distributor, as defined in subsection (f) of this section, shall complete and attach to such report a schedule, in such form as is prescribed by the Department of Revenue Services and containing the information specified by subsection (b) of this section, to account for and reconcile the quantity of roll-your-own tobacco that is sold by the licensed distributor during the monthly period that is covered by the Form OP-300.

(b) **Required information.** (1) The schedule that is required to be filed by subsection (a) of this section shall contain the information that is specified by this subsection.

(2) The schedule shall list each manufacturer from which the licensed distributor made direct purchases of roll-your-own tobacco that was actually manufactured by such manufacturer, and the quantity by weight of such directly-purchased tobacco that was sold by the licensed distributor during the month. For each such manufacturer so listed, the schedule shall list all roll-your-own tobacco purchased from such manufacturer, and the quantity by weight that was sold by the licensed distributor during the month.

(3) The schedule shall also list all other suppliers from which the licensed distributor made purchases of roll-your-own tobacco, including roll-your-own tobacco that was purchased from one manufacturer but that was actually manufactured by another manufacturer. Such list shall include all purchases of roll-your-own tobacco that are made by the licensed distributor during the month, other than directly from the actual manufacturer of the roll-your-own tobacco.

(4) For each separate supplier listed under subdivision (3) of this subsection, the schedule shall list all brands of roll-your-own tobacco purchased from such supplier, and the quantity by weight of each such brand that was sold by the licensed distributor during the month.

(5) For each brand of roll-your-own tobacco listed for each supplier under subdivision (4) of this subsection, the schedule shall list (A) the name of the manufacturer of such roll-your-own tobacco, where such manufacturer intended the roll-your-own tobacco to be sold in the United States, or (B) the name of the person or entity first responsible for such roll-your-own tobacco being designated or identified for sale in the United States, where the manufacturer of such roll-your-own tobacco did not intend such tobacco to be sold in the United States. The schedule shall also list any other information as may be required by the Department of Revenue Services.

(c) **Filing on magnetic media or filing electronically.** Upon sixty days' written notice to a licensed distributor, the Department may require the licensed distributor to file the schedule that is required by subsection (a) of this section for a month ending on or after such sixtieth day on magnetic media or in an electronic format, the specifications for which are furnished to the affected distributor in such written notice. If such notice is given by the Department, the licensed distributor shall not be permitted to file such schedule with the Department using paper forms, and filing such schedule using paper forms shall be treated as a failure to comply with the provisions of this section.

(d) **Recordkeeping.** A licensed distributor shall keep complete and accurate records to support the information that is reported on the schedule that is required by subsection (a) of this section.

(e) **Failure to comply.** Failure of a licensed distributor to comply with the provisions of this section by not filing the schedule required by subsection (a) of this section, or by not furnishing complete and accurate information as required by such schedule, shall be deemed a violation of this section, and the license of the affected distributor shall be subject to suspension or revocation under section 12-330e of the general statutes.

(f) **Definitions.** For purposes of this section, "roll-your-own tobacco" means tobacco which, because of its appearance, type, packaging or labeling is suitable for use and likely to be offered to, or purchased by, consumers as tobacco for making cigarettes, and "licensed distributor" means a person who has been issued a distributor's license under chapter 214a of the general statutes.

(Adopted effective December 1, 2000)

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Value of Taxable Reversionary Interest**Sec. 12-341b-1. Value of taxable reversionary interest**

(a) The value of a taxable reversionary interest immediately before the death of the decedent shall be determined, without regard to the fact of the decedent's death, the same way it is determined for federal estate tax purposes under 26 CFR 20.2031-7, as in effect on the date on which this section is filed with the Secretary of the State.

(b) This section applies to estates of decedents who die on or after the date on which this section is filed with the Secretary of the State.

(Adopted effective February 2, 2000)

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Succession and Transfer Taxes**Sec. 12-349-1. Payments under retirement or pension plan, trust or contract**

(a) Payments under a retirement or pension plan, trust or contract to the beneficiary of a decedent, which payments are subject to tax under chapter 216 of the Connecticut General Statutes, may be made without the consent of the commissioner of revenue services for a period expiring nine months after the date of death of the decedent, provided payments under the plan, trust or contract are, by its terms, payable periodically as an annuity for the life of the beneficiary or for a term of not less than three years. Such payments may not be made after the expiration of such nine-month period unless and until a consent to transfer, duly signed by such commissioner, or a fiduciary's certificate of appointment by the court of probate has been received by the payor of such payments.

(b) The making of payments which are in contravention of the provisions of subsection (a) of this section shall subject the payor to the sanctions imposed under section 12-382 of the Connecticut General Statutes.

(Effective December 19, 1984)

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Succession Tax

Sec. 12-359-1. Summary of insurance or annuity contract to be filed in probate court

The summary of the insurance or annuity or other similar contract with an insurance company which, under the provisions of section 12-359 of the general statutes, may be filed in the court of probate in lieu of a copy of such contract shall be in the form of a statement by the insurance company which issued the contract setting forth the name of such company, the kind of contract, its number and date of issue, the name of the decedent who made the transfer evidenced by the contract, the date of his death, what rights, powers and privileges are reserved to him in the contract, the amount of the premium paid for the contract, the name or names of the person or persons who paid the premium, the names and birthdays of all annuitants, payees and beneficiaries named in the contract, the amount or amounts payable to each under the contract, when they are payable and, if the payment of them or any of them depends upon the outcome of a contingency, what the contingency is.

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Release of Succession Tax Liens

Sec. 12-364-1. Release of succession tax liens by probate court; real property owned in joint tenancy with right of survivorship

(a) **Definitions.** For purposes of sections 12-364-1, 12-366-1, 12-382-1, and 12-398-1 of the Regulations of Connecticut State Agencies:

(1) “Commissioner” means the Commissioner of Revenue Services;

(2) “Exempt beneficiary” means a:

(A) Class AA beneficiary (the surviving spouse of the decedent);

(B) Class A beneficiary, as defined in § 12-344(a) of the Connecticut General Statutes, of the estate of a decedent who dies on or after January 1, 2001;

(C) Class B beneficiary, as defined in section 12-344(a) of the Connecticut General Statutes, of the estate of a decedent who dies on or after January 1, 2003; or a

(D) Class C beneficiary, as defined in section 12-344(a) of the Connecticut General Statutes, of the estate of a decedent who dies on or after January 1, 2005;

(3) “Gross taxable estate” means gross taxable estate as defined in section 12-349 of the Connecticut General Statutes;

(4) “Net estate” means net estate as defined in section 12-350 or 12-352 of the Connecticut General Statutes, as the case may be;

(5) “Judge of probate” means:

(A) The judge of probate who has jurisdiction of a resident decedent’s estate;

(B) The judge of probate for the district that has jurisdiction of a nonresident decedent’s ancillary estate; or

(C) The judge of probate for the district in which a nonresident decedent’s real property is situated, if ancillary proceedings have not already started.

(b) **Certificate of release of lien.** Where a resident or a nonresident decedent’s gross taxable estate includes an interest in real property held in joint tenancy with the right of survivorship, the judge of probate may issue a certificate of release of lien for such real property if he or she finds that no Connecticut succession or transfer tax will be due from the property held in joint tenancy.

(c) **Finding that no tax will be due.**

(1) The judge of probate’s finding that no Connecticut succession or transfer tax will be due with respect to the interest of the decedent in real property shall be based on satisfactory evidence that either:

(A) the surviving joint tenant is an exempt beneficiary; or that

(B) No succession or transfer tax is likely to be due, given the value of the decedent’s gross taxable estate and the beneficiaries to whom the estate will pass.

(2) The judge of probate’s finding that no tax will be due shall not affect the responsibility of any person to file a return, or to collect or pay any tax subsequently found to be due under chapter 216 of the Connecticut General Statutes.

(Adopted effective April 28, 2000)

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Release of Succession Tax Liens

Sec. 12-366-1. Release of succession tax liens by probate court; real property not owned in joint tenancy with right of survivorship

(a) **Certificate of release of lien.** Where a resident or a nonresident decedent's gross taxable estate includes an interest in real property held other than in joint tenancy with the right of survivorship, the judge of probate may issue a certificate of release of lien for such real property if he or she finds that no Connecticut succession or transfer tax will be due from the estate.

(b) **Finding that no tax will be due.**

(1) The judge of probate's finding that no Connecticut succession or transfer tax will be due with respect to the decedent's interest in the real property shall be based on satisfactory evidence that either:

(A) Each of the beneficiaries of the decedent's estate are exempt beneficiaries; or that

(B) No succession or transfer tax is likely to be due, given the value of the decedent's gross taxable estate and the beneficiaries to whom the estate will pass.

(2) The judge of probate's finding that no tax will be due shall not affect the responsibility of any person to file a return, or to collect or pay any tax subsequently found to be due under chapter 216 of the Connecticut General Statutes.

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Requirements for Consents to Transfer

Sec. 12-382-1. Transfer, payment or delivery of property without the consent of the commissioner

Where a transfer is subject to succession tax under section 12-340(a) or (b) of the Connecticut General Statutes, the commissioner's consent is not required for the transfer, payment or delivery of any property of a resident or a nonresident decedent where:

(a) The transfer, payment or delivery is to an exempt beneficiary;

(b) A Connecticut probate court has issued a decree appointing a fiduciary, as evidenced by Form PC-450, *Fiduciary's Probate Certificate*, with the probate court seal affixed to it, to grant administration to a fiduciary; or

(c) The transferor is a bank; trust company, savings bank, savings and loan association or credit union that pays moneys deposited in a joint account to the survivor or in a trust account to the beneficiary.

(Adopted effective April 28, 2000)

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Release of Estate Tax Liens

Sec. 12-398-1. Release of estate tax liens by probate court

(a) **Certificate of release of lien.** Where a resident or a nonresident decedent's gross estate, as defined in section 12-391(c) of the Connecticut General Statutes, includes any interest in real property situated in Connecticut, the judge of probate may issue a certificate of release of lien for such real property if he or she finds that no Connecticut estate tax will be due from the estate.

(b) **Finding that no tax will be due.**

(1) The judge of probate's finding that no Connecticut estate tax will be due from the decedent's estate shall be based on satisfactory evidence that no federal estate tax will be imposed on the decedent's estate under 26 USC 2001, after taking the credit allowed under 26 USC 2010.

(2) The judge of probate's finding that no Connecticut estate tax will be due shall not affect the responsibility of any person to file a return, or to collect or pay any tax subsequently found to be due under the provisions of chapter 217 of the Connecticut General Statutes.

(Adopted effective April 28, 2000)

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Enumerated Services

Sec. 12-407(2)(i)(F)-1. Photographic studio services

(a) **Definition.** The term “photographic studio services” means such activities as taking, restoring or retouching photographs and portraits, recording or restoring videotapes or other motion pictures, or converting one medium to another, such as converting a movie film to a videotape. Photographic studio services may be performed for the general public or for commercial customers, and may be performed in the studio or on location, such as at a wedding.

(b) **Charges made by service providers.** (1)(A) When a photographic studio sells photographs, videotapes or movie films, it is generally deemed to be selling tangible personal property, and charges for any services performed in connection with the production of such property are includible in the measure of tax for its sale. Separate charges for services of a photographic studio that do not culminate in, or that are in addition to, the sale of tangible personal property (such as sitting fees charged when the customer does not choose to purchase the photograph, videotape or movie film, or fees for the restoration or retouching of a photograph, videotape or movie film supplied by the customer) are taxable as photographic studio services.

(B) Example: A photographer takes a number of photographs of a customer’s family members in various poses and combinations both in the studio and at the family’s home. Any photographs purchased by the customer are taxable as tangible personal property. If the photographer charges a fee for any photographs not selected by the customer, or if the customer selects no photographs at all, such fee is taxable as the sale of photographic studio services.

(2)(A) If the true object of a transaction involving a photographic studio is not to obtain outright ownership of the photograph, videotape or movie which was created, restored or retouched for a particular customer, but to obtain only certain of the intangible incidents of ownership thereto, such as the right to reproduce, change or market the photograph, videotape or movie, the charge for such transaction shall be considered a charge for photographic studio services and the transfer of intangible personal property. The charge for the transfer of the intangible incidents of ownership may be only excluded from tax to the extent that it is separately stated from the charge for the photographic studio services on the bill to the customer and the service provider can demonstrate to the satisfaction of the commissioner that such charge is reasonable. If, however, the charges for the sale of the intangible incidents of ownership are not so separately stated, the entire charge shall be taxable as the sale of photographic studio services.

(B) Example: A department store submits to a photographic studio a sketch of how it would like an advertising circular laid out. The studio selects the background, set, props and models for the circular and photographs them, producing a color film negative which it furnishes to the department store. Unless the department store purchases the negatives outright, and the studio retains no ownership rights whatsoever, the true object of the department store is to obtain the services of the photographic studio and the right to reproduce the photographs in its advertising circular, as opposed to obtaining the photographs themselves as tangible personal property. To the extent that the photographic studio separately states the charge for the sale of the right to reproduce the photographs from the charge for its services on the bill to the customer, the charge for the right to reproduce may be excluded from tax. The charge for the services of the studio is taxable as photographic studio services.

(c) **Purchases by service providers.** Photographic studios may purchase tangible personal property, such as mounts, frames, sensitized paper used in finished photographs, videotapes and films, that is transferred to the customer as an ingredient or component part of the finished product being sold on a resale basis when the true object of the transaction is the sale of tangible personal property. When the true object of a sale by a photographic studio is to render services or convey an intangible right, as opposed to selling tangible personal property as discussed above, then the tangible personal property purchased by the photographic studio in connection with rendering such services or such conveyance is considered to be consumed by the studio and is taxable. Providers of photographic studio services are the consumers of supplies that are used by them, such as chemicals, trays, film (other than film incorporated into the tangible personal property sold to the customer), plates, proof paper, cameras and video equipment, and their purchases of supplies are taxable.

(d) **Where sales by photographic studios are deemed to be made.** (1) Sales of tangible personal property by a photographic studio are taxable if the location where title to such property is passed is within Connecticut.

(2) Photographic studio services shall be subject to tax if the photographs, videotapes or movie films are taken in Connecticut. If the photographs, videotapes or movie films are taken in Connecticut, the sale of photographic studio services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident.

(Adopted effective April 7, 1999)

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Services to Real Property

Services to industrial, commercial or income-producing real
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Services to Real Property

Sec. 12-407 (2) (i) (I)-1. Services to industrial, commercial or income-producing real property

(a) **In general.** Section 12-407 (2) (i) (I) of the general statutes defines “sale” and “selling” as including the rendering of services to industrial, commercial or income-producing real property. Subsection (b) of this regulation defines the term “real property” and describes the real property that is affected by this regulation. Subsection (c) of this regulation describes the circumstances under which services to real property are considered to be rendered in the construction of new real property and the circumstances under which services to real property are not considered to be rendered in the construction of new real property. Subsection (d) of this regulation defines the term “industrial real property.” Subsection (e) of this regulation defines the term “commercial real property.” Subsection (f) of this regulation defines the term “income-producing real property.” Subsection (g) of this regulation describes the services that are affected by this regulation. Subsection (h) of this regulation pertains to the taxability of charges made by a person rendering services to industrial, commercial or income-producing real property to a property owner. Subsection (i) of this regulation pertains to the taxability of charges made by one person rendering services to industrial, commercial or income-producing real property to another such person reselling such services to a property owner. While this regulation pertains, for purposes of supplementary interpretation, as the phrase is used in section 12-2 of the general statutes, to said section 12-407 (2) (i) (I), the promulgation of this regulation is authorized by section 12-426 (1) of the general statutes.

(b) **Real property.**

(1) The term “real property,” as used in section 12-407 (2) (i) (I) of the general statutes and in this regulation, means property that is considered to be real property under the laws of the State of Connecticut.

(2) The provisions of subdivision (1) of this subsection to the contrary notwithstanding, the repair and maintenance of such property as furnaces (boilers or burners), central air conditioning units, central vacuuming units, manufacturing production machinery, refrigeration units, modular lighting units, pumps, tanks or alarm systems will be considered to be services defined as a “sale” or “selling” under subparagraph (Q) (repair services to any electrical or electronic device) or (DD) (repair or maintenance services to any item of tangible personal property) of section 12-407 (2) (i) of the general statutes, and will not be considered to be services rendered to “real property,” as used in said section 12-407 (2) (i) (I) and in this regulation. However, the repair and maintenance of ducting, piping or wiring for such property will be considered to be services rendered to “real property,” as used in said section 12-407 (2) (i) (I) and in this regulation, and will not be considered to be services defined as a “sale” or “selling” under subparagraph (Q) or (DD) of said section 12-407 (2) (i).

(c) **Construction of new real property.**

(1) **Buildings.** Services to real property are within the purview of section 12-407 (2) (i) (I) of the general statutes if and only if the services are rendered to existing industrial, commercial or income-producing real property. Services to real property that are rendered in the construction of new industrial, commercial or income-producing real property are not within the purview of said section 12-407 (2) (i) (I). Services to real property will be considered to be rendered in the construction of new real property only to the extent that they are directly connected with the

construction of a new building (or a new addition that expands the cubic footage of an existing building); otherwise, services to real property will not be considered to be rendered in the construction of new real property. Where only the external walls and roof of an existing building are left in place, services will nonetheless be considered to be rendered in the construction of new real property, as long as new floors, new internal walls, new support columns and new electrical and mechanical systems are constructed, provided where a structure purported to be a certified historic structure, as defined in 26 U.S.C. § 48 (g) (3) (A), is being substantially rehabilitated, as defined in 26 U.S.C. § 48 (g) (1) (C), and the rehabilitation will be a certified rehabilitation, as defined in 26 U.S.C. § 48 (g) (2) (C), new floors, new internal walls and new support columns will not be required to be constructed to the extent that such construction would prevent such structure from being listed in the National Register or certified as a certified historic structure, as the case may be.

(2) Site improvements. Services involved in the making of improvements to real property that put the property affected to a new use, such as the construction of roadways, walkways (concrete or asphalt), parking lots, patios (concrete or asphalt), swimming pools, tennis courts or decks, will be considered to be rendered in the construction of new real property, whether or not the making of such improvements is directly connected with the construction of a new building (or a new addition that expands the cubic footage of an existing building). Services involved in the making of improvements to real property that merely enhance an existing use of the property affected, such as the installation of wells, septic systems, utility lines, storm water drainage systems or outdoor lighting systems will not be considered to be rendered in the construction of new real property, unless the construction of such improvements is directly connected with the construction of a new building (or a new addition that expands the cubic footage of an existing building). If the presumption described in subdivision (2) of subsection (g) of this regulation is rebutted, services involved in the construction of improvements to real property such as ponds, walls, fences or gates will not be considered to be rendered in the construction of new real property, unless the construction of such improvements is directly connected with the construction of a new building (or a new addition that expands the cubic footage of an existing building). Services to real property involved in the renovation of existing site improvements will not be considered to be rendered in the construction of new real property, whether or not the renovation of such improvements is directly connected with the construction of a new building (or a new addition that expands the cubic footage of an existing building).

(3) New construction certificate. Unless a certificate, the form of which shall be prescribed by the commissioner, is issued to the service provider by the owner of the property when services to real property are rendered, it shall be presumed that such services are rendered to existing industrial, commercial or income-producing real property. The certificate shall relieve the service provider from the burden of proving that such services were not rendered to existing industrial, commercial or income-producing real property only if taken in good faith from the owner. The good faith of the service provider will be questioned if such provider has knowledge of facts that give rise to a reasonable inference that the certificate is inaccurate.

(d) **Industrial real property.**

(1) In general. The term “industrial real property” means an industrial plant, as the term is used in section 12-412 (18) of the general statutes and in any regulations interpreting said section. The term “industrial real property” also includes ancillary real property, such as shipping docks and warehouses.

(2) Services rendered to tenants. Where services are rendered to a person who has a leasehold interest in industrial real property and who has directly contracted with the service provider for such services, such services will be considered to be services to industrial real property, even if such lessee has no right of reimbursement from the lessor.

(e) Commercial real property.

(1) In general. The term “commercial real property” means real property devoted to, held or leased for commercial use or activity. By way of example and not limitation, commercial use or activity includes buying, selling or leasing of goods or services and any other activity carried on with the public, whether or not for profit. The term “commercial real property” also includes ancillary real property, such as garages and warehouses.

(2) Services rendered to tenants. Where services are rendered to a person who has a leasehold interest in commercial real property and who has directly contracted with the service provider for such services, such services will be considered to be services to commercial real property, even if such lessee has no right of reimbursement from the lessor.

(f) Income-producing real property.

(1) In general. Except as otherwise provided in subdivision (2) of this subsection, the term “income-producing real property” means real property held for or used in the production of income.

(2) Excluded property. The provision of subdivision (1) to the contrary notwithstanding, the term “income-producing real property” does not include—

(A) real property used exclusively for residential purposes and consisting of three or fewer dwelling units, in one of which units the owner resides; and

(B) housing facilities, as the term is used in section 12-412 (29) of the general statutes, owned by an organization that has been ruled by the commissioner to be a nonprofit housing organization, as the term is defined in said section 12-412 (29) and in any regulations interpreting said section.

(3) Services rendered to residential tenants. Where services are rendered to a residential tenant who has directly contracted with the service provider for such services and who has no right of reimbursement from the landlord, such services will not be considered to be services to income-producing real property.

(4) Services rendered to residential condominium associations. Where services are rendered to a residential condominium association which has directly contracted with the service provider for such services, such services will be considered to be services to income-producing real property to the same extent that the number of condominium units not occupied by owners bears to the total number of condominium units. Unless a certificate, the form of which shall be prescribed by the commissioner, is issued to the service provider by the condominium association when services are rendered, it shall be presumed that all condominium units are not occupied by owners. The certificate shall relieve the service provider from the burden of proving that services were not rendered to income-producing real property only if taken in good faith from the condominium association. The good faith of the service provider will be questioned if such provider has knowledge of facts that give rise to a reasonable inference that the certificate is inaccurate.

(5) Services rendered to residential condominium unit owners. Where services are rendered to a residential condominium unit owner who has directly contracted with the service provider for such services, such services will be considered not to be services to income-producing real property if the owner occupies the unit to

which services are rendered, and will be considered to be services to income-producing real property if the owner does not occupy the unit.

(g) Services affected.

(1) In general. Except as otherwise provided in subdivision (2) of this subsection, services to industrial, commercial or income-producing real property mean those services set out in section 12-407 (2) (i) (I) of the general statutes (namely, management, electrical, plumbing, painting and carpentry services) and include but are not limited to such services affecting real property as roofing, siding, excavating, foundation work, plastering, heating, air conditioning, ventilation, welding, flooring, sandblasting, carpeting, elevator or escalator work, wallpapering, masonry, refuse removal, demolition and structural inspection.

(2) Services elsewhere described. Any provision of subdivision (1) of this subsection to the contrary notwithstanding, services to industrial, commercial or income-producing real property do not include the rendering of services defined as a “sale” or “selling” under subparagraph (F) (architectural, building engineering and building planning or design services), subparagraph (S) (land surveying services), subparagraph (V) (locksmith services), subparagraph (X) (landscaping and horticultural services), subparagraph (Y) (window cleaning services), subparagraph (Z) (maintenance services), subparagraph (AA) (janitorial services), subparagraph (BB) (exterminating services) or subparagraph (CC) (swimming pool cleaning and maintenance services) of said section 12-407 (2) (i). The services involved in the construction of irrigation systems, lawn sprinkler systems, patios (other than concrete or asphalt) and walkways (other than concrete or asphalt) will be treated as services defined as a “sale” or “selling” under subparagraph (X) of said section 12-407 (2) (i). The services involved in the construction of ponds, walls, fences or gates will be presumed, until the contrary is established, to be services defined as a “sale” or “selling” under subparagraph (X) of said section 12-407 (2) (i). This presumption may be rebutted only if the service provider clearly establishes that the services rendered are not intended to be landscaping services. For example, a service provider installing a chain-link fence that encloses a swimming pool and that is installed to comply with a law requiring that swimming pools be enclosed can establish that the services rendered are not intended to be landscaping services.

(h) Taxability of charges made by service provider to owner.

(1) Where a service provider is considered to have consumed materials or supplies used by such provider in fulfilling a construction contract, the portion of such provider’s charge that is attributable to the cost to such provider of such materials or supplies shall not be treated as a charge for services to industrial, commercial or income-producing real property. The service provider shall give a bill or invoice to the property owner that either separately states the charge for such services and the cost to such provider of such materials or supplies or, in the alternative, states only the total charge, including the charge for the services and the tax thereon, together with the words “tax included.”

(2) In the event that a construction contractor, in fulfilling a construction contract, purchases services to industrial, commercial or income-producing real property from a construction subcontractor for resale to the property owner, and such subcontractor accepts a resale certificate from such contractor, then the cost of materials or supplies used by such subcontractor in fulfilling the subcontract may be taken into account by such contractor on the bill or invoice to the property owner as long as such subcontractor gives a bill or invoice to such contractor that separately states the charge for such services and the cost to such subcontractor of the materials or supplies considered to have been consumed in fulfilling the subcontract.

(3) The term “construction contract” means a contract for the repair, alteration, improvement, remodeling or construction of real property. Materials or supplies are considered to be used in fulfilling a construction contract when they are physically incorporated in and become a permanent part of real property.

(i) Taxability of charges made by one service provider to another provider reselling to owner.

(1) Where a service provider renders services to industrial, commercial or income-producing real property to another service provider who will resell such services to the owner of the real property, such service provider may either accept a resale certificate from the reseller of such services or, in the alternative, refuse to accept such resale certificate.

(2) If the service provider accepts a resale certificate from such reseller, the bill or invoice to such reseller shall either separately state the charge for the services and the cost to such provider of the materials or supplies used by such provider in fulfilling a construction contract or, in the alternative, state only the total charge, including the charge for the services, together with the words “tax not included.”

(3) If the service provider refuses to accept a resale certificate from such reseller, the bill or invoice to such reseller shall either separately state the charge for the services and the cost to such provider of the materials or supplies used by such provider in fulfilling a construction contract or, in the alternative, state only the total charge, including the charge for the services and the tax thereon, together with the words “tax included.”

(4) The term “construction contract” means a contract for the repair, alteration, improvement, remodeling or construction of real property. Materials or supplies are considered to be used in fulfilling a construction contract when they are physically incorporated in and become a permanent part of real property.

(Effective April 23, 1991)

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Business Analysis and Management Services

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Business Analysis and Management Services

Sec. 12-407 (2) (i) (J)-1. Business analysis, business management, business management consulting and business public relations services

(a) **In general.** Section 12-407 (2) (i) (J) of the general statutes defines “sale” and “selling” as including the rendering of business analysis, business management, business management consulting and business public relations services. Said section 12-407 (2) (i) (J) only applies where the business analysis, business management, business management consulting and business public relations services are rendered to a service recipient described in subsection (b) of this regulation. Said section 12-407 (2) (i) (J) does not apply where the person rendering business analysis, business management, business management consulting and business public relations services is a person described in subsection (c) of this regulation. Subsection (d) of this regulation defines the term “business analysis services.” Subsection (e) of this regulation defines the term “business management services.” Subsection (f) of this regulation defines the term “business management consulting services.” Subsection (g) of this regulation defines the term “business public relations services.” Services will not be considered to be business analysis, business management or business management consulting services unless they relate to a service recipient’s core business activities, as defined in subsection (h) of this regulation, or human resource management activities, as defined in subsection (i) of this regulation. While this regulation pertains, for purposes of supplementary interpretation, as the phrase is used in section 12-2 of the general statutes, to said section 12-407 (2) (i) (J), the promulgation of this regulation is authorized by section 12-426 (1) of the general statutes.

(b) **Affected service recipients.** Section 12-407 (2) (i) (J) of the general statutes only applies to the rendering of business analysis, business management, business management consulting and business public relations services to a person, as defined in section 12-407 (1) of the general statutes, that is engaged in business, as defined in section 12-407 (10) of the general statutes.

(c) **Excluded service providers.**

(1) In general. It is the nature of the services being rendered, and not what those services are called or termed by the service provider or service recipient, that determines whether services described in section 12-407 (2) (i) (J) of the general statutes are being rendered. By way of example and not limitation, if a service recipient engages a service provider who is a former employee of the service recipient to render services that the parties refer to as business management consulting services, the fact that the parties so refer to the services rendered does not mean that business management consulting services described in said section 12-407 (2) (i) (J) are being rendered, just as the fact that the parties may not so refer to the services rendered does not mean that business management consulting services are not being rendered. In either instance, the services being rendered must be examined to determine whether those services are business management consulting services, as defined in subsection (f) of this regulation.

(2) Directors. Section 12-407 (2) (i) (J) of the general statutes does not apply where the business analysis, business management, business management consulting and business public relations services are rendered by a service provider in such provider’s capacity as a member of the board of directors of the service recipient.

(3) Professional service providers. Subject to the provisions of this subdivision, section 12-407 (2) (i) (J) of the general statutes does not apply where the services

rendered are professional services that are rendered by a member of a profession, acting in such member's professional capacity, and that are commonly associated with such profession. The term "profession" means any generally acknowledged professional occupation requiring a degree, license or specialized training, including, but not limited to, the medical, legal, accounting and actuarial professions. Any provision of this subdivision to the contrary notwithstanding, the term "professional services" does not include services commonly known as management advisory services, when rendered by accountants, or human resource management services, when rendered by actuaries.

(d) **Business analysis services.** The term "business analysis services" means and includes the examination of data relating to core business activities, as defined in subsection (h) of this regulation, or human resource management activities, as defined in subsection (i) of this regulation, of a service recipient described in subsection (b) of this regulation, and the formulation of conclusions, and the making of recommendations, based on such examination and relating to such core business activities or such human resource management activities. The term "business analysis services" does not include the valuation or appraisal of property, real or personal, unless such valuation or appraisal is rendered in connection with what are otherwise business analysis services.

(e) **Business management services.** The term "business management services" means and includes the provision of general or specialized day-to-day management of a service recipient's personnel with respect to, or the controlling or directing of, all or a portion of the core business activities, as defined in subsection (h) of this regulation, or human resource management activities, as defined in subsection (i) of this regulation, of a service recipient described in subsection (b) of this regulation. The term "business management services" does not include the rendering of advice to a service recipient that itself retains day-to-day operational control (although the rendering of such advice may be the rendering of business analysis services or business management consulting services) or controlling or directing activities other than the service recipient's core business activities or human resource management activities.

(f) **Business management consulting services.** The term "business management consulting services" means and includes the furnishing of advice and assistance on matters pertaining to the management of core business activities, as defined in subsection (h) of this regulation, or human resource management activities, as defined in subsection (i) of this regulation, of a service recipient described in subsection (b) of this regulation. The term "business management consulting services" does not include specialized consulting services such as insurance and investment banking services.

(g) **Business public relations services.** The term "business public relations services" means and includes the preparation of materials, written or otherwise, that are designed to influence the general public or other groups by promoting the interests of a service recipient described in subsection (b) of this regulation. The term "business public relations services" does not include marketing services, which, in contrast to business public relations services, involve the performance of testing, research or analysis of existing or potential consumer markets in connection with the development of particular products, property, goods or services for sale to others by the service recipient, including consulting in connection therewith. Where the public relations services are rendered to a service recipient not described in subsection (b) of this regulation, see section 12-407 (2) (i) (W) of the general statutes.

(h) **Core business activities.** The term “core business activities” means and includes activities directly related to a service recipient’s lines of business involving sales of products, property, goods or services to others, its capital structure, its budgeting and its short-range, long-range or strategic planning. Activities not generally regarded as directly related to a service recipient’s core business activities include—

(1) the administration of, and recordkeeping relating to, the service recipient’s payroll, employee insurance claims, employee pension funds, employee food service operations and employee health services, including alcohol and drug counseling, regardless of the nature of the business of the service recipient;

(2) the administration of, and recordkeeping relating to, the service recipient’s internal mailroom and delivery functions and its plant and grounds maintenance;

(3) the management of, or consultation regarding, the service recipient’s investments (including those investments over which the service recipient has investment authority), regardless of the nature of the business of the service recipient;

(4) the management of the service recipient’s real property (although such management may be a service described in section 12-407 (2) (i) (I) of the general statutes);

(5) activities principally relating to marketing services, as defined in subsection (g) of this regulation. Where a service provider renders business analysis, business management or business management consulting services that relate to the overall operations of a service recipient, and any marketing services are a minor portion of the services rendered to the service recipient by such service provider, the services will be considered to be wholly business analysis, business management or business management consulting services, as the case may be, related to the service recipient’s core business activities;

(6) activities principally relating to the particular interests of the service recipient’s members, shareholders or partners rather than the service recipient itself, such as proxy solicitation and stock transfers.

(7) the administration of, and recordkeeping related to, insurance claims against a service recipient in its capacity as an insurer; and

(8) the administration of, and recordkeeping related to, self-insured claims, regardless of the nature of the business of the service recipient.

*** (i) Human resource management activities.** The term “human resource management activities” means and includes activities relating to

(1) the hiring, development, job-related training, compensation and management of personnel. The term “human resource management activities” shall not include job-related personnel training services provided by an institution of higher education that is licensed or accredited by the Connecticut Board of Governors of Higher Education pursuant to section 10a-34 of the Connecticut General Statutes.

(2) employee relations, including labor-management relations, collective bargaining, affirmative action programs and

(3) the design and implementation, but not ongoing administration, of employee benefit plans. The term “human resource management activities” shall not include design and implementation of employee benefit plans when performed in connection with insurance service transactions.

(Effective April 23, 1991; amended May 26, 2000)

*Effective May 26, 2000. Applicable to sales made on or after July 1, 1999.

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Enumerated Services

Sec. 12-407(2)(i)(M)-1. Repair services to motor vehicles

(a) Definitions.

(1) The term “motor vehicle repair services” means the services of mending or bringing back to working order the body or any operating parts of a motor vehicle that was broken, damaged, malfunctioning or defective. The term “motor vehicle repair services” also includes the services of restoring, rebuilding or replacing any motor, engine, working parts, accessories, body or interior of the motor vehicle. The term “motor vehicle repair services” also includes all maintenance services that keep a motor vehicle in good working order by preventing its decline, failure, lapse or deterioration, including but not limited to replacing vehicle fluids (e.g., oil or coolant), lubricating the chassis, diagnostic testing, replacing spark plugs and filters, rotating tires, recharging the air conditioning system, rustproofing, painting or repainting, and applying fabric protection or paint sealant. The term “motor vehicle repair services” does not include the service of installing new parts or accessories that are not replacements for existing parts or accessories (e.g., customizing) or the service of towing or storing a motor vehicle.

(2) The term “motor vehicle” has the meaning ascribed to it in section 14-1(a)(47) of the general statutes, as from time to time amended.

(3)(A) An “integral part” means a part, such as an air or oil filter, alternator, battery, belt, hose, muffler, spark plug, tire or windshield wiper blade, that retains its separate identity even after being incorporated into a repaired motor vehicle.

(B) The term “integral part” does not include materials that do not retain their separate identity after being used to repair a motor vehicle, but are consumed by the service provider in repairing the motor vehicle, such as abrasives (e.g., sandpaper, emery paper and grinding wheels), acetylene, acrylic finishes, applicators, body putty, body work tools, brushes, cleaners, compound pads, drop cloths, enamels, flux, hand cleansers, lacquers, lead, masking tape, masking paper, mechanics’ tools, metal conditioners, oxygen, paint, painting tools, plastic filler, polishing and buffing pads, primers, removers (liquid and paste), resins (e.g., epoxy, polyester, fiberglass cloth and fiberglass matting), rollers, rubbing compound, rustproofing liquid, sealants, shellacs, solder, spray guns, stain, stencils, strainers, thinners and solvents, undercoating, varnish, waxes, welding rods and disposable or reusable wipes.

(b) **Charges made by service provider.** (1) Motor vehicle repair service providers shall separately state the charge that is attributable to the sale of integral parts and the charge that is attributable to the rendering of motor vehicle repair services on the bill to the customer. Charges for parts and motor vehicle repair services are taxable even when paid for by an insurance company, auto club or other third party on behalf of the customer.

(2) The fact that a motor vehicle was exempt from tax when a recipient of motor vehicle repair services purchased it does not mean that repair services rendered to it are not taxable. Thus, for example, repair services to a truck used exclusively in agricultural production are taxable, even though the purchase of the truck was exempt under section 12-412(63) of the general statutes.

(c) **Taxability of items used in rendering motor vehicle repair services.** (1) Sales of repair parts to a service provider who uses the parts in rendering motor vehicle repair services are sales for resale to such provider if, when used, such parts or materials become an integral part of the motor vehicle.

(2) Providers of motor vehicle repair services may purchase certain materials on resale where such property is purchased solely for a particular customer, as long

as the charge for such materials will be separately stated on the bill to the customer and tax collected thereon. Examples of such materials include acrylic finishes, enamels, lacquers and paint.

(3) Since providers of motor vehicle repair services are considered to be consumers of supplies used in rendering their services, sales of tangible personal property, other than integral parts, to a motor vehicle repair services provider that uses such property in repairing, restoring, rebuilding, replacing parts of or maintaining motor vehicles are retail sales to such provider and are subject to tax.

(4)(A) Providers of motor vehicle repair services may purchase motor vehicle repair services on a resale basis (see Conn. Agencies Regs. § 12-407(2)(i)-1 for rules regarding the resale of services).

(B) Retailers of motor vehicles who purchase motor vehicle repair services for motor vehicles that such retailers are holding for sale, lease or rental in the normal course of business may purchase the motor vehicle repair services and the integral parts, as provided in this subsection, on resale.

(d) **Motor vehicle repair services rendered under maintenance, repair or warranty contract.** See Conn. Agencies Regs. § 12-407(2)(i)(DD)-1 for rules regarding the taxation of motor vehicle repair services rendered under maintenance, repair or warranty contracts.

(e) **Where motor vehicle repair services are deemed to be rendered.** (1) Motor vehicle repair services shall be taxable if the repairs to the motor vehicle are made in Connecticut. If the repairs are made within Connecticut, the sale of motor vehicle repair services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, some of the work with respect to such services is performed for the motor vehicle repairer outside Connecticut, or the purchaser of the services is a nonresident. However, when a Connecticut motor vehicle repairer picks up a motor vehicle from outside Connecticut, or a motor vehicle is shipped from outside Connecticut to the repairer in Connecticut, the motor vehicle is repaired in Connecticut, and then is delivered or shipped to the customer at an out-of-state location, the repair services, and any integral parts sold therewith, are not taxable in Connecticut.

(2) Persons purchasing motor vehicle repair services from out-of-state retailers shall pay Connecticut use tax on such purchases if the motor vehicle to which such repair services are rendered is intended for use and is used in Connecticut.

(Adopted effective April 7, 1999)

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Sec. 12-407(2)(i)(N)-1. Motor vehicle parking services

(a) Definitions.

(1) The term “motor vehicle parking services” means (A) the service of providing a parking space for a motor vehicle for a service recipient in a lot having 30 or more spaces, and (B) the services of parking and retrieving a motor vehicle for a service recipient (“valet parking services”), whether or not the vehicles are parked in a lot having 30 or more spaces, other than valet parking in a parking lot maintained for airport passengers at or near any airport. The term “motor vehicle parking services” does not include the provision of metered parking space.

(2) The term “parking lot” or “lot” means any area, garage or structure, or any portion of an area, garage or structure, operated by a single service provider containing parking spaces for motor vehicles.

(3) The term “motor vehicle” has the meaning ascribed to it in section 14-1(a)(47) of the general statutes, as from time to time amended.

(b) **Taxability of motor vehicle parking services.** (1) If a landlord furnishes parking spaces in a lot having 30 or more spaces to its commercial or residential tenants in conjunction with their leases, the furnishing of such parking spaces shall be treated as a taxable sale as follows:

(A) Where the landlord makes a separate charge for the furnishing of such spaces, that charge shall be taxable; provided, the landlord shall have the burden of establishing that the charge has not been understated for tax avoidance purposes.

(B) Where the landlord makes no separate charge for the furnishing of such spaces, there shall be deemed to be no charge made for parking services; provided, the landlord shall have the burden of establishing that no greater rent is paid by tenants furnished parking spaces than is paid by tenants not furnished parking spaces. Where the landlord cannot meet that burden, any difference between the rent paid by tenants furnished parking spaces and the rent paid by tenants not furnished parking spaces shall be deemed to be the charge made for parking services.

(2) The involuntary impoundment of motor vehicles or the storage of a motor vehicle for an extended period of time (e.g., for the winter), during which time, pursuant to the terms of the contract, the vehicle owner will not have free and unlimited access to the vehicle, shall not be taxable as motor vehicle parking services.

(3) The provision of space in a seasonal parking lot provided by any of the following persons is excluded from tax: the United States, the State of Connecticut, any of the political subdivisions thereof, agencies of the United States or the State of Connecticut, and an organization exempt from federal income tax under section 501(a) of the Internal Revenue Code which has been determined by letter by the United States Treasury Department to be an organization described in section 501(c)(3) or (13) of the Internal Revenue Code. The term “seasonal parking lot” means a lot for which a charge for parking is made during a limited portion of the year. An example is a municipal parking lot at a beach for which a charge for parking is made during the summer.

(4) Charges made by a nonprofit charitable hospital, nonprofit nursing home, nonprofit rest home or nonprofit home for the aged licensed by the State pursuant to chapter 368v for parking in a lot operated by it, whether or not such lot is seasonal, are exempt from tax under section 12-412(5) of the general statutes.

(5) Charges for the provision of space in a parking lot which is owned or leased under the terms of a lease of not less than 10 years’ duration and which is operated,

or caused to be operated, by an employer for the exclusive use of its employees are not taxable.

(6) Charges for the provision of valet parking in a parking lot maintained for airport passengers at any airport are not taxable.

(7) Charges for the provision of space in municipally-operated railroad parking facilities in municipalities located within an area of Connecticut designated as a severe nonattainment area for ozone under the federal Clean Air Act (42 U.S.C. § 7401 et seq.) are not taxable, effective for sales occurring on and after July 1, 1997.

(c) **Lease of real property for the purpose of parking.** The lease of a parking lot with 30 or more parking spaces for the purpose of parking, except as provided in subdivision (b)(5) above, shall be treated as a taxable sale of motor vehicle parking services. The lease of real property for a purpose other than parking shall not be treated as such a sale. Thus, a contract for the lease or rental of real property may be taxable because it includes motor vehicle parking as part of the agreement. Tax is due on the lease payments for the parking lot if an amount can be attributed to the parking, either through the agreement itself or by some other method. For example, if one agreement of the landlord does include motor vehicle parking and another agreement for similar property does not, any monetary difference between the two agreements may be considered as evidence of the value of the parking.

(d) **The purchase of motor vehicle parking services for resale to others.** A person who is registered for purposes of the Sales and Use Taxes Act as a provider of motor vehicle parking services may issue a resale certificate to other such providers only if the parking services will be resold and tax collected upon such sales. For example, if the person is the lessee of 50 spaces in a parking garage and will sell motor vehicle parking services for 45 of those spaces, by means of monthly parking permits, to 45 of its employees and use five of those spaces for free parking for its customers, then the person may lease the 45 spaces on a resale basis (as the person is making taxable retail sales of motor vehicle parking services with respect thereto), but shall pay tax on its purchase of motor vehicle parking services with respect to the remaining five spaces.

(e) **Purchases by motor vehicle parking service providers.** Because parking service providers are considered the consumers of tangible personal property that they use in rendering such services, sales to a parking service provider of such property are retail sales and are taxable.

(f) **Where motor vehicle parking services are deemed to be rendered.** Motor vehicle parking services are deemed to be rendered where the parking lot is located. If the parking lot is within Connecticut, the sale of motor vehicle parking services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the service provider is not otherwise engaged in business in this state, as the term is defined in section 12-407(15) of the general statutes.

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Enumerated Services

Sec. 12-407(2)(i)(O)-1. Radio and television repair services

(a) **Definitions.** (1) The term “radio and television repair services” means the services of mending or bringing back to working order, audio or video reception or transmission equipment, such as radios (including but not limited to stereo system receivers, citizen band radios or ham radios) or televisions, whether located in homes, offices, motor vehicles, boats, aircraft or any other place, that are broken, damaged, malfunctioning or defective, whether by repairing or rebuilding defective parts or by replacing them with new parts. (See also Conn. Agencies Regs. § 12-407(2)(i)(DD)-1, repair or maintenance services to tangible personal property, and Conn. Agencies Regs. § 12-407(2)(i)(Q)-1, electrical or electronic repair services.)

(2) An “integral part” means a part, such as a transistor, circuit board or a gear, that retains its separate identity even after being incorporated into a repaired radio or television. The term “integral part” does not include parts or materials, such as lubricants, glue, solder and wire, that do not retain their separate identity after being used to repair equipment, but are consumed by such service provider in repairing equipment.

(b) **Charges made by providers of radio and television repair services.** (1) Providers of radio and television repair services shall separately state the charge attributable to the sale of integral parts and the charge attributable to rendering radio and television repair services on the bill to the customer. Any fees, such as “service call” charges, minimum charges, hourly or flat rates, mileage charges, or pickup or delivery charges, are taxable as charges for radio and television repair services.

(2) The fact that tangible personal property was exempt from tax when it was purchased by a recipient of repair or maintenance services does not mean that radio and television repair services rendered to it are not taxable. Thus, for example, repair services to a two-way radio installed in a commercial fishing vessel are taxable, even though the purchase of the radio was exempt under section 12-412(40) of the general statutes.

(c) **Repair parts and materials.** Sales of repair parts to a provider of radio and television repair services who uses those parts in repairing radios or televisions are sales for resale to such provider if, when used, such parts become an integral part of such repaired radio or television. Because providers of radio and television repair services are considered to be the consumers of supplies used in rendering their services, sales of tangible personal property, other than integral parts, to a radio and television repair service provider who uses such property in repairing radios or televisions are retail sales and are taxable.

(d) Retailers of tangible personal property who purchase radio and television repair services for tangible personal property that such retailers are holding for sale, lease or rental in the normal course of business may purchase the repair services and the integral parts, as described in this section, on resale.

(e) See Conn. Agencies Regs. § 12-407(2)(i)(DD)-1 for rules regarding the taxation of radio and television repair services rendered under maintenance, repair or warranty contracts.

(f) **Where radio and television repair services are deemed to be rendered.** (1) Radio and television repair services shall be subject to tax if the repairs to the radio or television are made in Connecticut. If the repairs are made within Connecticut, the sale of radio and television repair services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside

Connecticut, the contract for services was negotiated or executed outside Connecticut, some of the work with respect to such services is performed for the repairer outside Connecticut, the bill or invoice for the services is mailed to or from an address outside Connecticut, or the purchaser of the services is a nonresident. However, when a Connecticut repairer picks up a radio or television from outside Connecticut, or a radio or television is shipped from outside Connecticut to the repairer in Connecticut, the radio or television is repaired in Connecticut, and then the radio or television is delivered or shipped to the customer at an out-of-state location, the repair services, and any integral parts sold therewith, are not taxable in Connecticut.

(2) Persons purchasing radio and television repair services from out-of-state retailers shall pay Connecticut use tax on such purchases if the item being repaired is intended for use and is used within Connecticut.

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Furniture reupholstering and repair services 12-407(2)(i)(P)-1

Enumerated Services

Sec. 12-407(2)(i)(P)-1. Furniture reupholstering and repair services

(a) **Definitions.** (1) The term “furniture reupholstering and repair services” means the services of reupholstering, repairing, stripping, refinishing, restoring or rebuilding furniture.

(2) The term “integral part” means a part, such as a spring, fabric, wood, a foam cushion, a staple, tack or nail, that retains its separate identity even after being incorporated into repaired furniture. The term “integral part” does not include a material, such as paint remover, stain, paint, varnish, lacquer or glue, that does not retain its separate identity after being used to repair furniture, but is consumed by such service provider in repairing furniture.

(b) **Charges made by providers of furniture reupholstering and repair services.** (1) Providers of furniture reupholstering and repair services shall separately state the charge attributable to the sale of integral parts and the charge attributable to rendering furniture reupholstering and repair services on the bill to the customer. Any fees, such as “service call” charges, minimum charges, hourly or flat rates, mileage charges, or pickup or delivery charges, are taxable as charges for furniture reupholstering and repair services.

(2) The fact that furniture was exempt from tax when it was purchased by a recipient of furniture reupholstering and repair services does not mean that services rendered to it are not taxable. Thus, for example, repair services to a table used in a biotechnology laboratory are taxable, even though the purchase of the table was exempt under section 12-412(89) of the general statutes.

(c) Sales of repair parts to a service provider who uses those parts in rendering furniture reupholstering and repair services are sales for resale to such provider if, when used, such parts become an integral part of the furniture. Because providers of furniture reupholstering and repair services are considered to be consumers of supplies used in rendering their services, sales of tangible personal property, other than integral parts, to a furniture reupholstering and repair service provider who uses such property in reupholstering, repairing, restoring, refinishing or rebuilding furniture are retail sales and are taxable.

(d) Retailers of tangible personal property who purchase furniture reupholstering and repair services for tangible personal property that such retailers are holding for sale, lease or rental in the normal course of business may purchase the services and the integral parts, as described in this section, on resale.

(e) See Conn. Agencies Regs. § 12-407(2)(i)(DD)-1 for rules regarding the taxation of furniture reupholstering and repair services rendered under maintenance, repair or warranty contracts.

(f) **Where furniture reupholstering and repair services are deemed to be rendered.** (1) Furniture reupholstering and repair services shall be subject to tax if the repairs to the furniture are made in Connecticut. If the repairs are made within Connecticut, the sale of furniture reupholstering and repair services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, some of the work with respect to such services is performed for the service provider outside Connecticut, the bill or invoice for the services is mailed to or from an address outside Connecticut, or the purchaser of the services is a nonresident. However, when a Connecticut provider of furniture reupholstering and repair services picks up furniture from outside Connecticut, or

furniture is shipped from outside Connecticut to the service provider in Connecticut, the furniture is repaired in Connecticut, and then the furniture is delivered or shipped to the customer at an out-of-state location, the reupholstering or repair services, and any integral parts sold therewith, are not taxable in Connecticut.

(2) Persons purchasing furniture reupholstering and repair services from out-of-state retailers shall pay Connecticut use tax on such purchases if the item being repaired is intended for use and is used within Connecticut.

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Electrical and electronic repair services 12-407(2)(i)(Q)-1

Enumerated Services

Sec. 12-407(2)(i)(Q)-1. Electrical and electronic repair services

(a) **Definitions.** (1) The term “electrical repair services” means the services of mending or bringing back to working order items of tangible personal property if such items are powered by electric current, including but not limited to air conditioners (central or window units), appliances (such as refrigerators, microwave ovens, toaster ovens and washing machines), audiovisual equipment (such as video cassette recorders, camcorders, laser disc players, tape recorders and compact disc players) and office equipment (such as typewriters and photocopiers) that were broken, damaged, malfunctioning or defective. The term “electrical repair services” does not include the services of repairing electrical wiring (when installed behind a wall), outlets, fixtures, or switches in buildings, structures or dwellings (see, however, section 12-407(2)(i)(I) of the general statutes, services to industrial, commercial or income-producing real property, and any regulations thereunder). (See also Conn. Agencies Regs. § 12-407(2)(i)(O)-1, radio and television repair services and Conn. Agencies Regs. § 12-407(2)(i)(DD)-1, repair or maintenance services to tangible personal property, and, with respect to alarm systems, section 12-407(2)(i)(D) of the general statutes, private investigation, protection, patrol work, watchman and armored car services.)

(2) Electronic repair services. The term “electronic repair services” means the services of installing semiconductors or repairing machinery or equipment that functions mainly through the use of semiconductors, such as computers and computerized equipment. The term “electronic repair services” does not include the services of repairing electrical wiring (when installed behind a wall), outlets, fixtures or switches in buildings, structures or dwellings (see, however, section 12-407(2)(i)(I) of the general statutes, services to industrial, commercial or income-producing real property, and any regulations thereunder). (See also Conn. Agencies Regs. § 12-407(2)(i)(O)-1, radio and television repair services and Conn. Agencies Regs. § 12-407(2)(i)(DD)-1, repair or maintenance services to tangible personal property.)

(3) An “integral part” means a part, such as a circuit board, heating element, control panel, or gear, that retains its separate identity even after being incorporated into repaired equipment. The term “integral part” does not include materials, such as lubricants, coolant, glue, solder and wire, that do not retain their separate identity after being used to repair devices, but are consumed by such service provider in repairing electrical or electronic devices.

(b) Charges made by providers of electrical and electronic repair services.

(1) Providers of electrical and electronic repair services shall separately state the charge attributable to the sale of integral parts and the charge attributable to rendering electrical and electronic repair services on the bill to the customer. Any fees, such as “service call” charges, minimum charges, hourly or flat rates, mileage charges, or pickup or delivery charges, are taxable as charges for electrical and electronic repair services.

(2) The fact that tangible personal property was exempt from tax when it was purchased by a recipient of electrical or electronic repair services does not mean that repair services rendered to it are not taxable. Thus, for example, repair services to a manufacturing machine are taxable, even though the purchase of the machine or repair or replacement parts therefor was exempt under section 12-412(34) of the general statutes.

(c) **Purchases by service providers.** Sales of repair parts to a provider of electrical or electronic repair services who uses those parts in repairing electrical and electronic devices are sales for resale to such provider if, when used, such parts become an integral part of such repaired devices. Since providers of electrical and electronic repair services are considered to be the consumers of supplies used in rendering their services, sales of tangible personal property, other than integral parts, to an electrical and electronic repair service provider who uses such property in repairing electrical and electronic devices are retail sales and are taxable.

(d) Retailers of tangible personal property who purchase electrical or electronic repair services for tangible personal property that such retailers are holding for sale, lease or rental in the normal course of business may purchase the repair services and the integral parts, as described in this section, on resale.

(e) See Conn. Agencies Regs. § 12-407(2)(i)(DD)-1 for rules regarding the taxation of electrical or electronic repair services rendered under maintenance, repair or warranty contracts.

(f) **Where electrical or electronic repair services are deemed to be rendered.**

(1) Electrical or electronic repair services shall be taxable if the repairs to the electrical or electronic device are made in Connecticut. If the repairs are made within Connecticut, the sale of electrical or electronic repair services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, some of the work with respect to such services is performed for the repairer outside Connecticut, the bill or invoice for the services is mailed to or from an address outside Connecticut, or the purchaser of the services is a nonresident. However, when a Connecticut repairer picks up an electrical or electronic device from outside Connecticut, or a electrical or electronic device is shipped from outside Connecticut to the repairer in Connecticut, the device is repaired in Connecticut, and then the electrical or electronic device is delivered or shipped to the customer at an out-of-state location, the repair services, and any integral parts sold therewith, are not taxable in Connecticut.

(2) Persons purchasing electrical and electronic repair services from out-of-state retailers shall pay Connecticut use tax on such purchases if the item being repaired is intended for use and is used within Connecticut.

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Lobbying or consulting services 12-407(2)(i)(R)-1

Enumerated Services

Sec. 12-407(2)(i)(R)-1. Lobbying or consulting services

(a) **Lobbying or consulting services.** The term “lobbying or consulting services” means communicating directly or soliciting others to communicate with any official or the staff thereof in the executive or legislative branch of Connecticut state government or any Connecticut regional or municipal government, agency or board for the purpose of influencing any legislative, executive or administrative action thereby, and consulting by a lobbyist performed in connection therewith. The term “lobbying and consulting services” does not include such activities when directed at the government of the United States, another state of the United States or political subdivision thereof, or another country. A person who is required to be registered as a lobbyist with the Ethics Commission, who has been engaged by a client to communicate with any official or the staff of an official in the executive or legislative branch of Connecticut state government or any Connecticut regional or municipal government, agency or board for the purpose of influencing any legislative or administrative action thereby or to consult in connection therewith, renders taxable lobbying or consulting services; but a person who is not required to be registered as a lobbyist with the Ethics Commission shall not be considered to be rendering lobbying or consulting services.

(b) **Lobbyist.** The term “lobbyist” has the meaning ascribed to it in section 1-91 of the general statutes, as from time to time amended.

(c) **Where lobbying or consulting services are deemed to be rendered.** A sale of lobbying or consulting services shall be treated as having occurred at the location of the seat of government of the governmental entity or instrumentality with respect to which such services are rendered. If the location of the seat of government is within Connecticut, the sale of services shall be treated as having occurred within Connecticut, notwithstanding the fact that the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, some of the work with respect to such services is performed for the service provider outside Connecticut, or the service provider is not otherwise engaged in business in this state, as the term is defined in section 12-407(15) of the general statutes.

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Enumerated Services

Sec. 12-407(2)(i)(S)-1. Sales agent services for selling tangible personal property

(a) **Sales agent services.** (1) Sales agent services for selling tangible personal property, whether at wholesale or retail, include, but are not limited to, the services of the following persons when rendered to the seller of tangible personal property: antique dealers, consignees and brokers. Sales agent services are rendered when a person acting on behalf of a seller locates a buyer for property being offered for sale and a sale actually results. Taxable services may be rendered even though the sales agent was not involved in arranging the details of the sale. However, if a sale of tangible personal property does not result from the services of a sales agent, the sales agent services are not taxable.

(2) Sales agent services do not include consignee services for the sale of works of art, as defined in section 12-376c(b) of the general statutes, or articles of clothing or footwear intended to be worn on or about the human body other than (A) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except when used for the athletic activity or protective use for which it was designed and (B) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption under section 12-412(47) of the general statutes.

(3) Prior to July 1, 1997, the services of an auctioneer selling tangible personal property were subject to tax as sales agent services, except for the services of an auctioneer selling motor vehicles at auction to persons engaged in the business of reselling motor vehicles. Effective July 1, 1997, any sales agent services provided by an auctioneer are excluded from tax, although auctioneers shall continue to collect tax upon their sales of tangible personal property.

(4) Manufacturer's representatives. Sales agent services do not include the services of a person who acts on behalf of a manufacturer or wholesaler, or both (sometimes known as a "manufacturer's representative"), where such person places a line of merchandise or inventory for sale on an ongoing basis.

(b) **Charges by service providers.** A provider of sales agent services shall charge sales tax on the total fee or commission charged to the seller for whom such provider acts as agent, including all expenses that the service provider incurred in making the sale (for example, advertising fees, rental fees or printing costs), whether or not the service provider paid tax on such items at the time of purchase. Where a sales agent charges a commission to the buyer of property, such commission is not taxable as a sales agent service. However, the total amount of the commission paid by the buyer is taxable as part of the sales price for the purchase of the tangible personal property.

If a seller that is represented by the sales agent is engaged in selling the property in the regular course of business, the seller is liable for collection of sales tax from the buyer measured by the gross receipts from the property sold. If the seller is making a "casual sale" pursuant to Conn. Agencies Regs. § 12-426-17, tax does not apply to the sale of the property by the seller to the buyer. In either case, however, the sales commission paid to the sales agent by the seller is taxable.

(c) **Purchases by service providers.** Because providers of sales agent services are considered the consumers of supplies used in providing their services, sales to a sales agent service provider of supplies that such provider uses in rendering sales agent services are retail sales and are taxable.

(d) **Where sales agent services are deemed to be rendered.** A sale of sales agent services shall be treated as having occurred at the location at which the transfer of title to the tangible personal property occurs, irrespective of the location of the parties to the transaction. If the location at which the transfer of title occurs is within Connecticut, the sale of services shall be treated as having occurred within Connecticut, and thus shall be taxable, notwithstanding the fact that the contract for services was negotiated or executed outside Connecticut, some of the work with respect to such services is performed for the service provider outside Connecticut, or the service provider is not otherwise engaged in business in this state, as the term is defined in section 12-407(15) of the general statutes.

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Locksmith services 12-407(2)(i)(T)-1

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Sec. 12-407(2)(i)(T)-1. Locksmith services

(a) **Definitions.** (1) The term “locksmith services” means repairing, servicing or installing locks and locking devices, whether such locks and locking devices are incorporated into real property, such as a deadbolt lock on a door to a building, or are incorporated into tangible personal property, such as a door lock on an automobile, or are locks separate and apart from other property, such as padlocks. The term “locksmith services” also includes unlocking locks or locking devices when a customer is unable to do so, such as when the key to a motor vehicle is locked inside such vehicle. The term “locksmith services” does not include key making or sales of locks and locking devices, which are taxable as sales of tangible personal property. Charges for the installation of locks and locking devices, if separately stated from the charge for locks and locking devices on the bill to the customer, are taxable as locksmith services, and, if not separately stated, are taxable as part of the charges for sales of locks and locking devices.

(2) An “integral part” means a part, such as a bolt, that retains its separate identity even after being incorporated into a repaired lock. The term “integral part” does not include materials, such as graphite or oil, that do not retain their separate identity after being used to repair a lock or locking device, but are consumed by such service provider in repairing the locks or locking devices.

(b) **Charges made by providers of locksmith services.** (1) Providers of locksmith services shall separately state the charge attributable to the sale of integral parts and the charge attributable to rendering locksmith services on the bill to the customer. Any fees, such as “service call” charges, minimum charges, hourly or flat rates, mileage charges, or pickup or delivery charges, are taxable as charges for locksmith services.

(2) The fact that property on which a lock is installed was exempt from tax when it was purchased by a recipient of locksmith services does not mean that services rendered to it are not taxable. Thus, for example, locksmith services to a commercial truck are taxable, even though the purchase of the truck was exempt under section 12-412(70) of the general statutes.

(3) Retailers of tangible personal property who purchase locksmith services for tangible personal property that such retailers are holding for sale, lease or rental in the normal course of business may purchase the locksmith services and the integral parts, as provided in this section, on resale.

(c) **Purchases by service providers.** Sales of repair parts to a provider of locksmith services who uses those parts in repairing locks or locking devices are sales for resale to such provider if, when used, such parts become an integral part of the repaired locks or locking devices. Because providers of locksmith services are considered to be the consumers of supplies used in rendering their services, sales of tangible personal property, other than integral parts, to a provider of locksmith services who uses such property in repairing locks or locking devices are retail sales and are taxable.

(d) See Conn. Agencies Regs. § 12-407(2)(i)(DD)-1 for rules regarding the taxation of locksmith services rendered under maintenance, repair or warranty contracts.

(e) **Where locksmith services are deemed to be rendered.** (1) A sale of locksmith services rendered with respect to locks or locking devices incorporated into buildings or other real property shall be taxable if the location of such real property is within Connecticut.

(2)(A) Locksmith services rendered with respect to tangible personal property shall be taxable if the repairs to, servicing or installation of the locks are made in Connecticut. If the repairs, servicing or installation are done within Connecticut, the sale of locksmith services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, some of the work with respect to such services is performed for the locksmith outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident. However, when a Connecticut locksmith picks up a lock or tangible personal property containing a lock from outside Connecticut, or a lock or tangible personal property containing a lock is shipped from outside Connecticut to the locksmith in Connecticut, locksmith services are rendered to the lock or item of tangible personal property containing a lock in Connecticut, and the lock or tangible personal property containing a lock is delivered or shipped to the customer at an out-of-state location, the locksmith services, and any integral parts sold therewith, are not taxable in Connecticut.

(B) Persons purchasing locksmith services with respect to tangible personal property from out-of-state retailers shall pay Connecticut use tax on such purchases if the item being repaired is intended for use and is used within Connecticut.

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Enumerated Services

Sec. 12-407(2)(i)(V)-1. Landscaping and horticulture services

(a) **Landscaping and horticulture services.** (1)(A) The term “landscaping services” means such services as the planting of trees, shrubs, flowering and nonflowering plants, and sod; landscape planning; lawn and garden installation; and constructing, remodeling or repairing irrigation or lawn sprinkler systems, patios (other than asphalt, tar, macadam or poured concrete), walkways (other than asphalt, tar, macadam or poured concrete) and driveways (other than asphalt, tar, macadam or poured concrete).

(B) The construction, remodeling or repair of ponds, fences, gates, and walls (other than walls that are part of the structure of a building) are presumed to be landscaping services until the contrary is established. This presumption may be rebutted only if the service provider clearly establishes that the services rendered are not intended to be landscaping services, such as when an action is mandated by statute. For example, a service provider installing a fence that encloses a swimming pool and that is installed to comply with a law requiring that swimming pools be enclosed may establish that the services rendered are not intended to be landscaping services. In addition, the installation of any chainlink fencing and the installation of any fencing used to contain livestock on a farm are not considered to be landscaping services. The installation of outdoor lighting, poured concrete or asphalt patios, sidewalks and parking lots, any chainlink fencing and any fencing used to contain livestock on a farm are taxable under section 12-407(2)(i)(I) of the general statutes when rendered to existing industrial, commercial or income-producing real property. The installation of outdoor lighting and poured concrete or asphalt patios, sidewalks and parking lots are taxable under section 12-407(2)(i)(BB) of the general statutes when rendered to real property other than industrial, commercial or income-producing real property.

(2) **Horticulture services.** The term “horticulture services” means such services as tree trimming, tree removal, spraying, arborist services, lawn inspection and analysis services, ornamental tree, bush and flower planting, pruning, maintenance, removal and surgery, whether rendered to exterior or interior plants, as well as providing horticultural advice.

(3) Also included in landscaping and horticulture services are lawn and garden services, such as weeding, mulching, fertilizing, raking, watering and mowing. For purposes of this section, the term “lawn” means lawns on both residential and nonresidential property, golf courses, and any other areas requiring mowing or maintenance. Lawn and garden services provided on a “casual sale” basis are not taxable. For purposes of this section, a “casual sale” means providing lawn and garden services to three or fewer residences per season by an individual who is not otherwise engaged in the trade or business of providing such services.

(4) Persons engaged in tree trimming and removal are rendering taxable landscaping and horticulture services.

(b) **Landscaping and horticulture services as contrasted with civil engineering and landscape architecture.** The functions normally involved in landscaping or horticulture services are considered to be services enumerated under section 12-407(2)(i)(V) of the general statutes, no matter by whom provided. However, services performed by a licensed civil engineer or landscape architect are not taxable as landscaping and horticulture services if those services are normally considered to be part of civil engineering or landscape architecture.

Examples of services that are considered to be part of civil engineering or landscape architecture services and that are not taxable as landscaping and horticulture services when performed by a licensed civil engineer or landscape architect include site assessment and analysis, environmental impact studies, master planning, preparation of wetland approval packages, hydraulic or hydrologic analysis, preparation of site layout or utility layout, preparation of storm water management plans, preparation of design development drawings, preparation of site plan approval packages, preparation of site construction drawings, and meetings with regulatory agencies governing design parameters.

(c) **Charges by service providers.** (1) Landscaping and horticulture services are taxable in all instances, whether rendered with respect to new construction or existing property, to industrial, commercial or income-producing real property (as defined in Conn. Agencies Regs. § 12-407(2)(i)(I)-1) or to property other than industrial, commercial or income-producing real property (as defined in Conn. Agencies Regs. § 12-407(2)(i)(BB)-1).

(2) The total charges for landscaping and horticulture services are subject to tax, inclusive of charges for tangible personal property installed, such as gravel, sod or loam, as well as charges for services provided as an integral part of the landscaping job, such as excavating, land clearing and grading.

(d) **Purchases by service providers.** (1) Because providers of landscape and horticulture services are considered the consumers of supplies that are used by them in providing their services, sales to a landscape or horticulture service provider of tangible personal property that such provider uses in rendering landscape and horticulture services are retail sales and are taxable, except as otherwise provided in subdivision (2) of this subsection.

(2) Section 12-410(2)(B) of the general statutes permits landscapers to purchase items such as soil, mulch, gravel, bolts, cables, lags, trees, bushes and other plants to be used in rendering landscaping services, which will be physically incorporated on or physically applied to the premises of the service recipient, for resale in the regular course of business without payment of tax. Landscaping service providers shall issue valid resale certificates to their suppliers, separately state such items on the bill or invoice for landscaping services and charge tax thereon. Similarly, horticulturists may purchase items such as fertilizer, insecticide, herbicide, trees, bushes and other plants to be used in rendering horticulture services for resale in the regular course of business without payment of tax. Horticulture service providers shall issue valid resale certificates to their suppliers, separately state such items on the bill or invoice for horticulture services and charge tax thereon.

(e) **Where landscaping and horticulture services are deemed to be rendered.** Landscaping and horticulture services are deemed to be rendered at the location of the real property affected. If the landscaping and horticulture services are rendered with respect to real property located within Connecticut, such services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, work with respect to such services is performed for the service provider outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident.

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Window cleaning services 12-407(2)(i)(W)-1

Enumerated Services

Sec. 12-407(2)(i)(W)-1. Window cleaning services

(a) **Definition.** The term “window cleaning services” means cleaning windows and exterior and interior glass, when rendered to any real property, whether it is new or existing real property and whether or not it is industrial, commercial or income-producing real property.

(b) **Purchases by service providers.** Because window cleaning service providers are considered to be the consumers of supplies that are used by them in providing their services, sales to a provider of window cleaning services of tangible personal property used in rendering such services are retail sales and are subject to tax.

(c) **Where window cleaning services are deemed to be rendered.** Window cleaning services are deemed to be rendered at the location of the real property affected. If window cleaning services are rendered at real property located within Connecticut, such services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident.

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Maintenance services 12-407(2)(i)(X)-1

Enumerated Services

Sec. 12-407(2)(i)(X)-1. Maintenance services

(a) **Definition.** (1) The term “maintenance services” means attending to the upkeep of, caring for or cleaning the exterior or interior of buildings, dwellings, structures and grounds located on any kind of real property. Such services are necessary to sustain or support safe, efficient, continuous use or to keep the real property in good working order by preventing its decline, failure, lapse or deterioration. By way of example and not limitation, the term “maintenance services” includes house washing, cleaning gutters, chimney sweeping, snow removal, driveway sealing, awning services and pond dredging.

(2)(A) Maintenance services provided on a “casual sale” basis are not taxable. For purposes of this section, a “casual sale” means providing maintenance services to three or fewer residences per year by an individual who is not otherwise engaged in the trade or business of providing such services.

(B) Because the definition of “sale” and “selling” in section 12-407(2)(i) of the general statutes excludes services rendered by an employee for his employer, the term “maintenance services” does not include the direct employment of a caretaker or maintenance crew as employees of a property owner, where the employee does not receive any consideration from the property owner other than a regular salary or wages.

(b) **Purchases by service providers.** Because providers of maintenance services are considered the consumer of supplies that are used by them in providing their services, sales to a maintenance service provider of tangible personal property that such provider uses in rendering maintenance services are retail sales and are taxable.

(c) **Where maintenance services are considered to be rendered.** Maintenance services are considered to be rendered at the location of the real property affected. If maintenance services are rendered at real property located within Connecticut, such services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident.

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Janitorial services 12-407(2)(i)(Y)-1

Enumerated Services

Sec. 12-407(2)(i)(Y)-1. Janitorial services

(a) **Definition.** (1) The term “janitorial services” means cleaning the interior or exterior of buildings, structures or dwellings, whether or not industrial, commercial or income-producing real property, or the contents thereof. Such services are of the type rendered by a janitor in the regular course of duty, and may be rendered alone or in conjunction with other services. Janitorial services are rendered either on a scheduled, periodic basis or only on a single occasion, such as to a site upon completion of construction or renovation. By way of example and not limitation, the term “janitorial services” includes floor, wall, ceiling and woodwork cleaning; carpet and upholstery cleaning; disinfecting and cleaning of restrooms; waxing and polishing of furniture; dusting and vacuuming; and emptying wastebaskets.

(2)(A) Janitorial services provided on a “casual sale” basis are not taxable. For purposes of this section, a “casual sale” means providing janitorial services to three or fewer residences per year by an individual who is not otherwise engaged in the trade or business of providing such services.

(B) Because the definition of “sale” and “selling” in section 12-407(2)(i) of the general statutes excludes services rendered by an employee for his employer, the term “janitorial services” does not include the direct employment of a janitor, housekeeper or maid in a residential dwelling by the resident, or a janitor or custodian in a commercial building by a business, as employees of a property owner, where the employee does not receive any consideration from the property owner other than a regular salary or wages.

(b) **Purchases by service providers.** Because providers of janitorial services are considered the consumers of supplies that are used by them in providing their services, sales to a janitorial service provider of tangible personal property that such provider uses in rendering janitorial services are retail sales and are taxable.

(c) **Where janitorial services are considered to be rendered.** Janitorial services are considered to be rendered at the location of the real property affected. If janitorial services are rendered at real property located within Connecticut, such services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut.

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Exterminating services. 12-407(2)(i)(Z)-1

Enumerated Services

Sec. 12-407(2)(i)(Z)-1. Exterminating services

(a) **Definition.** The term “exterminating services” means eradicating or expelling termites or other insects, birds, rodents and other pests, and includes the inspection and evaluation by a retailer of exterminating services of the nature and extent of an infestation, if any, but excluding the live trapping of noninsect pests for later release. Such services are generally rendered to buildings, structures or dwellings located on any kind of real property, but may also be rendered to tangible personal property, such as vessels, aircraft, trailers or railroad cars.

(b) **Purchases by service providers.** Because providers of exterminating services are considered the consumers of supplies used in providing their services, sales to an exterminating service provider of equipment and supplies that such provider uses in rendering exterminating services are retail sales and are subject to tax.

(c) **Where exterminating services are considered to be rendered.** (1) A sale of exterminating services rendered with respect to real property shall be treated as having occurred at the location of such real property. If exterminating services are rendered at real property located within Connecticut, such services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident.

(2)(A) A sale of exterminating services rendered with respect to tangible personal property shall be treated as having occurred where such property is located. If the location where exterminating services are rendered is within Connecticut, the sale of such services shall be treated as having occurred within Connecticut, and the services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident. An exception to this rule is when a Connecticut exterminator picks up, or is shipped, from outside Connecticut an item of tangible personal property with respect to which exterminating services are to be rendered, renders such services in Connecticut, and then delivers the tangible personal property or ships it to the customer at an out-of-state location; in such cases, the exterminating service shall be deemed to have been rendered outside Connecticut.

(d) If exterminating services are rendered out-of-state with respect to tangible personal property, the purchaser of those services shall pay Connecticut use tax thereon if the item with respect to which the services were rendered is intended to be used and is used within Connecticut.

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Swimming pool cleaning and maintenance services 12-407(2)(i)(AA)-1

Enumerated Services

Sec. 12-407(2)(i)(AA)-1. Swimming pool cleaning and maintenance services

(a) **Definition.** The term “swimming pool cleaning and maintenance services” means cleaning, caring for and attending to the upkeep of swimming pools, irrespective of the type of real property on which a swimming pool is located or whether the pool is aboveground or in-ground. Such services are of the type typically rendered by a swimming pool cleaning and maintenance service provider in the regular course of duty or in conjunction with other services. By way of example and not limitation, the term “swimming pool cleaning and maintenance services” includes adding chlorine and other chemicals to pools, vacuuming pools, winterizing pools, and opening pools for the season. The term “swimming pool cleaning and maintenance services” does not include the construction, installation or repair of swimming pools, pumps or filtration systems; however, repair services rendered to in-ground pools located on industrial, commercial or income-producing real property are services to real property under subparagraph (I) (services to industrial, commercial and income-producing real property) of section 12-407(2)(i) of the general statutes, and repair services rendered to aboveground pools located on any real property may be services to tangible personal property under subparagraph (DD) of said section. See also subparagraph (Q) of section 12-407(2)(i) of the general statutes (repair services to any electrical or electronic device) with respect to repair services rendered to any swimming pool pump.

(b) **Installation and repair of in-ground pools.** (1) The term “in-ground pool” means a pool that is built into the ground or other real property. The installation of in-ground pools onto any kind of real property is considered new construction, and the services rendered in such installation are not taxable. Because persons installing in-ground pools are considered the consumers of supplies used in providing their services, sales to them of tangible personal property are retail sales and are taxable.

(2) Repairs to the structure of in-ground pools, such as patching or replacing a liner or repairing the underground portion of the filtration system, are considered services to real property. Such services are taxable only when rendered to a pool located on industrial, commercial or income-producing real property.

(3) Repairs to any swimming pool pump or to the portion of a filtration system located above the ground are considered services enumerated under subparagraph (Q) (repair services to electrical or electronic devices) or subparagraph (DD) (repair services to any item of tangible personal property) of section 12-407(2)(i) of the general statutes.

(c) **Installation and repair of aboveground pools.** (1) Sales of aboveground pool kits are retail sales and are taxable. The charge for the installation labor is excludable from tax if separately stated from the sales price of the pool kit on the bill to the customer.

(2) Repairs to the structure, pump or filtration system of an aboveground pool are considered services enumerated under subparagraph (Q) (repair services to electrical or electronic devices) or subparagraph (DD) (repair services to any item of tangible personal property) of section 12-407(2)(i) of the general statutes.

(d) **Purchases by service providers.** Because providers of swimming pool cleaning and maintenance services are considered the consumers of supplies used in providing their services, sales to a swimming pool cleaning and maintenance service provider of tangible personal property that such provider uses in providing such services are retail sales and are taxable.

(e) **Where swimming pool cleaning and maintenance services are considered to be rendered.** Swimming pool cleaning and maintenance services are considered to be rendered at the location of the pool affected. If swimming pool cleaning and maintenance services are rendered to a pool located within Connecticut, such services shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident.

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Services to other than industrial, commercial or income-producing real property 12-407(2)(i)(BB)-1

Enumerated Services

Sec. 12-407(2)(i)(BB)-1. Services to other than industrial, commercial or income-producing real property

(a) **Definitions.** (1) The term “property other than industrial, commercial or income-producing real property” means real property that is not “commercial, industrial or income-producing real property,” as defined in section 12-407(2)(i)(I) of the general statutes or any regulations promulgated thereunder, and includes but is not limited to real property that is used exclusively for residential purposes, including rental property consisting of three or fewer dwelling units, one of which is owner-occupied. The term “property other than industrial, commercial or income-producing real property” does not include real property over, on or under a right-of-way on public property.

(2) The term “construction contract” means a contract for the repair, alteration, improvement, remodeling or construction of real property. Materials or supplies are considered to be used in fulfilling a construction contract when they are physically incorporated in and become a permanent part of real property.

(3) Services affected. (A)(i) Paving. The term “paving” means covering the ground with a smooth hard surface such as asphalt, tar, macadam or poured concrete. Paving includes but is not limited to the replacement of sections or the complete repaving of such areas as driveways, parking areas, walkways, patios, and tennis or basketball courts. Paving also includes all work performed in preparation for paving, when performed in conjunction therewith, as well as the subsequent sealing or dressing of the pavement.

(ii) Paving does not include covering such areas as driveways, parking areas and walkways with materials such as crushed stone, crushed stone with oil, or gravel. The services involved in the construction of patios or walkways, other than asphalt, tar, macadam or poured concrete patios or walkways, are considered services under section 12-407(2)(i)(V) of the general statutes (landscaping and horticulture services).

(B) Painting or staining. The term “painting or staining” means the painting or repainting and the staining or restaining of interior or exterior surfaces for decoration, protection or preservation purposes. Such services also include all necessary surface and other preparations, when performed in conjunction therewith, prior to the actual painting or staining, such as sanding, planing, puttying, taping and spackling. Painting or staining also includes the application of sealants, waterproofing or other types of protective finishes.

(C) Wallpapering. The term “wallpapering” means the application of materials such as wallpaper or wall fabric to interior walls or ceilings. Such services also include all necessary surface and other preparations prior to the wallpapering, where performed in conjunction therewith, such as removing old wallpaper, steaming, puttying, taping, spackling and sizing.

(D)(i) Roofing. The term “roofing” means the replacement of all or a part of a roof and the repair of or spot replacement on all types of roofs. The repair or replacement of such roof components as roof rafters, plywood or other covering, ventilation work, expansion joints, flashing, valleys, rain and draft deflectors, drip edges, snow guards and snow slides are considered to be integrally related to the roofing service and are taxable whether performed by a roofing contractor or by a carpenter. Roofing services also include all work performed in preparation for roofing, when performed in conjunction therewith. All repair or renovation work

on roofs involving exterior sheet metal work, including metal downspouts and gutters, is taxable. See subdivision (F) of this subsection.

(ii) Roofing does not include the initial installation of new gutters or the replacement of old gutters on existing real property, the repair or cleaning of chimneys, the cleaning of all types of roof systems such as gutters, downspouts and drains, and the repair or replacement of items such as copings, cornices, electric heating tape, gravel stops and fascias, gutters and downspouts, heating cables, louvers and screens, metal ornaments, metal stacks and skylights. (However, some of these services, such as cleaning chimneys, gutters, downspouts and drains, are taxable as services under subparagraph (X) of section 12-407(2)(i) of the general statutes (maintenance services) and any regulations thereunder.)

(E)(i) Siding. The term “siding” means the installation, replacement and repair of all types of siding, including aluminum, vinyl, stucco, brickface, shingles, clapboards, shakes and other wood coverings. The replacement or repair of an outside wall or wall covering, such as insulated board or plywood sheathing, done in connection with siding is considered to be integrally related to siding and is taxable. Siding services also include all work performed in preparation for siding, when performed in conjunction therewith.

(ii) When siding involves the repair or installation of windows, the charge for the work performed on the windows is not taxable as long as it is separately stated on the bill to the customer. Incidental siding work done in connection with window installation, replacement or repair is not taxable.

(F) Exterior sheet metal work. The term “exterior sheet metal work” means the installation or repair of sheet metal, such as tin, aluminum, steel or copper, when used on the exterior of real property, including but not limited to flashing, valleys, drip edges, snow guards, snow slides, sheet metal downspouts and gutters. Exterior sheet metal work also includes all work performed in preparation for exterior sheet metal work services, such as forming sheet metal, when performed in conjunction therewith.

(b) **Construction of new real property.** (1)(A) When the services described in this section are provided in the construction of a new building or in the expansion of an existing building by the addition of new cubic footage, such services are not considered to be renovations or repairs and are not taxable. Where only the external walls and roof of an existing building are left in place, services shall nonetheless be considered to be rendered in the construction of new real property, as long as new floors, new internal walls, new support columns and new electrical and mechanical systems are constructed. Services performed to an unfinished space in an existing building, such as an attic or a room over a garage, after the building has been issued an initial full or partial certificate of occupancy, are new construction only if the unfinished space has not been used previously for any purpose, including storage.

(B) Where a structure is a certified historic structure, as defined in 26 U.S.C. § 47(c)(3)(A), is being substantially rehabilitated, as defined in 26 U.S.C. § 47(c)(1)(C), and the rehabilitation will be a certified rehabilitation, as defined in 26 U.S.C. § 47(c)(2)(C), new floors, new internal walls and new support columns will not be required to be constructed in order to be considered “new construction” under this subparagraph, to the extent that such construction would prevent such structure from being listed in the National Register or certified as a certified historic structure, as the case may be.

(2) When the services described in this section are provided in the making of improvements to real property that put the property affected to a new use, such as

the construction of new walkways (poured concrete or asphalt), driveways, patios (poured concrete or asphalt), or tennis or basketball courts, such services are not considered to be renovations or repairs and are not taxable, whether or not the making of such improvements is directly connected with the construction of a new building (or a new addition that expands the cubic footage of an existing building). Services to real property involved in the repair or renovation of existing site improvements shall not be considered to be rendered in the construction of new real property, whether or not the repair or renovation of such improvements is directly connected with the construction of a new building (or a new addition that expands the cubic footage of an existing building).

(3) When the services described in this section are provided in connection with a project involving both the renovation or repair and the new construction of real property other than industrial, commercial or income-producing real property, the total charge for such services shall be treated as a taxable sale unless the portion of the charge for the services attributable to new construction is separately stated on the bill to the customer. The service provider shall maintain adequate records (e.g., building permits and applications therefor) to substantiate that the portion of the charges attributable to the taxable renovation or repair service has not been understated.

(c) **Services rendered to persons other than the property owner.** Repair or renovation services described in this section that are rendered to a residential tenant who has directly contracted with the service provider for such services and who has no right of reimbursement from the landlord shall be considered services to other than industrial, commercial or income-producing real property.

(d) **Taxability of charges made by service provider to service recipient.** (1) Where a service provider consumes materials or supplies in fulfilling a construction contract, the portion of such provider's charge that is attributable to the cost to such provider of such materials or supplies shall not be treated as a charge for services to other than industrial, commercial or income-producing real property. The service provider shall give a bill or invoice to the service recipient that either separately states the charge for such services and the cost to such provider of such materials or supplies or, in the alternative, states only the total charge, including the charge for the services and the tax thereon, together with the words "tax included."

(2) In the event that a construction contractor, in fulfilling a construction contract, purchases services to other than industrial, commercial or income producing real property from a construction subcontractor for resale to the service recipient, and the subcontractor accepts a resale certificate from such contractor, then the cost of materials or supplies used by the subcontractor in fulfilling the subcontract may be taken into account by the contractor on the bill or invoice to the service recipient as long as the subcontractor gives a bill or invoice to the contractor that separately states the charge for such services and the cost to the subcontractor of the materials or supplies considered to have been consumed in fulfilling the subcontract.

(e) **Taxability of charges made by one service provider to another provider reselling to service recipient.** (1) Where a service provider renders services to other than industrial, commercial or income-producing real property to another service provider who will resell such services to the service recipient, such service provider may either accept a resale certificate from the reseller of such services or, in the alternative, refuse to accept such resale certificate.

(2) If the service provider accepts a resale certificate from the reseller, the bill or invoice to the reseller shall either separately state the charge for the services and

the cost to such provider of the materials or supplies used by such provider in fulfilling a construction contract or, in the alternative, state only the total charge, including the charge for the services, together with the words “tax not included.”

(3) If the service provider refuses to accept a resale certificate from such reseller, the bill or invoice to the reseller shall either separately state the charge for the services and the cost to such provider of the materials or supplies used by such provider in fulfilling a construction contract or, in the alternative, state only the total charge, including the charge for the services and the tax thereon, together with the words “tax included.”

(f) **Where services to other than industrial, commercial or income-producing real property are considered to be rendered.** Services to other than industrial, commercial or income-producing real property are considered to be rendered at the location of the real property affected. If such services are rendered to real property located within Connecticut, they shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, some of the work with respect to such services is performed for the service provider outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident.

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Repair or maintenance services to tangible personal property
and contracts of maintenance, repair or warranty 12-407(2)(i)(DD)-1

Enumerated Services

Sec. 12-407(2)(i)(DD)-1. Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty

(a) **Definitions.**

(1) The term “repair” means to mend or bring back to working order or operating condition an item of tangible personal property that is broken, damaged, malfunctioning or defective. The term “repair” does not include the service of installing new parts or accessories that are not replacements for existing parts or accessories.

(2)(A) The term “maintenance” means to sustain or maintain safe, efficient or continuous operation of tangible personal property, or to keep tangible personal property in good working order by preventing its decline, failure, lapse or deterioration. Some examples of maintenance include cleaning, oiling, sharpening or polishing tangible personal property.

(B) Because car washing services were separately enumerated as taxable services under subparagraph (N) of section 12-407(2)(i) of the general statutes until the repeal of the tax on such services by 1993 Conn. Pub. Acts 74, § 23, the term “maintenance” excludes the washing of motor vehicles as defined in section 14-1(a)(47) of the general statutes, as from time to time amended. However, the term “maintenance” does include the washing of other types of vehicles not considered “motor vehicles” under said section 14-1(a)(47).

(C) Dry cleaning, laundry and tailoring services are not considered repair or maintenance services to tangible personal property as described in this section.

(3) The term “maintenance contract” means a contract that provides for maintenance service to be performed on an item of tangible personal property in the future. Maintenance service is not contingent upon the malfunctioning of the tangible personal property covered under the contract. Gross receipts from the sale of maintenance contracts are taxable.

(4) The term “repair contract” means a contract that provides for repair service to be performed on an item of tangible personal property which is broken, damaged, defective or malfunctioning at the time the parties enter into the contract. Gross receipts from the sale of repair contracts are taxable.

(5) The term “warranty (or guarantee) contract” means a contract that provides for repair service only in the event of a future malfunctioning of an item of tangible personal property. Gross receipts from the sale of warranty contracts are taxable.

(6) The term “integral part” means a part, such as a spring, gear or lens used in photocopier repair, heels or soles used in shoe repair, or chains used in repairing bicycles, that retains its separate identity even after being incorporated into property undergoing repair or maintenance. The term “integral part” does not include a material, such as lubricant, stain, paint, varnish, polish, wire, solder or glue, that does not retain its separate identity after being used to repair or maintain tangible personal property but is consumed by such service provider in rendering maintenance or repair services.

(b) **Charges by repair or maintenance service providers.** (1) Providers of repair or maintenance services shall separately state the charge attributable to the sale of integral parts and the charge attributable to rendering maintenance or repair services on the bill to the customer. Any fees, such as “service call” charges, minimum charges, hourly or flat rates, mileage charges, or pick-up or delivery charges, are taxable as charges for repair or maintenance services.

(2) The fact that tangible personal property was exempt from tax when it was purchased by a recipient of repair or maintenance services does not mean that repair

or maintenance services rendered to it are not taxable. Thus, for example, repair services to a manufacturing machine are taxable, even though the purchase of the machine and the repair parts therefor were exempt under section 12-412(34) of the general statutes.

(c) **Use of resale certificates by providers of maintenance or repair services.** Because providers of maintenance or repair services are considered to be consumers of supplies used in rendering their services, sales of tangible personal property, other than integral parts, to a repair service provider who uses such property in repairing tangible personal property are retail sales to such provider and are taxable.

(d) Retailers of tangible personal property who purchase repair or maintenance services for tangible personal property that such retailers are holding for sale, lease or rental in the normal course of business may purchase the repair or maintenance services and the integral parts, as described in this section, on resale.

(e) **Where repair or maintenance services to tangible personal property are deemed to be rendered.** (1) Repair or maintenance services to tangible personal property shall be taxable if the repairs to the tangible personal property are made in Connecticut. If the repairs are made within Connecticut, the sale of repair services to an item of tangible personal property shall be taxable, notwithstanding the fact that the materials consumed in rendering such services were purchased outside Connecticut, the contract for services was negotiated or executed outside Connecticut, some of the work with respect to such services is performed for the service provider outside Connecticut, the bill or invoice for such services is mailed to or from an address outside Connecticut, or the purchaser of such services is a nonresident. However, when a Connecticut repairer picks up, or is shipped, from outside Connecticut an item of tangible personal property to be repaired, repairs it in Connecticut, and then delivers the item or ships it to the customer at an out-of-state location, the repair service, and any integral parts sold in connection therewith, shall not be taxable in Connecticut.

(2) Persons purchasing repair or maintenance services to tangible personal property from out-of-state retailers shall pay Connecticut use tax on such purchases if the item to which such services are rendered is intended for use and is used within Connecticut.

(f) **Taxability of sales, renewals or extensions of maintenance, repair and warranty contracts.** (1) Sales of maintenance, repair or warranty contracts are taxable, including the original sale, a renewal or the exercise of an option to extend the term, either automatically or by the action of either party to the contract. With respect to contracts entered into prior to October 1, 1991, the gross receipts from any renewal or exercise of an option to extend the term made on or after October 1, 1991 are taxable.

(2) Where repair services to an item of tangible personal property are exempted, the sale, renewal or exercise of an option to extend the term of a maintenance, repair or warranty contract is also exempt. For example, the sale of a maintenance contract for hearing aids is exempt because repair services to hearing aids is exempted by section 12-412(19) of the general statutes. Similarly, where repair services to an item of tangible personal property are taxable at a reduced rate, the sale, renewal or exercise of an option to extend the term of a maintenance, repair or warranty contract is taxable at the reduced rate. For example, the sale of a maintenance contract for a vessel is taxable at the reduced rate of tax in effect at the time of such sale, because the tax on repairs to vessels is being phased out pursuant to section 12-408(1)(F) of the general statutes.

(g) **Taxability of services rendered under maintenance, repair or warranty contracts.** Retailers who perform repair or maintenance work, including temporarily

providing customers with tangible personal property while the customer's property is being serviced, without charge to the customer under the maintenance, repair or warranty contract of a manufacturer or other person are not taxable on the amount of the reimbursement received for such services from the warrantor. The tax is deemed to have been paid at the time of the purchase of such contract. Similarly, where the warrantor will reimburse the consumer for repair or maintenance services rendered under a maintenance, repair or warranty contract, the charges for the repair or maintenance services shall not be taxable, provided the consumer furnishes the service provider with evidence of the maintenance, repair or warranty contract (such as a copy of the contract covering the repair or maintenance services). However, any other charge that the consumer is obligated to pay under the terms of the maintenance, repair or warranty contract, such as a deductible, or a charge for labor or parts that is not covered under such contract, such as for an upgrade, is taxable.

(h) Taxability of parts and services purchased by retailers performing services under maintenance, repair or warranty contracts.

(1)(A) Purchases by retailers under nonexempt maintenance, repair or warranty contracts. Retailers performing repair or maintenance services under taxable maintenance, repair or warranty contracts may purchase integral parts to be used in performing such services on a resale basis. A retailer need not charge or self-assess tax at the time the retailer uses the integral parts in repairing or maintaining tangible personal property, unless the retailer makes a separate charge for the parts on the bill to the customer, because the tax is deemed to have been paid at the time of the purchase of the maintenance, repair or warranty contract. Integral parts may be purchased on a resale basis whether or not the original contract was entered into prior to October 1, 1991 or whether or not the original sale occurred in Connecticut. Tangible personal property that is not an integral part used in performing services under maintenance, repair or warranty contracts may not be purchased on a resale basis.

(B) When a retailer of repair or maintenance services does not itself repair or maintain tangible personal property but instead contracts with a third party repairer to perform such obligations, the retailer may purchase the services of the third party repairer on a resale basis. Such repairs may be purchased on resale whether or not the original contract was entered into prior to October 1, 1991 and whether or not the original sale occurred in Connecticut. The retailer need not charge tax at the time it renders repair or maintenance services (unless the retailer makes a separate charge for the services on the bill to the customer) because the tax is deemed to have been paid at the time of the purchase of the maintenance, repair or warranty contract.

(2) Exception for purchases by retailers under nontaxable maintenance, repair or warranty contracts. Where the purchase, renewal or extension of a maintenance, repair or warranty contract either is exempt or is taxable at a rate which has been phased out to zero percent, the retailer of services under such contract may purchase integral parts or the services of a third party repairer on resale, but shall charge tax on such parts or services to the customer.

(i) Where maintenance, repair or warranty contracts are deemed to be sold.

(1) The sale of a maintenance, repair or warranty contract in the same transaction with the tangible personal property covered by such contract is deemed to take place at the location where such property is sold. Thus, a transaction in which tangible personal property and a maintenance, repair or warranty contract for such property is sold is taxable when it takes place in Connecticut.

(2) If a maintenance, repair or warranty contract is sold after the sale of the tangible personal property to which it relates, the transaction shall be treated as

having occurred at the location where the benefit of such contract is realized, which is where the property that is covered by the maintenance, repair or warranty contract is located. Absent evidence of where such property is located, the benefit of the services is deemed to occur, in the case of a business purchaser, at its principal place of business, and, in the case of any other purchaser, at his or her billing address.

If the location where a maintenance, repair or warranty contract is deemed to be sold is within Connecticut, the sale of such contract shall be treated as having occurred within Connecticut, notwithstanding the fact that the contract was negotiated or executed outside Connecticut, some of the work with respect to such contract is performed for the service provider outside Connecticut, the bill or invoice for such contract is mailed to or from an address outside Connecticut or the service recipient is a nonresident.

A person purchasing a maintenance, repair or warranty contract from an out-of-state retailer shall pay Connecticut use tax on such purchase if the item to which such contract pertains is intended for use and is used within Connecticut.

(3) A maintenance, repair or warranty contract purchased for a motor vehicle, aircraft or vessel at the same time as the motor vehicle, aircraft or vessel is purchased is deemed to be sold at the location of such purchase. A maintenance, repair or warranty contract purchased in Connecticut shall be taxable at the tax rate that applies to sales of services described in section 12-407(2)(i)(DD) of the general statutes, even if the motor vehicle, aircraft or vessel is purchased exempt or at a reduced rate of tax by a nonresident of Connecticut. A maintenance, repair or warranty contract that is purchased after the motor vehicle, aircraft or vessel to which it relates was purchased, or that is renewed, is considered to be sold at the location where the motor vehicle, aircraft or vessel is registered.

(j) **Cross-references.** For specific provisions regarding repair or maintenance services to motor vehicles, see subparagraph (M) of section 12-407(2)(i) of the general statutes and any regulations thereunder. For radio or television repair services, see subparagraph (O) of said section 12-407(2)(i) and any regulations thereunder. For furniture reupholstering and repair services, see subparagraph (P) of said section 12-407(2)(i) and any regulations thereunder. For repair services to any electrical or electronic device, see subparagraph (Q) of said section 12-407(2)(i) and any regulations thereunder. For locksmith services rendered to an item of tangible personal property, see subparagraph (T) of said section 12-407(2)(i) and any regulations thereunder. For swimming pool cleaning and maintenance services rendered with respect to tangible personal property, see subparagraph (AA) of said section 12-407(2)(i) and any regulations thereunder.

(Adopted effective April 7, 1999)

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Worthless Accounts Receivable

Sec. 12-408-1. Worthless accounts receivable

(a) **Introduction.** Section 12-408 (1) imposes the sales tax on the gross receipts of a retailer from the retail sale of tangible personal property or from the rendering of services described in section 12-407 (2) (i). “Gross receipts,” as defined in section 12-407 (9), do not include deductions on account of losses. Public Act 84-362 amended section 12-408 (2) to allow a credit against the sales tax to a retailer with respect to an account receivable from a charge account or credit sale, when such account receivable is determined to be worthless and is actually written off as uncollectible for federal income tax purposes.

(b) The credit may be claimed only with respect to sales occurring on or after July 1, 1984, the gross receipts from which were subject to the sales tax and were reported as such on a sales tax return, and on which the sales tax was paid by the retailer to this state.

(c) No deduction shall be allowed for expenses incurred in attempting to collect any account receivable or for that portion of a recovered debt which is retained or paid to a third party as compensation for services rendered in collecting the account.

(d) In support of claims for credit, the retailer must maintain adequate and complete records showing the date of the original sale, the name and address of the purchaser, the amount which the purchaser contracted to pay, the amount on which the retailer paid the sales tax to this state, all payments or other credits applied to the account of the purchaser, and evidence that the uncollectible portion on which the sales tax has been paid to this state has been actually written off as uncollectible for federal income tax purposes.

(e) If the account written off is made up in part of nontaxable receipts, such as separately stated installation charges, and in part of taxable receipts upon which the sales tax has been paid to this state, the credit may be claimed only with respect to the taxable portion. In determining the taxable portion, all payments and credits to the account shall be applied ratably against both taxable and nontaxable portions of the account.

(Effective August 28, 1985)

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Enumerated Services

Sec. 12-410(5)-1. Resale of services

(a) **When a resale certificate may be used.** (1) As used in this section, a “primary service provider” means a service provider that purchases a service from a secondary service provider in order to render its own taxable service to either another service provider or to an ultimate consumer. A “secondary service provider” means a service provider that renders the service being purchased by a primary service provider.

(2) A primary service provider may issue a resale certificate to a secondary service provider for the purchase of a service described in section 12-407(2)(i) of the general statutes from the secondary service provider if the primary service provider intends to transfer the service as an integral, inseparable component part of a service described in said section 12-407(2)(i) which is to be subsequently sold by the primary service provider either to another service provider or to an ultimate consumer. A resale certificate may be used in such circumstances even if the ultimate consumer is an entity whose purchases are exempt from sales and use taxes or if the benefit of the services rendered to the ultimate consumer will be realized outside Connecticut. A service shall be considered an integral, inseparable component part of a service described in said section 12-407(2)(i) if the service purchased by a primary service provider from a secondary service provider is essential to complete the performance of the primary service provider’s service and without which such provider’s service could not be rendered.

Example 1: *C* brings his motor vehicle to *D*, a motor vehicle repair shop, for repairs to the vehicle’s air conditioner. *D* sends the automobile to *E*, an automotive air conditioner specialist. *D* may purchase the repair services of *E* on a resale basis because *D* will resell the repair services to *C*.

Example 2: *F*, a property management company providing taxable services to industrial, commercial or income-producing real property, contracts with *G*, a protective services company, for watchman services to guard the property that *F* manages. *F* may purchase the protective services from *G* on a resale basis because such services are an integral, inseparable component part of the property management services that *F* provides to ultimate consumers.

Example 3: *H*, a property management company providing taxable services to industrial, commercial or income-producing real property contracts with *J*, a retailer of janitorial services. In order to render its services to *H*, *J* obtains janitorial employees from *K*, a temporary personnel agency. *H* may purchase the janitorial services of *J* on a resale basis; in addition, *J* may purchase the personnel services of *K* on a resale basis as long as the personnel will be used solely to fulfill *J*’s obligations under its contract with *H*.

(3) When a service of a secondary service provider is purchased on a resale basis by a primary service provider, collection of tax is not required until the ultimate consumer is charged by the primary service provider. The primary service provider may issue a resale certificate to the secondary service provider in lieu of paying the tax at that time, in which case the primary service provider shall maintain records that substantiate (A) from whom the service was purchased and to whom the service was sold, (B) the purchase price of the service and (C) the nature of the service, to demonstrate that the services purchased from the secondary service provider were an integral, inseparable component part of a service described in section 12-407(2)(i) of the general statutes which was subsequently sold by the primary service provider to an ultimate consumer. The primary service provider need not separately state the charge by the secondary service provider to the primary service provider for the

services rendered by the secondary service provider on the bill to the ultimate consumer.

A secondary service provider may accept a resale certificate only if it is taken in good faith from the primary service provider. Such certificate shall be deemed to be taken in good faith if the service purchased is one that the secondary service provider could reasonably assume would be resold without change by the primary service provider or would be resold by the primary service provider as an integral, inseparable component part of a service also enumerated in section 12-407(2)(i) of the general statutes.

(b) **When a resale certificate may not be used.** (1) The secondary service provider may not accept a resale certificate if such service provider could reasonably assume that the primary service provider does not sell services which include the same type of services sold by the secondary service provider, or that the services purchased will not be resold by the primary service provider as an integral, inseparable component part of a service also enumerated in section 12-407(2)(i) of the general statutes.

(2) A primary service provider is the consumer of a service that is a customary or usual expense of maintaining or operating its business, including an expense incurred because the customer or client requires the primary service provider to work outside of its normal business hours or outside of its principal place of business, and may not purchase such service on a resale basis.

Example: *L*, a property management company providing taxable services to industrial, commercial or income-producing real property contracts with *M*, a protective services company, for watchman services to guard *L*'s own offices. The protective services may not be purchased on a resale basis from *M* because such services are consumed by *L* as an expense of operating its own business.

(3) Where the service being sold by a primary service provider is not a service enumerated in section 12-407(2)(i) of the general statutes, the primary service provider may not purchase a service enumerated in said section 12-407(2)(i) on a resale basis from a secondary service provider even though such service is so enumerated and will become an integral, inseparable component part of the service sold by the primary service provider to the ultimate consumer. Where the service being sold by the primary service provider is a service enumerated in section 12-407(2)(i) of the general statutes, but the service being purchased by the primary service provider from the secondary service provider is not so enumerated, the primary service provider may not purchase the service from the secondary service provider on a resale basis.

Example 1: *N*, a contractor constructing a new office building for *P*, obtains personnel from *R*, a temporary personnel agency, to unload construction materials from delivery trucks at the job site. Because new construction is excluded from taxable services to industrial, commercial or income-producing real property under subparagraph (I) of section 12-407(2)(i) of the general statutes, *N* shall pay tax on her purchase from *R* of the personnel services, which are enumerated under subparagraph (C) of said section 12-407(2)(i).

Example 2: *S*, a property management company providing taxable services to industrial, commercial or income-producing real property, incurs long-distance telephone charges on behalf of *T*, its client, in the course of rendering its management services, may not purchase telecommunications services on a resale basis because telecommunications services are enumerated in section 12-407(2)(k), not section 12-407(2)(i), of the general statutes.

(Adopted effective April 7, 1999)

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Enumerated Services

Sec. 12-411(14)-1. Resale of services excluded from use tax

See Conn. Agencies Regs. § 12-410(5)-1 for a discussion of the conditions under which the purchase of a service shall be considered a purchase for resale for purposes of the use tax.

(Adopted effective April 7, 1999)

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Manufacturing

Sec. 12-412 (18)-1. Materials, tools and fuel used directly in an industrial plant in the actual fabrication of finished products to be sold

(a) **In general.** Section 12-412 (18) of the general statutes exempts from the sales and use taxes the sale, and the storage, use or other consumption, of materials, tools and fuel used directly in an industrial plant in the actual fabrication of finished products to be sold. Subsection (b) of this regulation defines the term “materials” and provides examples of when such materials are “used directly” in an industrial plant in the actual fabrication of finished products to be sold. Subsection (c) of this regulation defines the term “tools” and provides examples of when such tools are “used directly” in an industrial plant in the actual fabrication of finished products to be sold. Subsection (d) of this regulation defines the term “fuel” and provides examples of when such fuel is “used directly” in an industrial plant in the actual fabrication of finished products to be sold. Subsection (e) of this regulation defines the term “industrial plant.” Subsection (f) of this regulation defines the term “actual fabrication.” Subsection (g) prescribes the procedure to be followed in claiming the exemption from sales and use taxes provided by said section 12-412 (18). The term “predominantly” when used in this regulation means more than fifty percent. While this regulation pertains, for purposes of supplementary interpretation, as the phrase is used in section 12-2 of the general statutes, to said section 12-412 (18), the promulgation of this regulation is authorized by section 12-426 (1) of the general statutes.

(b) Materials

(1) Section 12-412 (18) of the general statutes exempts from the sales and use taxes the sale, and the storage, use or other consumption, of materials used directly in an industrial plant in the actual fabrication of finished products to be sold. This regulation addresses whether materials are “used directly” in an industrial plant in the actual fabrication of finished products to be sold. As used in this regulation, the term “materials” means such items as lubricants, chemicals, solvents, anodes, catalysts, dyes and refrigerants. Said section 12-412 (18) also exempts from the sales and use taxes the sale, and the storage, use or other consumption, of materials that become an ingredient or component part of tangible personal property to be sold; however, this regulation does not address whether materials become an ingredient or component part of tangible personal property to be sold.

(2) In determining whether materials are used directly in an industrial plant in the actual fabrication of finished products to be sold, the commissioner will examine the facts and circumstances of each case, using the following principles as guidelines:

(A) Materials that are used to clean or lubricate machinery that is used directly in the actual fabrication of finished products to be sold are used directly in such actual fabrication.

(B) Materials that are used to remove impurities from raw materials being fabricated into finished products to be sold are used directly in such actual fabrication.

(C) Materials that are used to make molds into which molten steel will be poured to make parts being fabricated into finished products to be sold are used directly in such actual fabrication.

(3) Example: Company C, a manufacturer of widgets sold by it in the regular course of business, purchases (1) grease which will be used to lubricate assembly line machinery; (2) solvent which will be used to clean assembly line machinery; (3) muffles which will be used inside a blast furnace (used in the manufacture of

steel for widgets) to reduce atmospheric volume; (4) chemicals which will be used to remove impurities from raw materials being fabricated into widgets; and (5) safety goggles which will be worn by assembly line personnel. The materials used for the purposes described in (1), (2), (3) and (4) are exempt from tax; and the materials used for the purpose described in (5) are subject to tax.

(c) Tools

(1) As used in this regulation, the term “tools” means hand tools, such as hammers, chisels, wrenches, screwdrivers and saws. The term “tools” includes tools, such as drills, cutters, reamers, taps, dies, chucks, picks, punches, honing stones and grinding wheels, that are used in the operation of machinery. The term “tools” also includes accessory tools, such as jigs, chucks, holders, die sets, straighteners, collets, frames, shoes, adapters, quills and inserts, that hold or align a piece of work being fabricated or a tool used in actual fabrication. The term “tools” also includes nondestructive testing devices, other than machinery or component parts thereof.

(2) In determining whether tools are used directly in an industrial plant in the actual fabrication of finished products to be sold, the commissioner will examine the facts and circumstances of each case, using the following principles as guidelines:

(A) A tool, such as a drill, cutter or tap, that comes into direct contact with, and is used in the fabrication of, finished products to be sold is used directly in such actual fabrication.

(B) A tool, such as a chuck, that has a direct effect on finished products to be sold by holding or aligning tools, such as picks, reamers or punches, that come into direct contact with raw materials or pieces of work being fabricated into such products is used directly in such actual fabrication.

(C) A tool, such as a jig or collet, that has a direct effect on finished products to be sold by holding or aligning pieces of work that are being fabricated into such products is used directly in such actual fabrication.

(D) A tool, such as hammer, that adjusts or repairs machinery used directly in the actual fabrication of finished products to be sold is used directly in such actual fabrication.

(E) A tool that is used for checking the performance or output of machinery used directly in the actual fabrication of finished products to be sold is used directly in such actual fabrication.

(F) A tool making other tools that will be used directly in the actual fabrication of finished products to be sold is not used directly in such actual fabrication.

(G) A tool that is used to inspect finished products to be sold after their actual fabrication is completed (and no further refabrication is practicable) is not used directly in such actual fabrication.

(3) Example: Company B, a manufacturer of widgets sold by it in the regular course of business, purchases hammers which will be used (1) in the actual fabrication of widgets, i.e. the hammers will be widget assembly line tools and will come in direct contact with the widgets on the assembly line; (2) in the adjustment of widget assembly line machinery during actual fabrication; (3) in the repair of widget assembly line machinery; and (4) in the process of creating a prototype not intended to be sold. Company B also purchases micrometers which will be used (5) to measure the widgets at different stages on the assembly line; and (6) to inspect the finished widgets when no refabrication is practicable. The tools used for the purposes described in (1), (2), (3) and (5) are exempt from tax; and the tools used only for the purposes described in (4) and (6) are subject to tax.

(d) **Fuel.**

(1) As used in this regulation, the term “fuel” means a substance generally regarded as fuel, such as coal, gas or oil. Section 12-412 (18) of the general statutes exempts from the sales and use taxes the sale, and the storage, use or other consumption, of fuel used directly in an industrial plant in the actual fabrication of finished products to be sold. Said section 12-412 (18) also exempts from the sales and use taxes the sale, and the storage, use or other consumption, of fuel used directly in the furnishing of power to an industrial manufacturing plant or in furnishing gas, water, steam or electricity, when delivered to consumers through mains, lines, pipes or bottles. While this regulation addresses whether fuel is “used directly” in an industrial plant in the actual fabrication of finished products to be sold and whether fuel is “used directly” in the furnishing of power to an industrial manufacturing plant, it does not address whether fuel is “used directly” in furnishing gas, water, steam or electricity to consumers.

(2) In determining whether fuel is used directly in an industrial plant in the actual fabrication of finished products to be sold, the commissioner will examine the facts and circumstances of each case, using the following principles as guidelines:

(A) Fuel that is used to provide a temperature or pressure required in the process of fabrication of finished products to be sold is used directly in such actual fabrication.

(B) Fuel that is used to heat or cool an industrial plant, where heating or cooling has an incidental effect, if any, on the process of fabrication of finished products to be sold and is primarily for the comfort of workers at the plant, is not used directly in such actual fabrication.

(3) In determining whether fuel is used directly in the furnishing of power to an industrial manufacturing plant, the commissioner will examine the facts and circumstances of each case, using the following principles as guidelines:

(A) Fuel that is used in an industrial manufacturing plant to generate power for machinery used directly in actual fabrication of finished products to be sold is used directly in the furnishing of power to an industrial manufacturing plant.

(B) Fuel that is used in an industrial manufacturing plant to generate power for machinery not used directly in actual fabrication of finished products to be sold is not used directly in the furnishing of power to an industrial manufacturing plant.

(C) “Industrial manufacturing plant” means an industrial plant, as defined in subsection (e) of this regulation.

(e) **Industrial plant**

(1) As used in section 12-412 (18) of the general statutes and in this regulation, the term “industrial plant” or “industrial manufacturing plant” means an establishment which has actual fabrication or the manufacture of finished products to be sold as its predominant purpose and that is generally recognized as such. In determining whether an establishment has such fabrication or manufacture as its predominant purpose, the commissioner will examine the facts and circumstances of each case, using the following principles as guidelines:

(A) If the floor space of the establishment is predominantly devoted to actual fabrication or the manufacture of finished products to be sold, it is more likely to be an industrial plant. Floor space of the establishment devoted to research and development preliminary to such process will be considered to be floor space devoted to such process.

(B) If the number of employees working at the establishment are predominantly working in actual fabrication or the manufacture of finished products to be sold, it is more likely to be an industrial plant. The number of employees working at the

establishment at research and development preliminary to such process will be considered to be employees working at such process.

(C) If the wages and salaries of employees working at the establishment are predominantly wages and salaries of employees working in actual fabrication or the manufacture of finished products to be sold, it is more likely to be an industrial plant. The wages and salaries of employees working at the establishment at research and development preliminary to such process will be considered to be wages and salaries of employees working at such process.

(D) If the costs of operating the establishment are predominantly attributable to the costs of actual fabrication or the manufacture of finished products to be sold, it is more likely to be an industrial plant. The operating costs of the establishment attributable to research and development preliminary to such process will be considered to be operating costs of such process.

(E) If sales made at the establishment are predominantly of products fabricated or manufactured elsewhere, it is more likely that the actual fabrication or manufacturing aspect of the establishment is incidental to its retail aspect, and it is less likely to be an industrial plant.

(2) The term “industrial plant” does not encompass cottage industries. The term “cottage industries” means establishments at which fabrication takes place in a residential dwelling or in a building on the grounds of a residential dwelling. If an establishment is not located in an area zoned as commercial or industrial, or if residential use is among the uses being made of the establishment, it is less likely to be an industrial plant.

(f) **Actual fabrication.** As used in this regulation, the term “actual fabrication” means an operation or an integrated series of operations that alter or modify a manufactured product or raw materials, whether or not a change in the identity of the product or materials occurs. The transformation cannot be a mere natural process, whether or not expedited by the use of human skill or labor or machinery. In determining whether a process constitutes actual fabrication, the commissioner will examine the facts and circumstances of each case, using the following principles as guidelines:

(1) The process must occur at an industrial plant.

(2) The finished products of fabrication must be intended for sale, whether by the fabricator or by another on whose behalf the fabricator has undertaken the fabrication.

(3) The process must be commonly regarded as fabrication. By way of example and not limitation, fabrication includes assembling, cutting, perforating, painting, coating and similar operations. Where materials, tools or fuel are used directly in an industrial plant in the actual fabrication of a finished product to be sold, the sale, and the storage, use or other consumption, of such materials, tools or fuel will be exempt from the sales and use taxes.

(4) Fabrication involves the alteration or modification of a manufactured product or raw materials, whether or not a change in the identity of the product or materials occurs. Manufacturing involves the substantial transformation of the form, composition or character of raw or finished materials into a product possessing a new name, nature and use. A process that is regarded as manufacturing will be regarded as fabrication, but a process that is regarded as fabrication will not necessarily be regarded as manufacturing. By way of example and not limitation, cutting, painting and perforating are processes that are regarded as fabrication, but, when taken alone, because they do not substantially transform the form, composition or character of raw or finished materials, they are not regarded as manufacturing. The sale, and

the storage, use or other consumption, of machinery is exempt from sales and use taxes only if such machinery is used directly in a manufacturing production process as defined in section 12-412 (34)-1 of the regulations.

(g) **Procedure**

(1) The commissioner shall prescribe and furnish an exemption certificate that shall be completed and issued by the purchaser of materials, fuel or tools to the retailer thereof where the exemption from sales and use taxes provided by section 12-412 (18) of the general statutes is claimed to be applicable.

(2) The exemption certificate referred to in subdivision (1) of this subsection shall relieve the retailer from the burden of proving that the sale, and the storage, use or other consumption, of the materials, fuel or tools were not subject to sales and use taxes only if taken in good faith from a person who is engaged in the actual fabrication of finished products to be sold. The good faith of the retailer will be questioned if such retailer has knowledge of facts that give rise to a reasonable inference that the purchaser is not engaged in such fabrication or that the materials, fuel or tools will not be used directly in the actual fabrication of finished products to be sold.

(3) If the materials, fuel or tools are not used directly in the actual fabrication of finished products to be sold by a purchaser who issues an exemption certificate in good faith, then the use shall be deemed a retail sale by the purchaser as of the time that the materials, fuel or tools are first used by the purchaser, and the cost of the materials, fuel or tools to the purchaser shall be deemed the gross receipts from a retail sale by such purchaser.

(Effective April 23, 1991)

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Manufacturing

Sec. 12-412 (34)-1. Machinery used directly in a manufacturing production process

(a) **In General.** Section 12-412 (34) of the general statutes exempts from the sales and use taxes the sale, and the storage, use or other consumption, of machinery used directly in a manufacturing production process. Subsection (b) of this regulation defines the term “machinery.” Subsection (c) of this regulation defines the term “manufacturing.” Subsection (d) of this regulation defines the term “manufacturing production process.” Subsection (e) of this regulation defines the term “manufacturing plant.” Subsection (f) of this regulation provides examples of when machinery is “used directly” in a manufacturing production process. Said section 12-412 (34) does not exempt the sale, and the storage, use or other consumption of, all machinery, and subsection (g) of this regulation provides examples of “office equipment or data processing equipment,” the sale, and the storage, use or other consumption, of which are not exempt under said section 12-412 (34), and also provides examples of “numerically controlled machinery used directly in the manufacturing process,” the sale, and the storage, use or other consumption, of which are exempt under said section 12-412 (34). Subsection (h) prescribes the procedure to be followed in claiming the exemption from sales and use taxes provided by said section 12-412 (34). The term “predominantly” when used in this regulation means more than fifty percent. While this regulation pertains, for purposes of supplementary interpretation, as the phrase is used in section 12-2 of the general statutes, to said section 12-412 (34), the promulgation of this regulation is authorized by section 12-426 (1) of the general statutes.

(b) **Machinery.** As used in this regulation, the term “machinery” has the meaning ascribed to it in section 12-412 (34) of the general statutes. It is a device composed of solid, fluid or electrical parts assembled into a unit for the purpose of transmitting forces, motion and energy. While said section 12-412 (34) exempts from the sales and use taxes the sale, and the storage, use or other consumption, of machinery used directly in a manufacturing production process, it exempts from the sales and use taxes the sale, and the storage, use or other consumption, of component parts and contrivances of machinery used directly in a manufacturing production process if and only if those component parts and contrivances are sold in the same transaction with the basic machine. The term “component parts and contrivances” has the meaning ascribed to it in said section 12-412 (34). Such component parts and contrivances must be directly connected with, or be an integral part of, machinery.

(c) **Manufacturing.** As used in this regulation, the term “manufacturing” means an operation or an integrated series of operations that substantially transform, by physical, chemical or other means, the form, composition or character of raw or finished materials into a product possessing a new name, nature and use which is intended for sale, whether by the manufacturer or by another on whose behalf the manufacturer has undertaken the manufacture. The transformation cannot be a mere natural process, whether or not expedited by the use of machinery. If the transformation is not substantial, the process may only constitute fabrication. In such event the sale, and the storage, use or other consumption, of machinery used directly in such process will not be exempt from sales and use taxes. However, the sale, and the storage, use or other consumption, of materials, tools or fuel used directly in such fabrication in an industrial plant will be exempt from sales and use taxes. In determining whether a process constitutes manufacturing, the commissioner will

examine the facts and circumstances of each case, using the following principles as guidelines:

(1) The process must occur at a manufacturing plant.

(2) If the process involves chemical change to property rather than only physical change, it is more likely to be manufacturing. For example, the mere sorting of recyclable materials is not manufacturing, while using heat and chemicals to eliminate impurities, increase density and change the composition of recyclable materials so that they will meet certain metallurgical or chemical tolerances is manufacturing.

(3) The process must be commonly regarded as manufacturing. For example, the operation of supermarkets and restaurants is not commonly regarded as manufacturing, while the operation of a bakery, where the baking of flour-and yeast-based foods is primarily for other than on-site sale, is commonly regarded as manufacturing.

(4) If the process involves only physical change to property, the greater the degree of physical change, the more likely the process is to be manufacturing. For example, the process of cleaning, cutting and flash-freezing vegetables does not involve a sufficient degree of physical change to be considered manufacturing, while the process of quarrying and cutting brownstone into blocks of a size usable by building contractors does involve a sufficient degree of physical change to be manufacturing.

(5) If the process involves production in standardized sizes and qualities and in multiple quantities, it is more likely to be manufacturing.

(6) The generation of steam or electricity is not manufacturing.

(7) The furnishing of gas, water, steam, electricity, telephone or community antenna television service is not manufacturing.

(8) The development of software programs is not manufacturing.

(9) The sale, and the storage, use or other consumption, of equipment used directly in the production and transmission of finished radio, television or cable television programming may be exempt from sales and use taxes under section 12-412 (44), but not under section 12-412 (34).

(d) **Manufacturing production process.** As used in this regulation, the term “manufacturing production process” means the activities or series of activities of which manufacturing consists, beginning with the movement of materials, after their receipt, inspection and storage, to the first production machine and ending with the packaging of the manufactured product for its sale to the ultimate consumer. The process does not include activities, such as the weighing, inspection and storage of materials, prior to the movement of materials to the first production machine (the first production stage), and does not include activities, such as the casing and loading of the manufactured product, subsequent to packaging (the last production stage).

(e) **Manufacturing plant**

(1) As used in this regulation, the term “manufacturing plant” means an establishment that has manufacturing as its predominant purpose and that is generally recognized as such. In determining whether an establishment has manufacturing as its predominant purpose, the commissioner will examine the facts and circumstances of each case, using the following principles as guidelines:

(A) If the floor space of the establishment is predominantly devoted to a manufacturing production process, it is more likely to be a manufacturing plant. Floor space of the establishment devoted to research and development preliminary to such process will be considered to be floor space devoted to such process.

(B) If the number of employees working at the establishment are predominantly working in a manufacturing production process, it is more likely to be a manufactur-

ing plant. The number of employees working at the establishment at research and development preliminary to such process will be considered to be employees working at such process.

(C) If the wages and salaries of employees working at the establishment are predominantly wages and salaries of employees working in a manufacturing production process, it is more likely to be a manufacturing plant. The wages and salaries of employees working at the establishment at research and development preliminary to such process will be considered to be wages and salaries of employees working at such process.

(D) If the costs of operating the establishment are predominantly attributable to the costs of the manufacturing production process, it is more likely to be a manufacturing plant. The operating costs of the establishment attributable to research and development preliminary to such process will be considered to be operating costs of such process.

(E) If sales made at the establishment are predominantly of products manufactured elsewhere, it is more likely that the manufacturing aspect of the establishment is incidental to its retail aspect, and it is less likely to be a manufacturing plant.

(2) The term “manufacturing plant” does not encompass cottage industries. The term “cottage industries” means establishments at which manufacturing takes place in a residential dwelling or in a building on the grounds of a residential dwelling. If an establishment is not located in an area zoned as commercial or industrial, or if residential use is among the uses being made of the establishment, it is less likely to be a manufacturing plant.

(f) **Used directly.** In determining whether machinery is used directly in a manufacturing production process, the commissioner will examine the facts and circumstances of each case, using the following principles as guidelines:

(1) Machinery that directly transforms, or has a direct effect upon, the form, composition or character of raw materials being manufactured into a product possessing a new name, nature and use which is intended for sale, whether by the manufacturer or by another on whose behalf the manufacturer has undertaken the manufacture, is used directly in a manufacturing production process.

(2) Machinery, other than machinery described in subdivision (1) of this subsection, that is used predominantly on the production line to perform an activity occurring during the manufacturing production process is used directly in a manufacturing production process. For example, machinery such as a forklift, crane or hoist used more than fifty percent of the time to move the materials being manufactured between machinery described in subdivision (1) of this subsection qualifies as machinery used directly in a manufacturing production process. Also, electric or hydraulic motors and air compressors used more than fifty percent of the time to power machinery described in subdivision (1) of this subsection qualify as machinery used directly in a manufacturing production process.

(3) Machinery, other than machinery described in subdivisions (1) and (2) of this subsection, (A) that is used exclusively to control or monitor an activity occurring during the manufacturing production process, or exclusively to design a product as well as to control or monitor an activity occurring during the manufacturing production process (e.g., a computer aided design/computer aided manufacturing machine), and (B) that is directly linked with machinery described in subdivision (1) or (2) of this subsection, is used directly in a manufacturing production process. For example, a computer used exclusively to control or monitor, and directly linked to, machinery described in subdivision (1) or (2) of this subsection qualifies as machin-

ery used directly in a manufacturing production process; however, a computer used to control or monitor machinery described in subdivision (1) or (2) of this subsection as well as for administrative purposes would not be used exclusively to control or monitor an activity occurring during the manufacturing production process, and, accordingly, would not be used directly in a manufacturing production process.

(4) Machinery used exclusively during the manufacturing production process to test (other than destructive testing) or measure materials and products being manufactured qualifies as machinery used directly in a manufacturing production process.

(5) Machinery that is used to perform an activity occurring prior to the first production stage of the manufacturing production process is not used directly in a manufacturing production process. For example, machinery used to inspect materials prior to the movement of such materials to the first manufacturing production machine would not be machinery used directly in a manufacturing production process.

(6) Machinery that is used to control or monitor an activity occurring subsequent to the last production stage of the manufacturing production process is not used directly in a manufacturing production process. For example, a computer used to control or monitor machinery that cases and loads manufactured products would not be machinery used directly in a manufacturing production process.

(7) Machinery that is used to repair or maintain machinery described in subdivision (1) of this subsection is not used directly in a manufacturing production process.

(8) Machinery that is used to manufacture tools which are used in the manufacturing production process is not used directly in a manufacturing production process.

(g) Office equipment or data processing equipment

(1) As used in this regulation, the term “office equipment or data processing equipment” means equipment that is not machinery used directly in a manufacturing production process under the principles set out in subsection (f) of this regulation. For example, a computer used, on the one hand, on a production line to control an activity occurring during a manufacturing production process and, on the other hand, to maintain inventory control and job costing financial records or for production scheduling would be office equipment or data processing equipment; however, if the computer were used exclusively on the production line to control an activity occurring during the manufacturing production process, it would not be office equipment or data processing equipment, but would be machinery used directly in a manufacturing production process.

(2) As used in this regulation, the term “numerically controlled machinery” means automated machinery that is controlled by a punched tape, the holes in which represent coded instructions for the machinery.

(3) As used in this regulation, the term “numerically controlled machinery used directly in the manufacturing process” means numerically controlled machinery that, under the principles set out in subsection (f) of this regulation, is used directly in a manufacturing production process.

(h) Procedure

(1) The commissioner shall prescribe and furnish an exemption certificate that shall be completed and issued by the purchaser of machinery to the retailer thereof where the exemption from sales and use taxes provided by section 12-412 (34) of the general statutes is claimed to be applicable.

(2) The exemption certificate referred to in subdivision (1) of this subsection shall relieve the retailer from the burden of proving that the sale, and the storage,

use or other consumption, of the machinery were not subject to sales and use taxes only if taken in good faith from a person who is engaged in manufacturing. The good faith of the retailer will be questioned if such retailer has knowledge of facts that give rise to a reasonable inference that the purchaser is not engaged in manufacturing or that the machinery will not be used directly in a manufacturing production process.

(3) If the machinery is not used directly in a manufacturing production process by a purchaser who issues an exemption certificate in good faith, then the use shall be deemed a retail sale by the purchaser as of the time that the machinery is first used by the purchaser, and the cost of the machinery to the purchaser shall be deemed the gross receipts from a retail sale by such purchaser.

(Effective April 23, 1991)

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Farmer Tax Exemption Permits

Farmer tax exemption permits 12-412(63)-1

Farmer Tax Exemption Permits

Sec. 12-412(63)-1. Farmer tax exemption permits

(a) Definitions.

(1) “Agricultural production” means “agricultural production” as defined in Section 12-412(63) of the Connecticut General Statutes;

(2) “Applicant” means a person who has completed and submitted an application to DRS;

(3) “Application” means a Form REG-8, *Application for Farmer Tax Exemption Permit* (or Form REG-8R, *Renewal Application for Farmer Tax Exemption Permit*, in the case of a renewal), or a document providing the information that is described in subdivision (2) of subsection (e) of this section;

(4) “Commissioner” means the Commissioner of Revenue Services;

(5) “DRS” means the Department of Revenue Services;

(6) “Engaged in agricultural production as a trade or business” means engaging in agricultural production with a profit motive and materially participating in such production;

(7) “Permit” means a Form OR-248, *Farmer Tax Exemption Permit*;

(8) “Permittee” means a person to whom a permit has been issued by DRS; and

(9) “Person” means “person” as defined in Section 12-407(a)(1) of the Connecticut General Statutes.

(b) To whom is DRS required to issue a permit?

DRS is required to issue a permit to a person who is engaged in agricultural production as a trade or business and who meets the other criteria established in Section 12-412(63) of the Connecticut General Statutes.

(c) What are some examples of “agricultural production?”

(1) In general, “agricultural production” includes raising and harvesting any agricultural or horticultural commodity as a trade or business. Some examples of “agricultural production” include the following activities when engaged in as a trade or business:

(A) Boarding, caring for, feeding, raising, shearing, training, or otherwise managing horses or other livestock owned by others.

(B) Breeding livestock (unless the livestock breeder is required for federal income tax purposes to treat his or her income from the sales of livestock as capital gains);

(C) Dairy farming;

(D) Forestry;

(E) Operating a fish farm or hatchery, including raising and harvesting fish, oysters, clams, mussels, or other molluscan shellfish;

(F) Selling timber if the seller is engaged in farming or forestry management.

(2) Agricultural production does not include selling agricultural products that were purchased for resale. For example, a person who sells cut flowers or plants at a roadside stand is not engaged in agricultural production if the person bought the flowers or plants for resale.

(d) In whose name does DRS issue a permit?

DRS issues a permit in the name of the applicant, and, if spouses submit an application, DRS issues a permit in the name of the spouses.

(e) How does a person apply for a permit?

(1) An applicant shall complete and submit an application to DRS. Forms REG-8 and REG-8R are available from the DRS Forms Unit, the DRS Taxpayer Services Division, or the DRS website.

(2) In lieu of completing and submitting an application, an applicant may submit a document that is signed and dated by the applicant and that:

(A) Provides the applicant's name, home address (including number and street, city, town or post office, state and ZIP code), Social Security Number, if the applicant is an Individual, and Federal Employer Identification Number, if the applicant is other than an individual;

(B) Provides the applicant's farm information, including the farm's name, telephone number and street address and town, the total acreage of the farm, and the total number of acres that the applicant used in agricultural production during the preceding taxable year;

(C) Indicates whether the applicant is applying as an individual, partnership, corporation, limited liability company, limited liability partnership, fiduciary, or other entity;

(D) Indicates whether the applicant is applying for a permit because the applicant purchased an existing farm, changed its business structure, wishes to renew its permit, or is a start-up farmer;

(E) Indicates whether the applicant was engaged in agricultural production as a trade or business during the preceding taxable year;

(F) Indicates whether the applicant owns the farmland, leases the farmland, or owns part and leases part of the farmland;

(G) Lists the farm products, including livestock, that the applicant raised during the preceding taxable year;

(H) Lists the farm products, including livestock, that the applicant intends to raise during the current taxable year and the immediately succeeding taxable year;

(I) Indicates whether the applicant has been issued a Sales and Use Tax Permit by DRS, and if so, provides the applicant's 10-digit Connecticut Tax Registration Number;

(J) Indicates whether the applicant has employees, and if so, provides the applicant's 10-digit Connecticut Tax Registration Number;

(K) Provides the amount of gross income that the applicant derived solely from agricultural production as reported on the applicant's federal income tax return in each of the two preceding taxable years;

(L) Provides the average amount of gross income the applicant derived solely from agricultural production as reported on the applicant's federal income tax return in each of the two preceding taxable years;

(M) Indicates whether the applicant qualifies for a permit because the applicant purchased an existing agricultural business in the current or preceding taxable year, even though the applicant's gross income derived solely from agricultural production as reported on the applicant's federal income tax return in each of the two preceding taxable years is less than \$2500, and if so, provides the name and Farmer Tax Exemption Permit Number of the seller; and

(N) Has attached to it a copy of the applicant's most recently filed federal income tax return and schedules thereto pertaining to the applicant's gross income from agricultural production (for example, Schedule C or Schedule F).

(3) An application may be submitted by mail or in person at any DRS office. The application need not be notarized. However, the person signing the application is required to declare that he or she has examined the application and that, to the best of his or her knowledge or belief, it is true, complete and correct. The person signing the application is also required to declare that he or she understands that

the penalty for willfully delivering a false statement to DRS is a fine of not more than \$5,000, or imprisonment for not more than five years, or both.

(f) What is required to be submitted with the application?

When applying for a permit, an applicant who is an individual is required to submit a copy of the first two pages of his or her signed federal Form 1040 for the preceding year and a copy of the Schedule C or Schedule F to that return. An applicant that is not an individual is required to submit a copy of the first two pages of its signed federal income tax return, and a federal Form 1040, Schedule F that is prepared only for informational purposes for DRS. DRS may permit or require the applicant to submit copies of other schedules to determine if the criteria established in Section 12-412(63) of the Connecticut General Statutes are met and if the applicant is eligible for a permit.

(g) Is a person not previously engaged in agricultural production as a trade or business eligible to be issued a permit?

(1) Yes. Even if an applicant does not meet the income requirements for agricultural production in Section 12-412(63)(A) of the Connecticut General Statutes, DRS shall issue a permit to the applicant if the applicant establishes, to the commissioner's satisfaction, that the applicant intends to carry on agricultural production as a trade or business for at least two years.

(2) The commissioner shall consider the following factors in determining whether the applicant intends to carry on agricultural production as a trade or business for at least two years and is eligible to be issued a permit under this subsection:

(A) How will the applicant conduct the agricultural production business? The applicant is required to identify and describe the product or service the applicant intends to sell, the applicant's prospective customers, competition, sales strategy, the amount of profits expected, and the applicant's plan for minimizing specific business risks.

(B) What is the applicant's agricultural production expertise and experience? The applicant is required to describe the applicant's agricultural production expertise and experience and that of any of the applicant's prospective advisors, employees, and independent contractors.

(C) How much time and effort will the applicant expend in agricultural production? The applicant is required to describe the time and effort that the applicant plans to expend in conducting the agricultural production business for at least the next two years.

(D) Has the applicant conducted any similar business in the past? The applicant is required to describe how the applicant conducted any similar business or businesses in the past, including the profitability of such business or businesses.

(E) Can the applicant afford to carry on agricultural production as a trade or business for at least two years? The applicant is required to describe the applicant's current financial status, including the applicant's income, assets, and financial obligations. The applicant is required to establish that the applicant has the financial ability to carry on agricultural production as a trade or business for at least two years.

(F) Attach to Application. The applicant shall attach the information required by subdivision (2) of this subsection to the application.

(3) When Section 12-412(63)(E)(ii) or (iii) of the Connecticut General Statutes applies, the permittee is also liable, under the provisions of Chapter 219 of the Connecticut General Statutes, for interest on the sales or use tax imposed on purchases made during the period commencing upon the issuance of the permit and

ending two years after the date of issuance of the permit. In such case, the tax is due, and interest begins to accrue, on the day after the due date of the sales and use tax return for the first taxable period ending after the expiration date of the permit, or, if the permittee is not required to file sales and use tax returns, the first day of the fifth month next succeeding the expiration date of the permit.

(h) How long is the permit valid?

DRS may issue a permit that is valid for up to two years from the date it is issued. DRS shall print the permit's expiration date on the permit. A permittee may not make exempt purchases after the permit expires. Therefore, if a permittee does not file an application to renew a previously issued permit in sufficient time to be issued a new permit before the previously issued permit expires, the permittee may not make exempt purchases during the period following the expiration date of the previously issued permit until the date the new permit is issued.

(i) What kinds of tax-exempt purchases may a permittee make with the permit?

(1) General Rule.

A permittee may buy items of tangible personal property, tax-exempt, that are to be used exclusively in agricultural production by the permittee. Purchases of items that are to be used partly in agricultural production and partly for other purposes are taxable. For example, if a permittee buys a truck that is to be used on the weekend to take farm produce to a regional market and during the week to commute to a job that is unrelated to farming, the permittee may not buy the truck tax-exempt because the truck is not to be used exclusively in agricultural production by the permittee.

(2) May a permittee lease farm equipment tax-exempt?

Yes. A permittee may lease equipment that is to be used exclusively in agricultural production by the permittee tax-exempt.

(3) If a permittee operates a farm and also does custom hire work such as plowing, fertilizer application, or harvesting for other permittees, may the permittee buy machinery and supplies, tax-exempt, to perform these?

No. A permittee may use a permit only to make tax-exempt purchases of equipment that is to be used exclusively in the operation of the permittee's own farm.

(4) May a permittee buy services like plowing, planting, harvesting, fertilizer application, or repairs to farm vehicles tax-exempt?

No. The tax exemption is limited to purchases of items of tangible personal property. Sales and use taxes are due on any taxable services that the permittee buys. However, although purchases of repair services are subject to tax, repair parts for vehicles and machinery that are to be used exclusively in agricultural production may be purchased tax-exempt with the permit.

(5) If a permittee hires a contractor to renovate a farm building, is the charge for the contractor's services subject to tax?

Yes. Because the exemption under Section 12-412(63) of the Connecticut General Statutes does not apply to purchases of taxable services, a permittee is liable for sales tax on the service charges for the renovation or repair of an existing farm structure.

(6) If a permittee renovates a building used exclusively for agricultural production, may the permittee buy materials for the renovation tax-exempt?

Yes. Lumber, hardware, and other building materials that are sold directly to a permittee for the construction or renovation of a farm structure that is to be used exclusively in agricultural production, such as a barn for farm animals or a storage building for the harvest, may be purchased tax-exempt. However, if the building

materials and supplies are sold, not to the permittee, but to a contractor hired to perform the construction services, the sales are taxable. Likewise, tax applies to the purchase of materials if the structure is not to be used exclusively in the agricultural production process. For example, if a permittee buys lumber to build or renovate a home, the purchase of the lumber is taxable.

(j) How does a permittee use the permit?

The permittee is required to provide a copy of the permit to the retailer each time the permittee buys items that the permittee will use exclusively in agricultural production. Alternatively, a permittee may write the words “Blanket Certificate” across the top of a copy of the permit and provide it to retailers from whom the permittee frequently buys items that the permittee will use exclusively in agricultural production. If the permittee does not provide a copy of the permit to the retailer at the time of purchase or have a blanket certificate on file, the retailer shall collect, and the permit holder shall pay, sales tax.

(k) Is a permittee entitled to a refund of sales or use tax paid on purchases made before DRS issued the permit?

No. A permittee is not entitled to a refund of sales or use tax on purchases made before DRS issued a permit. A permittee is required to present the permit when a purchase is made to claim the exemption.

(l) May a permittee transfer the permit?

No. The permit may not be transferred or assigned to anyone. Additionally, if the permittee ceases to be engaged in agricultural production, the permit is void and the permittee is required to return the permit to DRS.

(m) What is a permittee required to do if the permittee’s address, form of business, or farm location changes?

The permittee is required to apply for a new permit if the permittee’s address, form of business, or farm location changes. The permittee is required to submit a completed application to DRS with the correct information and to return the old permit to DRS.

(n) If a permittee transfers his or her agricultural trade or business to a member of the immediate family for no consideration, is DRS required to issue a permit to the transferee?

The permittee’s permit is not transferable so, in order for the transferee to be able to make tax-exempt purchases under Section 12-412(63) of the Connecticut General Statutes, the transferee is required to apply for a permit in the transferee’s name. The transferee is required to complete and submit an application to DRS and to return the transferor’s permit to DRS. The transferee is required to submit the specified pages of the transferor’s federal income tax return with the transferee’s application. The transferee is also required to provide the transferor’s name and permit number on the application. DRS is required to issue a permit to the transferee as long as the transferee is the permittee’s spouse, parent, child, or sibling and the activities of the transferee meet the other qualifications for a permit.

For example, a permittee decides to retire and transfers her farm for no consideration to her daughter, who will continue to run the farm. DRS is required to issue a permit to the daughter as long as she intends to engage in agricultural production as a trade or business, completes and submits an application to DRS, returns her mother’s permit to DRS, and submits the pages, as specified in subsection (f) of this section, of her mother’s federal income tax return with her application. To avoid delays in issuing a new permit, the daughter may include with her application a written explanation of her relationship to the transferor.

(o) If a permittee sells the permittee's agricultural trade or business, is DRS required to issue a permit to the transferee?

The permittee's permit is not transferable, so, in order for the transferee to be able to make tax-exempt purchases under Section 12-412(63) of the Connecticut General Statutes, the transferee is required to apply for a permit in the transferee's name. DRS is required to issue a permit to the transferee as long as the activities of the transferee meet the other qualifications for a permit. However, if the transferee completes and submits an application to DRS and DRS issues a permit to the transferee and the transferee does not carry on agricultural production for at least two years from the date of purchase, the transferee is liable for the sales or use tax otherwise due on purchases that were made during the two-year period. The transfer of the assets of the agricultural trade or business as part of the formation of a new business entity also qualifies as a sale for the purposes of this provision.

For example, a permittee who operates his farm as a sole proprietorship forms a limited liability company and transfers the farm to it. The limited liability company may not make tax-exempt purchases under Section 12-412(63) of the Connecticut General Statutes until it applies for a permit and is issued a permit by DRS. To avoid delays in issuing a new permit, the applicant may include with its application a written explanation of its relationship to the transferor.

(p) What penalties apply for making false statements or misusing the permit?

A permittee who misuses the permit also is liable for use tax on purchases made by the permittee while misusing the permit; interest that accrues on the use tax from the date of such purchases; and civil penalties under Chapter 219 of the Connecticut General Statutes.

(Adopted effective January 1, 2003)

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Sec. 12-426-1. Resale certificates

(a) The burden of proving that the sale, lease or rental of tangible personal property pursuant to Regulation 12-426-25 or a sale of a service taxable pursuant to Regulations 12-426-26 and 12-426-27 is not a sale at retail is upon the seller/lessor unless he takes a certificate from the purchaser that the property or service is purchased for resale.

The certificate shall be taken in good faith from a person engaged in selling or leasing tangible personal property or taxable services who, at the time of purchase, intends to sell the property or services in the regular course of business or cannot then ascertain whether it will be so sold or not.

The certificate shall be substantially in the form prescribed in subsection (b). It shall in all cases be signed by the purchaser, bear his name and address and indicate the general character of the property or service sold by the purchaser in the regular course of his business. It shall also bear the number of the seller's permit held by the purchaser, but, if he is not required to hold a permit because he sells only property of a kind the sale of which is not taxable, e.g., food products for human consumption, or because he makes no sales in this state, he should make an appropriate notation to that effect on the certificate in lieu of his seller's permit number.

(b) The following form of resale certificate is prescribed by the commissioner of revenue services and copies of the same may be made and used by any seller of tangible personal property or services in accordance with this section:

SALES & USE TAX RESALE CERTIFICATE

issued to (seller) _____ address _____

I certify that _____ name of firm (buyer) _____ is engaged as a registered
 () wholesaler
 street address or p.o. box no. _____ () retailer
 () manufacturer
 city _____ state _____ zip code _____ () lessor
 () other (specify)

and is registered with the below listed states and cities within which your firm would deliver purchases to us and that any such purchases are for wholesale, resale, ingredients or components of a new product to be resold, leased, or rented in the normal course of our business. We are in the business of wholesaling, retailing, manufacturing, leasing (renting) the following:

city or state _____ state registration _____ city or state _____ state registration _____
 or ID no. or ID no.

city or state _____ state registration _____ city or state _____ state registration _____
 or ID no. or ID no.

city or state _____ state registration _____ city or state _____ state registration _____
 or ID no. or ID no.

.....

I further certify that if any property so purchased tax free is used or consumed by the firm as to make it subject to a sales or use tax we will pay the tax due direct to the proper taxing authority when state law so provides or inform the seller for added tax billing. This certificate shall be part of each order which we may hereafter give to you, unless otherwise specified, and shall be valid until cancelled by us in writing or revoked by the city or state.

General descriptions of products to be purchased from the seller:

I declare under the penalties of false statement that this certificate has been examined by me and to the best of my knowledge and belief is a true, correct and complete certificate.

.....
authorized signature

(owner, partner or corporate officer) title date

Under "General Description of products to be purchased from the seller" there may appear (1) Either an itemized list of the particular property/service(s) to be purchased or leased for resale or (2) A general description of the kind of property to be purchased for resale.

This certificate may be used for the purpose of a single purchase of commodities/services for resale; in such case (1) above applies, or it may be used as a blanket certificate for the purpose of a continuing line of purchases of commodities for resale in the regular course of business; in the latter case (2) above applies, and the certificate should be plainly marked "Blanket Certificate."

(c) The good faith of the seller will be questioned if he has knowledge of facts which give rise to a reasonable inference that the purchaser does not intend to resell the property, as, for example, knowledge that a purchaser of particular merchandise is not engaged in the business of selling that kind of merchandise.

(d) Resale certificates shall be valid only for the period in which the purchaser is a reseller of the items covered in such certificates but should be renewed at least every three years from the date of issue.

(e) The terms "selling" and "purchasing" of tangible personal property or commodities also encompass leases or rentals of tangible personal property or commodities.

(f) Services may only be "sold" or "purchased" and not rented or leased.
(Effective April 7, 1980)

Sec. 12-426-2. Barbers, beauty shop operators, bootblacks, launderers and cleaners

Barbers, beauty shop operators, bootblacks, launderers and cleaners are the consumers of the supplies and other property used in performing their services. They are retailers, however, of any such supplies or of used articles or other tangible personal property which they sell to consumers in the regular course of business.

Note:—"Consumer" pays a tax reimbursement to the retailer when purchase is made in this state.

"Retailer" collects the tax reimbursement from the customer and pays the applicable rate of sales tax to the state quarterly on his gross receipts.

(Effective April 4, 1972)

Sec. 12-426-3.

Repealed, March 5, 2003.

Sec. 12-426-4. Florists

The tax applies to amounts charged by a florist to his customers for delivery of flowers, wreaths, etc., to points within Connecticut, even though he instructs another florist to make such delivery, but in this case the tax does not apply to amounts received by the florist making the delivery within the state. The tax applies to amounts charged by florists who receive orders for the delivery of flowers, wreaths, etc., to points outside this state and who instruct florists outside this state to make the delivery. The tax does not apply to separate charges made for telegrams or telephone calls in connection with such sales nor does it apply to amounts received by Connecticut florists who make deliveries in this state pursuant to instructions received from florists outside this state.

Sec. 12-426-5.

Repealed, July 28, 1987.

Sec. 12-426-5a. Funeral establishments

(a) **In general.** The sale of tangible personal property within this state is subject to the sales tax imposed under chapter 219 (Sales and Use Tax Act). Subsection (55) of section 12-412 of the Connecticut General Statutes exempts from the sales tax the sale of tangible personal property by a funeral establishment, where the property is used directly by a funeral establishment in performing burial or cremation services and where the sales price of the property is two thousand five hundred dollars or less. (Where the sales price of the property so used is more than two thousand five hundred dollars, the tax applies only to the amount of the sales price in excess of two thousand five hundred dollars.) Subsection (b) of this section pertains to the direct use of property by a funeral establishment. Subsection (c) of this section pertains to amounts which are includible in the gross receipts of a funeral establishment and amounts which are deductible from the gross receipts of a funeral establishment. Subsection (d) of this section pertains to purchases by a funeral establishment.

(b) Direct use of property

(1) Property used directly in performing burial or cremation services includes caskets, vaults, outside containers and burial clothing.

(2) Property not used directly in performing burial or cremation services includes flowers and monuments. (The sale of tangible personal property not used directly by a funeral establishment in performing burial or cremation services is subject to the sales tax, irrespective of the sales price.)

(c) Gross receipts of funeral establishment

(1) The measure of the sales tax is gross receipts from retail sales. When selling tangible personal property used in performing burial or cremation services, a funeral establishment is making retail sales, and its gross receipts therefrom are subject to the sales tax.

(2) The following gross receipts of a funeral establishment shall be reported on the sales tax return:

(A) gross receipts from retail sales of caskets, vaults, burial clothing, flowers, and monuments, irrespective of where burial occurs. (See also subdivision (3) (A) of this subsection which concerns certain deductions from gross receipts.)

(B) gross receipts from retail sales of tangible personal property, whether or not used directly by the funeral establishment in performing burial or cremation services. (See also subdivision (3) (B) of this subsection which concerns certain deductions from gross receipts.)

(C) gross receipts from retail sales of burial clothing, whether or not the sales price is less than seventy-five dollars. (See also subdivision (3) (C) of this subsection which concerns certain deductions from gross receipts.)

(3) A deduction may be claimed on the sales tax return:

(A) where burial occurs without this state, for an out-of-state sale. The deduction shall be in an amount equal to the gross receipts attributable to the retail sales made in those instances where burial occurs without this state.

(B) where property sold by the funeral establishment is used directly in performing burial or cremation services, for funeral expenses. The deduction shall be in an amount equal to the gross receipts attributable to the retail sales of property used directly in performing burial or cremation services, provided no more than two thousand five hundred dollars shall be deductible per burial or cremation service. Where burial occurs without this state, the deduction for an out-of-state sale, rather than the deduction for funeral expenses, may be claimed.

(C) where the sales price of burial clothing is less than seventy-five dollars, for clothing under seventy-five dollars. The deduction shall be in an amount equal to the gross receipts attributable to the retail sales of burial clothing, the sales price of which is less than seventy-five dollars. Where the sales price of burial clothing is less than seventy-five dollars but burial occurs without this state, the deduction for an out-of-state sale, rather than the deduction for clothing under seventy-five dollars, may be claimed. Where the sales price of burial clothing is seventy-five dollars or more, the deduction for funeral expenses, rather than the deduction for clothing under seventy-five dollars, may be claimed. Where the sales price of burial clothing is seventy-five dollars or more but burial occurs without this state, the deduction for an out-of-state sale, rather than the deduction for funeral expenses, may be claimed. For rules pertaining to the exemption of articles of clothing from the sales tax, see section 12-426-30.

(4) The following amounts are not includible in the gross receipts of a funeral establishment and are not deductible from gross receipts:

(A) charges billed to and paid by the United States, the State of Connecticut, or any political subdivision or agency of the State of Connecticut. Such payments shall be deemed to have been made for services rendered (as opposed to having been made for tangible personal property sold) by the funeral establishment.

(B) reimbursement received for accommodation cash advances made by the funeral establishment for items such as cemetery charges, newspaper notices, clergy fees, and flowers.

(C) charges for services rendered by the funeral establishment, where such charges are stated separately from the charges for tangible personal property sold by the funeral establishment.

(d) **Purchases by funeral establishment**

(1) The use tax applies to purchases from a retailer of tangible personal property which, at the time of purchase, was intended to be used in this state. The measure of the use tax is the sales price of the tangible personal property.

(2) A funeral establishment is the consumer of tangible personal property used in the operation of its business and not purchased for resale in the regular course of its business or used as an ingredient or component part of other tangible personal

property to be sold in the regular course of its business. Such property includes embalming fluids, cosmetics, chemicals and other items or instruments used in embalming or in preparation for burial or cremation. The use tax applies to purchases of such property.

(3) A funeral establishment is the seller of, and may purchase for resale, any tangible personal property which it resells, before use, in the regular course of its business. The purchase of such property by the funeral establishment is exempt from use tax, if the funeral establishment gives a resale certificate when it purchases such property. Such property includes caskets, vaults, burial clothing, flowers and monuments. The resale of such property by the funeral establishment may, unless an exemption applies, be subject to sales tax.

(Effective July 28, 1987)

Sec. 12-426-6. Circulating libraries

Circulating libraries are retailers of new or used books which they sell or rent to consumers in the regular course of business.

(Effective April 7, 1980)

Secs. 12-426-7—12-426-8.

Repealed, March 5, 2003.

Sec. 12-426-9.

Repealed, April 4, 1972.

Sec. 12-426-10.

Repealed, April 7, 1980.

Sec. 12-426-10a.

Repealed, December 26, 1985.

Sec. 12-426-11.

Repealed, April 7, 1980.

Sec. 12-426-11 (A).

Repealed, April 7, 1980.

Sec. 12-426-11b.

Repealed, April 23, 1991.

Sec. 12-426-12.

Repealed, April 6, 2000.

Sec. 12-426-13. Medicines by prescription

The gross receipts from the sale, and the storage, use or other consumption in this state of medicine by prescription only shall be exempt from the Sales and Use Tax.

“Medicine by prescription” means drugs and medicines commonly known and regarded as such by druggists or pharmacists, including biologics, antibiotics, hormones, and similar medicinal items prescribed for the specific treatment of disease by persons authorized by the laws of this state to issue prescriptions. Syringes and needles by prescription are also exempt.

This exemption provided for medicine by prescription shall also include those drugs and medicines falling within the above classifications such as insulin, adrenal

cortex, etc., which are of such a character that the need for same and the proper amount to be administered cannot be determined without an initial diagnosis and a prescribed dosage by a person duly authorized to issue prescriptions in this state and accordingly they may be purchased tax free even though the purchaser may not be in possession of the original prescription.

Vitamins are exempt only when purchased on prescription.

All refillable prescriptions are tax exempt on subsequent purchases.

Such drugs or medicines are also exempt from tax when purchased by a physician, dentist or veterinarian for use by him in his profession.

(Effective April 7, 1980)

Sec. 12-426-14. Oxygen, blood, artificial devices and aids, crutches and wheelchairs

The tax does not apply to sales, lease, use or storage of:

(1) Oxygen, blood or blood plasma for medical use and any equipment used in support of or to supply vital life functions, including oxygen supply equipment, kidney dialysis machines and any other such device used in necessary support of vital life functions.

(2) Crutches, walkers and wheelchairs for the direct use of handicapped persons and invalids.

Sales of specially constructed beds and sales of canes are taxable.

(3) Artificial hearing aids when designed to be worn on the person of the user, including their batteries and transistors.

(4) Artificial devices individually designed, constructed or altered for the use of a particular handicapped person so as to become a brace, support, supplement, correction or substitute for the bodily structure.

Sales of trusses, abdominal supports, uterine supports, maternity supports, obesity supports, kidney supports and postoperative supports and standardized or stock devices, braces or supports are exempt, provided such items are altered for the use of a particular handicapped person.

To assist retailers in determining the taxability of various types of braces, supports, and other appliances, there are listed herewith certain appliances, which are deemed to be taxable. The list is not all-inclusive, but the taxability of any items not appearing therein should be determined by reference to sub-division (4) above or by similarity to listed items.

Athletic Supporters, Suspensories, Elastic Goods, etc.

- | | |
|--------------|--------------------------------|
| Stockings | Wristlets |
| Thigh Pieces | Anklelets |
| Knee Caps | Arch Supporters |
| Elbow Caps | Bandages (Including Medicated) |
| Leggings | Thumb Protectors |
| Gloves | Eye Shades and Shields |

Exempt from tax are sales of rubber bags, hose and accessories worn by persons to permit the escape of waste from the body where normal elimination is impossible because of surgery.

(5) Sales of artificial limbs, artificial eyes and other equipment worn as a correction or substitute for any functioning portion of the body but not sales of items ordinarily used as cosmetics or beauty aids, adjuncts or supplements.

Sales of replacement parts for the items hereinabove exempted are not subject to tax.

Sales of artificial dentures by dental laboratories are not taxable and sales to dentists of artificial teeth, acrylic denture base material and gold for use in construction of artificial dentures are not taxable. Sales of acrylic, alloy, amalgam and porcelain filling material, gold used for filling material or inlays, and all other sales of dental materials, supplies and equipment to dentists are taxable.

Sales of eyeglasses, lenses, frames or other such ophthalmic materials are not taxable.

Where, however, such items as sunglasses, cleaning solutions for lenses, barometers, cameras, telescopes, field glasses, opera glasses, cotton, gauze, adhesive tapes, bandages and other dressings, antiseptics, rubbing alcohol, splint materials, plaster cast materials and similar items, are sold to purchasers for use or consumption, the same shall constitute taxable sales.

(Effective April 7, 1980)

Sec. 12-426-15.

Repealed, April 6, 2000.

Sec. 12-426-16.

Repealed, April 7, 1980.

Sec. 12-426-16a. Sales of or transfers of title to motor vehicles, snowmobiles, vessels and airplanes

(a) General Rule.

(1) Unless specifically exempted, any transfer of title to or sale of a motor vehicle, snowmobile or vessel is subject to the sales or use tax, whether or not such motor vehicle, snowmobile or vessel is or will be registered with the department of motor vehicles.

(2) Unless specifically exempted, any transfer of title to or sale of an airplane is subject to the sales or use tax.

(3) Each person applying for an original or transferral motor vehicle or snowmobile registration or vessel certificate of registration number or of registration decal shall furnish proof to the commissioner of motor vehicles that the sales or use tax has been paid.

(b) Sale or transfer of title exempt by virtue of the identity of the seller or transferor.

(1) Upon the purchase of or transfer of title to a motor vehicle, snowmobile, vessel or airplane from a person who is not a motor vehicle dealer, a retailer of snowmobiles, a retailer of vessels or a retailer of airplanes, respectively, the purchaser or transferee shall pay the use tax on the total purchase price, unless the seller or transferor is:

- (A) the United States or an agency thereof;
- (B) the American Red Cross;
- (C) a nonprofit charitable hospital;
- (D) a federally chartered credit union;

(E) the spouse, parent, child, brother or sister of the purchaser or transferee, provided a motor vehicle, snowmobile or vessel is involved, the tax was paid on the last taxable sale, transfer or use of such motor vehicle, snowmobile or vessel, and such motor vehicle, snowmobile or vessel was registered in the name of the seller or transferor for at least sixty days;

(F) a corporation or unincorporated entity, or a shareholder, owner, member or partner thereof, provided a motor vehicle or vessel is involved, the tax was paid on the last taxable sale, transfer or use of such motor vehicle or vessel, such purchase or transfer is in connection with the organization, reorganization, dissolution or partial liquidation of such corporation or unincorporated entity, the purchaser or transferee is such corporation or unincorporated entity, or a shareholder, owner, member or partner thereof, and any gain or loss to the seller or transferor is not recognized under the internal revenue code.

(c) Sale or transfer of title exempt by virtue of the identity of the purchaser or transferee.

(1) Upon the sale of or transfer of title to a motor vehicle, snowmobile, vessel or airplane, no tax shall be due, regardless of the identity of the seller or transferor, if the purchaser or transferee is:

(A) the United States or an agency thereof;

(B) the American Red Cross;

(C) a nonprofit charitable hospital;

(D) a federally chartered credit union;

(E) the State of Connecticut, its political subdivisions and its or their respective agencies;

(F) an organization issued an exemption permit under section 12-426-15;

(G) a corporation or unincorporated entity, or a shareholder, owner, member or partner thereof, provided a motor vehicle or vessel is involved, the tax was paid on the last taxable sale, transfer or use of such motor vehicle or vessel, such sale or transfer is in connection with the organization, reorganization, dissolution or partial liquidation of such corporation or unincorporated entity, the seller or transferor is such corporation or unincorporated entity, or a shareholder, owner, member or partner thereof, and any gain or loss to the seller or transferor is not recognized under the internal revenue code;

(H) an ambassador, consul, vice consul or United Nations delegate, provided such individual is a citizen of the foreign state which is being represented by such individual, such sale or transfer directly benefits such individual or such foreign state, and such individual has been issued a diplomatic exemption permit by the department of revenue services;

(I) a disabled veteran, provided such veteran is the recipient of a Veterans Administration grant toward the purchase of a specially equipped motor vehicle, a specially equipped motor vehicle is involved, and such exemption from the tax is only to the extent of the grant. (The amount of the sales price paid by such veteran from his own funds shall be subject to the tax.)

(d) Sale or transfer of title exempt by virtue of the nature of the motor vehicle sold or transferred.

(1) No sales or use tax shall be due on the sale, transfer or use of:

(A) a farm motor vehicle, provided such vehicle is used directly in an agricultural production process, such vehicle is not a passenger vehicle, such vehicle, if registered with the department of motor vehicles, has been issued a farm registration plate, and the purchaser or transferee issues to the seller or transferor a Machinery, Materials, Tools and Fuel Certificate under section 12-426-11b; and

(B) an ambulance or similar motor vehicle, provided such vehicle is used exclusively to transport medically incapacitated individuals, and such individuals are under no obligation to pay for such transportation.

(e) **Other exempt sales, transfers or uses.**

(1) No sales or use tax shall be due on the sale or transfer within the state of:

(A) a motor vehicle, provided such motor vehicle is sold for use exclusively without this state, and such motor vehicle is not registered with the department of motor vehicles;

(B) a vessel (including necessary machinery, equipment and modifications), provided such vessel is manufactured, and sold or transferred, by a Connecticut ship-builder, or is sold or transferred by a Connecticut retailer of vessels, such vessel is sold or transferred to a nonresident who will not use such vessel within this state and who sails or transports such vessel from this state immediately upon delivery; and

(C) an airplane (including necessary equipment and modifications), provided such airplane is manufactured, and sold or transferred, by a Connecticut manufacturer, and such airplane is sold or transferred to a licensed carrier in interstate or foreign commerce, a foreign state for use without this state, or a nonresident who will not use such airplane within this state and who flies or transports such airplane from this state immediately upon delivery.

(2) If, at the time of sale or transfer of a motor vehicle, snowmobile or vessel without this state, a purchaser or transferee is a resident of another state, but subsequently becomes a resident of this state, no use tax shall be due, provided such purchaser or transferee had registered such motor vehicle, snowmobile or vessel in another state for at least thirty days prior to the establishment of a Connecticut residence, and such purchaser or transferee did not purchase such motor vehicle, snowmobile or vessel for use within this state.

(3) The use tax due from a manufacturer of motor vehicles which registers a motor vehicle with the department of motor vehicles shall be measured by an amount equal to one-half of the net sales price of such motor vehicle to the franchised dealer of such manufacturer.

(4) The use tax due from a motor vehicle dealer which replaces a motor vehicle registered by it (and no longer in its possession or used by it) with another motor vehicle registered by it shall be measured by an amount equal to the difference between such dealer's cost for the replacement motor vehicle and the wholesale value of the replaced motor vehicle at the time of its replacement. (A standard reference book acceptable to the commissioner of revenue services shall be used to determine such wholesale value.)

(5) Sales or use tax at a rate of four percent shall be due on the sale or transfer of a motor vehicle by a motor vehicle dealer to a member of the armed forces who is stationed on full-time active duty in this state but who is a permanent resident of another state. "Full-time active duty" does not include service as a reservist or national guardsman. A current personal income tax return filed with such other state and an operator's license issued by such other state may be relied on by such dealer to establish the permanent residency of such member in such other state. An affidavit by such member's commanding officer may be relied on by such dealer to establish full-time active duty at a duty station in this state.

(f) Trade-ins.

(1) The sales or use tax due on the sale or transfer of a motor vehicle, snowmobile or vessel, where a motor vehicle, snowmobile or vessel, respectively, is traded in and a trade-in allowance given by a motor vehicle dealer, a retailer of snowmobiles or a retailer of vessels, respectively, shall be measured by the amount of the difference between the sales price and the trade-in allowance, provided such purchaser or transferee owns the motor vehicle, snowmobile or vessel for which a trade-in allowance is given.

(2) All facts concerning a trade-in allowance must be recited on Form H-13 or Form B-148, whichever is applicable.

(g) **Credit for tax paid to another jurisdiction.**

(1) If a motor vehicle, snowmobile, vessel or airplane is purchased or transferred without this state and such purchaser or transferee has paid a sales or use tax to another state or political subdivision thereof on such purchase or transfer, the amount of tax so paid shall be an offset against the use tax due to this state, provided such payment to such other state or political subdivision thereof preceded a notice of use tax assessment given by this state to such purchaser or transferee.

(h) **Proof of payment of tax.**

(1) Prima facie proof of payment of the sales or use tax to a motor vehicle dealer, a retailer of snowmobiles or a retailer of vessels which holds a seller's permit issued by the department of revenue services is evidenced by the presentation to the department of motor vehicles of Form H-13 or Form B-148, whichever is applicable, completed and signed by both the retailer and the purchaser.

(2) Upon the sale or transfer of a motor vehicle, a snowmobile or vessel by a person other than a motor vehicle dealer, a retailer of snowmobiles or a retailer of vessels, respectively, which holds a seller's permit issued by the department of revenue services, the purchaser or transferee shall—

(A) If such motor vehicle, snowmobile or vessel is to be registered with the department of motor vehicles, submit a properly completed Form H-13 or Form SU-F-229 (in lieu of filing Form O-P 186, the individual use tax return) and pay the tax, or

(B) If such motor vehicle, snowmobile or vessel is not to be registered with the department of motor vehicles, submit a properly completed Form O-P 186, the individual use tax return, forthwith to the department of revenue services and pay the tax.

(3) Upon the sale or transfer of an airplane by a person other than a retailer of airplanes which holds a seller's permit issued by the department of revenue services, the purchaser or transferee shall submit a properly completed Form O-P 186, the individual use tax return, forthwith to the department of revenue services and pay the tax.

(4) If the purchaser or transferee to whom subdivision (3) or paragraph (B) of subdivision (2) of this subsection applies holds a seller's permit issued by the department of revenue services, such purchase or transfer and any tax due thereon shall be reported and paid at the time the return due from such purchaser or transferee covering the time of such purchase or transfer is filed.

(i) **Affidavits.**

(1) A purchaser and a retailer to whom paragraph (A) of subdivision (1) of subsection (e) pertains shall complete for submission to the department of revenue services affidavit SUT-16a-1 or the tax shall be due.

(2) A purchaser and a shipbuilder or retailer of vessels to whom paragraph (B) of subdivision (1) of subsection (e) pertains shall complete for submission to the department of revenue services affidavit SUT-16a-2 or the tax shall be due.

(3) A purchaser and an airplane manufacturer to whom paragraph (C) of subdivision (1) of subsection (e) pertains shall complete for submission to the department of revenue services affidavit SUT-16a-3 or the tax shall be due.

(4) A retailer issued a seller's permit by the department of revenue services who sells or transfers a vehicle, a vessel or an airplane without this state shall, along

with the purchaser, complete for submission to the department of revenue services affidavit SUT-16a-4, SUT-16a-5 or SUT- 16a-6, respectively, or the tax shall be due.

(5) A purchaser and a retailer to whom subdivision (5) of subsection (e) pertains shall complete for submission to the department of revenue services affidavit SUT-16a-7 or the tax at the rate of seven and one-half percent shall be due.

(Effective December 19, 1984)

(see Forms on following pages)

AFFIDAVIT SUT-16a-1
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

EXEMPTION CERTIFICATE
MOTOR VEHICLE PURCHASED WITHIN THE STATE OF CONNECTICUT
FOR USE EXCLUSIVELY WITHOUT THE STATE OF CONNECTICUT

This form shall be filed with the sales and use tax return of the retailer for the period during which the exemption is claimed. The retailer shall retain a copy with its records.

RETAILER INFORMATION

NAME OF RETAILER TAX REGISTRATION NO.
ADDRESS TELEPHONE NO. DATE OF SALE

PURCHASER INFORMATION

NAME OF PURCHASER
IF CORPORATION: (Principal place of business) (Home address of president)
IF INDIVIDUAL: (Name and address of employer) (Home address of individual)
(Driver's License No.) (Issued by State of) (Expiration Date)

MOTOR VEHICLE IDENTIFICATION DATA

MAKE OF VEHICLE MODEL
YEAR COLOR VEHICLE IDENTIFICATION NO.
COMPUTATION OF PRICE TRADE-IN DATA
GROSS SALES PRICE (MAKE MODEL
TRADE-IN ALLOWANCE (YEAR VEHICLE IDENTIFICATION NO.
NET SALES PRICE (STATE OF REGISTRATION AND NO.

AFFIDAVIT OF PURCHASER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that the above-described motor vehicle was purchased from the above-mentioned retailer by the above-mentioned purchaser for use exclusively without the State of Connecticut. The motor vehicle will not be presented for registration with the Connecticut Department of Motor Vehicles. I am a resident of the State of . The motor vehicle was purchased for use principally in the State of . The motor vehicle was not purchased for use in the State of Connecticut. The motor vehicle will be registered for highway use with the State of .

FOR THE PURCHASER: (Signature) (Title)

Sworn to and subscribed before me this day of , 19 .

Notary Public

My commission expires the day of , 19 .

AFFIDAVIT OF RETAILER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that I have examined this certificate, and, to the best of my knowledge and belief, the information contained herein is true, accurate and complete.

FOR THE RETAILER: (Signature) (Title)

Sworn to and subscribed before me this day of , 19 .

Notary Public

My commission expires the day of , 19 .

NOTES

This certificate shall not be valid unless wholly and correctly completed and acknowledged. Any item which is inapplicable shall be noted as such by the purchaser. Any misrepresentation will result in the imposition of use tax liability and statutory interest and penalties upon the purchaser or sales tax liability and statutory interest and penalties upon the retailer. Information contained herein will be furnished to other states and is subject to verification by the State of Connecticut. If the purchaser is a corporation, its president shall sign the Affidavit of Purchaser. FALSE STATEMENT IS A CLASS A MISDEMEANOR PUNISHABLE BY A FINE NOT IN EXCESS OF ONE THOUSAND DOLLARS OR IMPRISONMENT NOT IN EXCESS OF ONE YEAR, OR BOTH.

AFFIDAVIT SUT-16a-2
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

EXEMPTION CERTIFICATE
VESSEL PURCHASED FROM A CONNECTICUT RETAILER OR SHIPBUILDER
WITHIN THE STATE OF CONNECTICUT
FOR USE EXCLUSIVELY WITHOUT THE STATE OF CONNECTICUT

This form shall be filed with the sales and use tax return of the shipbuilder or retailer for the period during which the exemption is claimed. The shipbuilder or retailer shall retain a copy with its records.

SHIPBUILDER OR RETAILER INFORMATION

NAME OF SHIPBUILDER _____ TAX REGISTRATION NO. _____
OR RETAILER OF VESSELS _____
ADDRESS _____ TELEPHONE NO. _____ DATE OF SALE _____

PURCHASER INFORMATION

NAME OF PURCHASER _____
IF CORPORATION: _____
(Principal place of business) _____ (Home address of president) _____
IF INDIVIDUAL: _____
(Name and address of employer) _____ (Home address of individual) _____

(Driver's License No.) (Issued by State of) (Expiration Date)

VESSEL IDENTIFICATION DATA

MAKE OF VESSEL _____ MODEL _____ YEAR _____
TYPE _____ LENGTH _____ NAME OF VESSEL _____
STATE OF REGISTRATION AND NO. _____
U.S.C.G. VESSEL DOCUMENTATION NO. _____ WHERE DOCUMENTED _____

COMPUTATION OF PRICE

TRADE-IN DATA

GROSS SALES PRICE _____ (MAKE _____ MODEL _____
TRADE-IN ALLOWANCE _____) (TYPE _____ LENGTH _____ YEAR _____
NET SALES PRICE _____) (STATE OF REGISTRATION AND NO. _____
U.S.C.G. VESSEL DOCUMENTATION NO. _____

AFFIDAVIT OF PURCHASER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that the above-described vessel was manufactured by and purchased from the above-mentioned shipbuilder or that the above-described vessel was purchased from the above-mentioned retailer of vessels by the above-mentioned purchaser for use exclusively without the State of Connecticut. I am not a resident of the State of Connecticut. I am a resident of the State of _____. The vessel was purchased for use principally in the State of _____. The vessel was not purchased for use in the State of Connecticut. The vessel will be registered with the State of _____.

FOR THE PURCHASER: _____
(Signature) _____ (Title) _____

Sworn to and subscribed before me this ____ day of _____, 19____.

Notary Public

My commission expires the ____ day of _____, 19____.

AFFIDAVIT OF SHIPBUILDER OR RETAILER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that I have examined this certificate and, to the best of my knowledge and belief, the information contained herein is true, accurate and complete.

FOR THE SHIPBUILDER OR RETAILER: _____
(Signature) _____ (Title) _____

Sworn to and subscribed before me this ____ day of _____, 19____.

Notary Public

My commission expires the ____ day of _____, 19____.

NOTES

This certificate shall not be valid unless wholly and correctly completed and acknowledged. Any item which is inapplicable shall be noted as such by the purchaser. Any misrepresentation will result in the imposition of use tax liability and statutory interest and penalties upon the purchaser or sales tax liability and statutory interest and penalties upon the shipbuilder or retailer. Information contained herein will be furnished to other states and is subject to verification by the State of Connecticut. If the purchaser is a corporation, its president shall sign the Affidavit of Purchaser. FALSE STATEMENT IS A CLASS A MISDEMEANOR PUNISHABLE BY A FINE NOT IN EXCESS OF ONE THOUSAND DOLLARS OR IMPRISONMENT NOT IN EXCESS OF ONE YEAR, OR BOTH.

AFFIDAVIT SUT-16a-3

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

EXEMPTION CERTIFICATE
AIRPLANE MANUFACTURED BY AND PURCHASED FROM
A CONNECTICUT AIRPLANE MANUFACTURER WITHIN THE STATE OF CONNECTICUT
FOR USE EXCLUSIVELY WITHOUT THE STATE OF CONNECTICUT

This form shall be filed with the sales and use tax return of the manufacturer for the period during which the exemption is claimed. The manufacturer shall retain a copy with its records.

MANUFACTURER INFORMATION

NAME OF MANUFACTURER _____ TAX REGISTRATION NO. _____

ADDRESS _____ TELEPHONE NO. _____ DATE OF SALE _____

PURCHASER INFORMATION

NAME OF PURCHASER _____

IF CORPORATION: _____
(Principal place of business) (Home address of president)

IF INDIVIDUAL: _____
(Name and address of employer) (Home address of individual)

(Driver's License No.) (Issued by State of) (Expiration Date)

AIRPLANE IDENTIFICATION DATA

MAKE OF AIRPLANE _____ MODEL _____ YEAR _____

MANUFACTURER SERIAL NO. _____ F.A.A. REGISTRATION NO. _____

SALES PRICE (NO TRADE-IN ALLOWANCE CAN BE DEDUCTED FROM THE SALES PRICE) _____

AFFIDAVIT OF PURCHASER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that the above-captioned airplane was manufactured by and purchased from the above-mentioned airplane manufacturer by the above-mentioned purchaser for use exclusively without the State of Connecticut. I am not a resident of the State of Connecticut. I am a resident of the State of _____. The airplane was purchased for use principally in the State of _____. The airplane was not purchased for use in the State of Connecticut.

FOR THE PURCHASER: _____
(Signature) (Title)

Sworn to and subscribed before me this ____ day of _____, 19 ____.

Notary Public

My commission expires the ____ day of _____, 19 ____.

AFFIDAVIT OF AIRPLANE MANUFACTURER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that I have examined this certificate and, to the best of my knowledge and belief, the information contained herein is true, accurate and complete.

FOR THE AIRPLANE MANUFACTURER: _____
(Signature) (Title)

Sworn to and subscribed before me this ____ day of _____, 19 ____.

Notary Public

My commission expires the ____ day of _____, 19 ____.

NOTES

This certificate shall not be valid unless wholly and correctly completed and acknowledged. Any item which is inapplicable shall be noted as such by the purchaser. Any misrepresentation will result in the imposition of use tax liability and statutory interest and penalties upon the purchaser or sales tax liability and statutory interest and penalties upon the airplane manufacturer. Information contained herein will be furnished to other states and is subject to verification by the State of Connecticut. If the purchaser is a corporation, its president shall sign the Affidavit of Purchaser. FALSE STATEMENT IS A CLASS A MISDEMEANOR PUNISHABLE BY A FINE NOT IN EXCESS OF ONE THOUSAND DOLLARS OR IMPRISONMENT NOT IN EXCESS OF ONE YEAR, OR BOTH.

AFFIDAVIT SUT-16a-4

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

EXEMPTION CERTIFICATE

VEHICLE PURCHASED OUT-OF-STATE FROM CONNECTICUT RETAILER

This form shall be filed with the sales and use tax return of the retailer for the period during which the exemption is claimed. The retailer shall retain a copy with its records.

RETAILER INFORMATION

NAME OF RETAILER TAX REGISTRATION NO.
ADDRESS TELEPHONE NO. DATE OF SALE

PURCHASER INFORMATION

NAME OF PURCHASER
IF CORPORATION: (Principal place of business) (Home address of president)
IF INDIVIDUAL: (Name and address of employer) (Home address of individual)
(Driver's License No.) (Issued by State of) (Expiration Date)

VEHICLE IDENTIFICATION DATA

MAKE OF VEHICLE MODEL
YEAR COLOR VEHICLE IDENTIFICATION NO.
COMPUTATION OF PRICE TRADE-IN DATA
GROSS SALES PRICE (MAKE MODEL
TRADE-IN ALLOWANCE (YEAR VEHICLE IDENTIFICATION NO.
NET SALES PRICE (STATE OF REGISTRATION AND NO.

AFFIDAVIT OF PURCHASER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that the above-described vehicle was purchased without the State of Connecticut from the above-mentioned retailer by the above-mentioned purchaser. The vehicle was sold to the purchaser on at , having been delivered there by , who was not an agent of the purchaser, and having been accepted there by , an agent of the purchaser. I am a resident of the State of . The vehicle was purchased for use principally in the State of . The vehicle was not purchased for use in the State of Connecticut. The vehicle will be registered for highway use with the State of .

FOR THE PURCHASER: (Signature) (Title)

Sworn to and subscribed before me this ___ day of _____, 19 ___.

Notary Public

My commission expires the ___ day of _____, 19 ___.

AFFIDAVIT OF RETAILER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that I have examined this certificate and, to the best of my knowledge and belief, the information contained herein is true, accurate and complete.

FOR THE RETAILER: (Signature) (Title)

Sworn to and subscribed before me this ___ day of _____, 19 ___.

Notary Public

My commission expires the ___ day of _____, 19 ___.

NOTES

This certificate shall not be valid unless wholly and correctly completed and acknowledged. Any item which is inapplicable shall be noted as such by the purchaser. Any misrepresentation will result in the imposition of use tax liability and statutory interest and penalties upon the purchaser or sales tax liability and statutory interest and penalties upon the retailer. Information contained herein will be furnished to other states and is subject to verification by the State of Connecticut. If the purchaser is a corporation, its president shall sign the Affidavit of Purchaser. FALSE STATEMENT IS A CLASS A MISDEMEANOR PUNISHABLE BY A FINE NOT IN EXCESS OF ONE THOUSAND DOLLARS OR IMPRISONMENT NOT IN EXCESS OF ONE YEAR, OR BOTH.

AFFIDAVIT SUT-16a-5
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

EXEMPTION CERTIFICATE
VESSEL PURCHASED OUT-OF-STATE FROM CONNECTICUT RETAILER

This form shall be filed with the sales and use tax return of the retailer for the period during which the exemption is claimed. The retailer shall retain a copy with its records.

RETAILER INFORMATION

NAME OF RETAILER TAX REGISTRATION NO.
ADDRESS TELEPHONE NO. DATE OF SALE

PURCHASER INFORMATION

NAME OF PURCHASER
IF CORPORATION: (Principal place of business) (Home address of president)
IF INDIVIDUAL: (Name and address of employer) (Home address of individual)
(Driver's License No.) (Issued by State of) (Expiration Date)

VESSEL IDENTIFICATION DATA

MAKE OF VESSEL MODEL YEAR
TYPE LENGTH NAME OF VESSEL
STATE OF REGISTRATION AND NO.
U.S.C.G. VESSEL DOCUMENTATION NO. WHERE DOCUMENTED

COMPUTATION OF PRICE

TRADE-IN DATA

GROSS SALES PRICE (MAKE MODEL
TRADE-IN ALLOWANCE (TYPE LENGTH YEAR
NET SALES PRICE (STATE OF REGISTRATION AND NO.
U.S.C.G. VESSEL DOCUMENTATION NO.

AFFIDAVIT OF PURCHASER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that the above-described vessel was purchased without the State of Connecticut from the above-mentioned retailer by the above-mentioned purchaser. The vessel was sold to the purchaser on at having been delivered there by who was not an agent of the purchaser, and having been accepted there by an agent of the purchaser. I am a resident of the State of The vessel was purchased for use principally in the State of The vessel was not purchased for use in the State of Connecticut. The vessel will be registered with the State of

FOR THE PURCHASER: (Signature) (Title)

Sworn to and subscribed before me this day of , 19

Notary Public

My commission expires the day of , 19

AFFIDAVIT OF RETAILER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that I have examined this certificate and, to the best of my knowledge and belief, the information contained herein is true, accurate and complete.

FOR THE RETAILER: (Signature) (Title)

Sworn to and subscribed before me this day of , 19

Notary Public

My commission expires the day of , 19

NOTES

This certificate shall not be valid unless wholly and correctly completed and acknowledged. Any item which is inapplicable shall be noted as such by the purchaser. Any misrepresentation will result in the imposition of use tax liability and statutory interest and penalties upon the purchaser or sales tax liability and statutory interest and penalties upon the retailer. Information contained herein will be furnished to other states and is subject to verification by the State of Connecticut. If the purchaser is a corporation, its president shall sign the Affidavit of Purchaser. FALSE STATEMENT IS A CLASS A MISDEMEANOR PUNISHABLE BY A FINE NOT IN EXCESS OF ONE THOUSAND DOLLARS OR IMPRISONMENT NOT IN EXCESS OF ONE YEAR, OR BOTH.

AFFIDAVIT SUT-16a-6
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
EXEMPTION CERTIFICATE

AIRPLANE PURCHASED OUT-OF-STATE FROM CONNECTICUT RETAILER

This form shall be filed with the sales and use tax return of the retailer for the period during which the exemption is claimed. The retailer shall retain a copy with its records.

RETAILER INFORMATION

NAME OF RETAILER _____ TAX REGISTRATION NO. _____
ADDRESS _____ TELEPHONE NO. _____ DATE OF SALE _____

PURCHASER INFORMATION

NAME OF PURCHASER _____

IF CORPORATION: _____
(Principal place of business) _____ (Home address of president) _____

IF INDIVIDUAL: _____
(Name and address of employer) _____ (Home address of individual) _____

(Driver's License No.) (Issued by State of) (Expiration Date)

AIRPLANE IDENTIFICATION DATA

MAKE OF AIRPLANE _____ MODEL _____ YEAR _____

MANUFACTURER SERIAL NO. _____ F.A.A. REGISTRATION NO. _____

SALES PRICE (NO TRADE-IN ALLOWANCE CAN BE DEDUCTED FROM THE SALES PRICE) _____

AFFIDAVIT OF PURCHASER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that the above-described airplane was purchased without the State of Connecticut from the above-mentioned retailer by the above-mentioned purchaser. The airplane was sold to the purchaser on _____ at _____, having been delivered there by _____, who was not an agent of the purchaser, and having been accepted there by _____, an agent of the purchaser. I am a resident of the State of _____. The airplane was purchased for use principally in the State of _____. The airplane was not purchased for use in the State of Connecticut.

FOR THE PURCHASER: _____
(Signature) _____ (Title) _____

Sworn to and subscribed before me this ____ day of _____, 19____.

Notary Public

My commission expires the ____ day of _____, 19____.

AFFIDAVIT OF RETAILER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that I have examined this certificate and, to the best of my knowledge and belief, the information contained herein is true, accurate and complete.

FOR THE RETAILER: _____
(Signature) _____ (Title) _____

Sworn to and subscribed before me this ____ day of _____, 19____.

Notary Public

My commission expires the ____ day of _____, 19____.

NOTES

This certificate shall not be valid unless wholly and correctly completed and acknowledged. Any item which is inapplicable shall be noted as such by the purchaser. Any misrepresentation will result in the imposition of use tax liability and statutory interest and penalties upon the purchaser or sales tax liability and statutory interest and penalties upon the retailer. Information contained herein will be furnished to other states and is subject to verification by the State of Connecticut. If the purchaser is a corporation, its president shall sign the Affidavit of Purchaser. FALSE STATEMENT IS A CLASS A MISDEMEANOR PUNISHABLE BY A FINE NOT IN EXCESS OF ONE THOUSAND DOLLARS OR IMPRISONMENT NOT IN EXCESS OF ONE YEAR, OR BOTH.

AFFIDAVIT SUT-16a-7
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
EXEMPTION CERTIFICATE
VEHICLE PURCHASED BY

NONRESIDENT MEMBER OF THE ARMED FORCES STATIONED IN THIS STATE

This form shall be filed with the sales and use tax return of the retailer for the period during which the exemption is claimed. The retailer shall retain a copy with its records.

RETAILER INFORMATION

NAME OF RETAILER _____ TAX REGISTRATION NO. _____
ADDRESS _____ TELEPHONE NO. _____ DATE OF SALE _____

MEMBER OF THE ARMED FORCES INFORMATION

NAME OF MEMBER _____ SERIAL NO. _____
OF ARMED FORCES _____
CURRENT ADDRESS _____
BRANCH OF SERVICE _____ UNIT _____
RANK _____ NAME OF COMMANDING OFFICER _____
LOCATION OF DUTY STATION _____ STATE OF PERMANENT RESIDENCY _____

(Driver's License No.) _____ (Issued by State of) _____ (Expiration Date) _____

VEHICLE INFORMATION

MAKE OF VEHICLE _____ MODEL _____ YEAR _____
COLOR _____ VEHICLE IDENTIFICATION NO. _____

COMPUTATION OF PRICE

TRADE-IN DATA

GROSS SALES PRICE _____ (MAKE _____ MODEL _____)
TRADE-IN ALLOWANCE _____ (YEAR _____ VEHICLE IDENTIFICATION NO. _____)
NET SALES PRICE _____ (STATE OF REGISTRATION AND NO. _____)

AFFIDAVIT OF MEMBER OF THE ARMED FORCES

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that the above-described vehicle was purchased from the above-mentioned retailer by me. I am on full-time active duty in the Armed Forces of the United States. I am a permanent resident of a state other than Connecticut. I am assigned to a duty station located in the State of Connecticut. The information which I have furnished to the above-mentioned retailer and which is attached hereto is, to the best of my knowledge and belief, true, accurate and complete.

Signature of Member of the Armed Forces

Subscribed and sworn to before me this ____ day of _____, 19____.

Notary Public

My commission expires the ____ day of _____, 19____.

AFFIDAVIT OF RETAILER

I HEREBY CERTIFY UNDER PENALTY OF FALSE STATEMENT that I have examined this certificate and the attachments hereto and to the best of my knowledge and belief, the information contained herein is true, accurate and complete.

FOR THE RETAILER:

(Signature) _____

(Title) _____

Subscribed and sworn to before me this ____ day of _____, 19____.

Notary Public

My commission expires the ____ day of _____, 19____.

NOTES

This certificate shall not be valid unless wholly and correctly completed and acknowledged. Any item which is inapplicable shall be noted as such by the purchaser. Any misrepresentation will result in the imposition of use tax liability and statutory interest and penalties upon the member of the Armed Forces or sales tax liability and statutory interest and penalties upon the retailer. A member of the Armed Forces who purchases a vehicle from an out-of-state retailer must complete all parts of this certificate other than the Affidavit of Retailer and must submit this certificate to the department of motor vehicles if the vehicle is to be registered in this state. AN AFFIDAVIT BY THE COMMANDING OFFICER OF THE MEMBER OF THE ARMED FORCES STATING THAT THE MEMBER OF THE ARMED FORCES IS ON FULL-TIME ACTIVE DUTY AT A DUTY STATION IN THIS STATE MUST BE ATTACHED TO THIS CERTIFICATE. False statement is a Class A misdemeanor punishable by a fine not in excess of one thousand dollars or imprisonment not in excess of one year, or both.

Sec. 12-426-17. Casual or isolated sales

(a) Since the tax is predicated upon a sale made by a person engaged in the business of making sales at retail, certain sales which are not sufficient in number, scope and character to constitute an activity requiring a seller's permit are described as casual or isolated sales. Such sales are exempt from the tax except, however, as they involve boats, airplanes, snowmobiles and motor vehicles as hereinafter illustrated.

(b) Casual sales are: (1) Infrequent sales of a nonrecurring nature made by a person not engaged in the business of selling tangible personal property; (2) Sales of articles of tangible personal property acquired for use or consumption by a seller and not sold in the regular course of business engaged in by such seller.

(c) Examples of exempt sales: (1) A grocer selling his cash register or an insurance company selling a typewriter; (2) Sale of a business in its entirety by the owner; (3) Sales by executors, administrators, trustees and other fiduciaries, except when they continue the operation of the business as sellers; (4) Legal sales, executions, etc. under court order by a proper officer; (5) Sales of used machinery, fixtures, equipment and like items by an owner who is engaged in a business or occupation, such as manufacturing or farming, but who is not engaged in the selling of such items as a business; (6) Sales by nonprofit organizations at bazaars, fairs, picnics or similar events to the extent of two such events of a day's duration, held during any calendar year; provided, where sales are made at such events by an organization holding a sales tax permit, or otherwise required to hold such a permit because its selling events are in excess of the number permitted, such sales shall constitute sales in the regular course of business and are not exempted as casual sale, as defined above, is deemed to be the consumer of that property which it purchases for resale, and as such will pay the tax on purchases nor otherwise exempt; (7) A transfer of a motor vehicle, upon which the transferor has paid the tax, in connection with the organization, reorganization, dissolution or partial liquidation of a business entity where no gain or loss is recognized for income tax purposes.

(d) Examples of nonexempt sales: (1) Retail sales by an auctioneer under any of the examples of exempt sales given above; (2) Sales of motor vehicles (see subsection (c) (7) above), boats, snowmobiles or airplanes by any person other than the spouse, mother, father, brother, sister or child of the purchaser; (3) Retail sales by manufacturers, wholesalers, processors and jobbers even though such sales are infrequent and only comprise an insignificant fraction of their total business; (4) Sales which constitute an integral part of a business, such as the sale of repossessed fixtures or other property by a finance company, even though the sale of tangible personal property is not the primary function of such business.

(Effective April 4, 1972)

Sec. 12-426-18. Contractors and subcontractors

(a) **Definitions.** For purposes of this section, unless the context otherwise requires:

(1) "Contractor" means both contractors and subcontractors and, among others, building, electrical, plumbing, heating, painting, decorating, paper hanging, air conditioning, ventilating, insulating, sheet metal, steel, masonry, carpentry, plastering, cement, road, bridge, landscape and roofing contractors or subcontractors.

(2) "Construction contract" means a contract for the repair, alteration, improvement, remodeling or construction of real property.

(3) "Exempt entity" means any person that is entitled to make purchases of tangible personal property exempt from sales and use taxes under subsection (1),

(2), (5), (8), (84), (90), (92), (93) or (95) of section 12-412 of the General Statutes, or under section 7-273mm, 16-344 or 32-23h of the General Statutes.

(b) **Taxability of sales to or by construction contractors.** A contractor shall pay the tax as a consumer on the purchase or lease of all materials, supplies or equipment used by the contractor in fulfilling either a lump sum contract, a cost-plus contract, a time and material contract with an upset or guaranteed price which may not be exceeded, or any other kind of construction contract except:

(1) where the contractor contracts to sell materials or supplies at an agreed price and to render service in connection therewith, either for an additional agreed price or on the basis of time consumed, or

(2) where such contractor is engaged as a permittee in the business of selling such materials or supplies at retail.

In the case of either (1) or (2), the contractor is a retailer and shall give the person selling the contractor such materials or supplies a resale certificate bearing the contractor's permit number and collect the tax from the person to whom the contractor sells the same. Whenever such use is made of a resale certificate by a contractor, it shall be limited to the exceptions included in (1) or (2) above and the contractor shall be held strictly and solely accountable for the collection of the sales tax involved and the payment to the state of all taxes due thereon based upon the contractor's gross receipts from such retail sales and such contractor shall further be held strictly accountable for the payment of the use tax to the state if the contractor makes any use of such property other than retention, demonstration or display while holding it for resale or if the contractor makes purchases subject to the use tax.

(c) **Construction contracts entered into with exempt entities.** (1) Where a contractor enters into a construction contract with an exempt entity, the contractor may purchase such materials and supplies as are to be installed or placed in projects being performed under these contracts and will remain in such projects after their completion, including tangible personal property that remains tangible personal property after its installation or placement, without payment of the tax and shall not charge any such exempt organization or agency any sales or use tax thereon. The contractor shall, in the case of such exempt purchases, furnish the contractor's suppliers for each project with a completed certificate, the form of which shall be prescribed by the commissioner.

(2) If the contractor is unable to designate the exact amount of materials or supplies to be covered by such exempt purchase certificate, the contractor shall estimate the amount of such purchases and shall be held strictly accountable for any use tax due the state thereon in the event of any use other than the permanent installation or placement of such purchases in the exempt project designated.

(3) The contractor shall maintain adequate records to support the contractor's use of all such exempt purchase certificates and to show the disposition of all materials or supplies so purchased.

(4) Where a contractor uses materials or supplies by installing or placing them permanently in a project for any exempt entity or under the provisions of subdivisions (1) or (2) of subsection (b) of this section and the contractor has already paid a tax on such materials or supplies at the time of purchase, the contractor may deduct the purchase price of the same on the contractor's next return as an adjustment.

(d) **Articles fabricated by contractor.** A contractor may, in certain instances, itself fabricate part or all of the articles that the contractor uses in construction work. For example, a sheet metal contractor may partly or wholly manufacture roofing, cornices, gutter pipe, furnace pipe, furnaces, ventilation or air conditioning

ducts or other such items from sheet metal that the contractor purchases, and use these articles, pursuant to a contract for the construction or improvement of real property. In this instance, the sale of sheet metal to such contractor constitutes a sale at retail within the meaning of the law and the contractor shall pay the tax as a consumer when the contractor buys the same. This is so whether the articles so fabricated are used in the alteration, repair or reconstruction of an old building or are used in new construction work.

(e) **Persons who sell complete units of standard equipment at retail and install same.** This section is not applicable to sales contracts whereby a person, whether the person is a contractor, subcontractor or otherwise, acts as a retailer selling tangible personal property in the same manner as other retailers and is required to install a complete unit of standard equipment, requiring no further fabrication but simply installation, assembling, applying or connecting services. In such instances the contract will not be regarded as one for improving, altering or repairing real property. For example, the retailer of an awning or blind agrees not only to sell it but to hang it; an electrical shop sells electrical fixtures and agrees to install them; a retailer sells an electric washing machine and contracts to install the same; a dealer sells cabinets and agrees to install them. A person performing such contracts is primarily a retailer of tangible personal property and should segregate the full retail selling price of such property from the charge for installation, as the tax applies only to the retail price of the property.

(f) **Equipment, tools and supplies.** Contractors are the consumers of equipment, including rolling or movable equipment such as trucks, tractors, scaffolding, etc., tools and supplies such as pipe cutters, trowels, wrenches, oxygen, acetylene, gasoline, acid and thread-cutting oil, which they use in their business, and the tax applies to the sales or leases of such equipment, tools and supplies to contractors.

(g) **Contractor performing taxable services.** Where the contractor performs services taxable under section 12-407(2) of the General Statutes, the contractor is making a sale at retail, must register with the Commissioner of Revenue Services and must collect the tax on that portion of the charge representing the taxable services. For this purpose the charge for said service should be segregated on the invoice.

(Effective April 7, 1980; amended April 7, 1999)

Sec. 12-426-19. Textile finishers and dyers

(a) The tax does not apply to sales of dyestuffs, finishing materials and the following chemicals to textile printers, dyers, finishers, materials and bleachers. The following chemicals are a necessary component in textile printing, dyeing, finishing, mercerizing and bleaching to such an extent that they are deemed to become a component part of the fabric: Dyes (including pigments used for coloring), printing gums, sodium hydroxide, sodium hyperchlorite, hydrogen peroxide, sodium hydrosulphite, glycerine, acetic acid, sodium bichromate, sodium bisulphite, hydrochloric acid, potassium carbonate, catalite, diastafor, textile finishing materials. Acetic acid and hydrochloric acid are also used as souring agents and when so used, they will not be considered as having been purchased for resale. Sodium hydrosulphite is sometimes used for stripping, i.e., the removal of color for reprocessing purposes. When so used, it will not be considered as having been purchased for resale.

(b) When a textile printer, dyer, finisher, mercerized or bleacher has purchased these chemicals under resale certificates, he will be required to pay the sales or use

tax on the cost of the total amount purchased unless he keeps accurate records showing the respective amounts used in each process.

(c) Other chemicals than those listed which are used in a manner comparable to those which are listed may also be regarded as being purchased by such textile printer, dyer, finisher, materials and bleacher for the purpose of resale. All chemicals, however, which are not listed above and which are not used in a manner comparable to those which are listed, shall be regarded as being purchased by textile printers, dyers, finishers, materials and bleachers for their own consumption rather than for the purpose of resale. Included among the products which are commonly used by textile printers, dyers, finishers, materials and bleachers, and which should not be purchased for resale since they are for consumption or use, and the sales or use tax should be paid on all such purchases, are the following: Soap, deceresol, tergitol, alkinol, sodium sulphate, nekal, sodium chloride, sulphuric acid, alcohol, peregal, carbon tetrachloride, turpentine.

Sec. 12-426-20. Printing and related industries

(a) Charges for printing, imprinting, engraving, multigraphing, mimeographing and similar operations for consumers are subject to tax whether or not the paper and other materials are furnished by the consumer.

Charges, however, for services rendered in addressing, folding, enclosing or sealing the finished product are exempt and may be deducted if separately stated; also where the finished product involves the use of United States postal cards or stamped envelopes purchased by the printer, the tax does not apply to the postage involved if separately stated. Other charges for labor or services rendered in producing the finished product are not exempt even if separately stated.

(b) Printers are the consumers of photoengravings, electrotypes, lithographic negatives or plates, and similar items purchased for their general use in the preparation of printed matter.

Where, however, the printer is required by his customer to furnish and use such property in the production of the finished product, its purchase by the printer is deemed to be for resale and may be made on resale certificate, whether the same shall be held for future delivery or otherwise, provided a charge for the same shall be included in the bill rendered to his customer. Property becoming an ingredient or component part of printed matter to be sold, such as paper, ink, book covers or bindings, thread, etc., may also be purchased by use of a resale certificate.

(c) No tax applies to charges made to printers by a typographer or other person for the use of type metal, forms, proofs, and similar items if title to the property is retained by the typographer or other person. In such case, the typographer or other person is the consumer of the property used to make up such items and he shall pay the tax upon his purchase of the same.

(d) No tax applies to sales of any printed material which has been manufactured in Connecticut to the special order of a purchaser and which, within thirty days following delivery to such purchaser, is to be delivered for use outside of Connecticut, provided such purchaser presents a written certification to the printer in the following form:

PRINTED MATERIAL CERTIFICATE

We hereby certify that, of the printed material purchased to our special order herewith, percent will be delivered for use outside Connecticut within thirty days and.... percent will be used in Connecticut and subject to the sales tax.

We further certify that to the extent of a variance in the taxable percentage due to additional use in Connecticut or to retention beyond thirty days in this state, we, the purchaser, shall declare such excess purchases as subject to Connecticut use tax and report and pay the tax on same directly to the State of Connecticut.

.....
 Name of Company
 By.....
 Title

 Date

 Permit Number (If Registered)

(Effective December 27, 1977)

Sec. 12-426-21. Taxes

(a) The Sales and Use Tax does not apply to the Connecticut Cabaret Tax imposed on all amounts paid for refreshment, service or merchandise, at any roof garden, cabaret or other similar place furnishing a public performance for profit, by or for any patron or guest who is entitled to be present during any portion of such performance as defined in Conn. Gen. Stat. § 12-525. The cabaret tax is imposed upon the retail sales price and is therefore not a part of that price.

Illustration:

Food and Beverages.....	\$10.00
Cabaret Tax.....	1.00
Total	\$11.00

The Sales and Use Tax applies only to the retail price of \$10.00 and not to the \$11.00.

(b) The tax does apply to all taxes imposed on a basis other than the proceeds from retail sales. Examples of the above are manufacturer’s or distributor’s excise taxes which become part of the retail sales price the same as any other item of cost such as labor, overhead, cost of materials, etc. Examples of such excise taxes on which the Sales and Use Tax is collected are federal taxes on automobiles, tires, cameras, firearms, tobacco, liquors, sporting goods, radios, etc., and Connecticut state taxes on alcoholic beverages.

Illustration:

1 Automotive Tire	\$20.00
Federal Excise Tax	1.96
Total	\$21.96

The Sales and Use Tax in such case applies to the total retail sales price of \$21.96.
 (Effective April 7, 1980)

Sec. 12-426-22. Collection of use tax by out-of-state retailers

(a) Out-of-state retailers engaged in business in this state and making out-of-state sales or leases of tangible personal property for use, storage and other consumption in this state or rendering services in this state which are subject to the tax must register with the Commissioner of Revenue Services and must collect the tax due thereon from the purchaser, or in lieu of such tax obtain a resale certificate therefor signed by the purchaser and bearing his Seller’s Permit Number. Such retailers shall

pay the taxes so collected in the manner and form as other retailers licensed to sell tangible personal property as retailers in this state.

“Engaged in business in the state” means selling or leasing in this state, or any activity in this state in connection with selling or leasing in this state, tangible personal property for use, storage, or consumption within the state. Selling in this state shall include the rendering of taxable services in this state. The term “engaged in business in this state” shall include but not be limited to the following acts or methods of transacting business:

(1) Maintaining, occupying or using, permanently or temporarily, directly or indirectly, through a subsidiary or agent, by whatever name called, of any office, place of distribution, sales or sample room or place, warehouse or storage point or other place of business or (2) having any representative, agent, salesman, canvasser or solicitor operating in this state for the purpose of selling or leasing, delivering or taking orders for tangible personal property or services.

(b) Out-of-state retailers who are not engaged in business in this state but who make out-of-state sales or leases of tangible personal property for use, storage or other consumption in this state or render services in this state which are subject to the tax may also register with the Commissioner of Revenue Services for authorization to collect tax due thereon from the purchaser, or in lieu of such tax obtain a resale certificate therefor signed by the purchaser and bearing his Seller’s Permit Number. Such retailers shall pay the taxes so collected in the manner and form as other retailers licensed to sell tangible personal property as retailers in this state.

In the case of all such sales the out-of-state retailer shall furnish the purchaser with a receipt showing the name, permit number and place of business of the retailer, the name and address of the purchaser, the date of the sale and the type of the article purchased together with the sales price and the amount of tax collected thereon. A sales invoice evidencing such information will constitute a receipt.

(c) Every out-of-state retailer selling or leasing tangible personal property for use, storage, or other consumption in this state or rendering services in this state shall furnish to the Commissioner of Revenue Services the names and addresses of all its agents, representatives, salesmen or solicitors engaged in business in this state. All salesmen, representatives, peddlers or canvassers may, in the discretion of the Commissioner of Revenue Services, be considered as retailers and jointly responsible with their principals, employers or supervisors for the collection and payment of taxes.

(Effective April 7, 1980)

Sec. 12-426-23.

Repealed, August 22, 2000.

See § 12-2-12.

Sec. 12-426-24. Annual tax returns for certain sellers

Every seller whose total liability for sales and use taxes for the twelve-month period ended on the preceding September thirtieth was less than one thousand dollars may, subject to the provisions of this section, be allowed to file tax returns and to pay the taxes reported thereon on an annual basis. The annual tax return shall be filed, and the sales and use taxes reported thereon shall be paid, on or before the last day of the month next succeeding the end of the seller’s tax year. “Tax year” means the calendar year, or, in the discretion of the commissioner and at the request of the seller, any other period of twelve consecutive calendar months ending on the last day of a month other than December. Annual tax returns and annual payments

of taxes will be allowed only after the submission of satisfactory statements or evidence by the seller that the seller's annual liability for sales and use taxes will not equal or exceed one thousand dollars and that the collection of taxes will not be jeopardized.

(Effective May 25, 1989)

Sec. 12-426-25. Leasing and rental of tangible personal property

(a) **General rule.** The rental or leasing of tangible personal property for a consideration in this state is a sale and is subject to the tax. The lessor is a retailer who must register with the Commissioner of Revenue Services for a permit and collect the tax. The tax is imposed upon the gross receipts from the rental or leasing of tangible personal property. Such retailers shall pay the taxes so collected in the manner and form as other retailers licensed to sell tangible personal property. A lessee may issue a resale certificate to a lessor only in those cases where the lessee has qualified with this department as a lessor and the property is being leased solely for sub-leasing purposes.

(b) **Transitional rules.** The tax applies to all leases of tangible personal property existing on July 1, 1975. No credit against the tax is given for any sales or use tax paid by the lessor on such property purchased prior to July 1, 1975. The tax is imposed on the total amount of rental payments received on or after July 1, 1975. The rental is deemed received when it is due and owing. The lessor must collect and pay the tax on the total amount of payment or periodic payments received for leasing or rental of tangible personal property for any term on or after July 1, 1975 whether or not such amount is prepaid and received prior to said date.

(c) "Gross receipts" shall include the total amount of payment, royalties or periodic payments received for the leasing or rental of tangible personal property. Said amount shall include all charges including but not limited to maintenance and service contracts, cancellation charges, installation service and transportation charges for delivery to the lessee, whether or not such amounts are separately stated. Gross receipts shall not include the cost of gasoline or insurance charges when such amounts are separately stated and the lessee has the option to either accept the lessor's insurance offer or to procure other coverage.

(d) Gross receipts do not include the amount charged for the operator where the lessor supplies an operator for the leased property if the amount charged is for the compensation of the operator, is reasonable and is segregated in the invoice. A reasonable charge is one based upon the prevailing rate in the area. However, where an operator is supplied with the equipment, the contract is entered into for a specific job or operation, and where the owner of the equipment through the operator retains complete control over the equipment and retains discretion as to when and how to perform, said contract will be one for services and not for lease.

(e) Tangible personal property purchased exclusively for lease or rental is purchased for resale and a resale certificate may be issued therefor. Said certificate may be issued in the purchase of parts and accessories used directly in the rental or leasing or used in the repair of the leased property. Where the property is purchased in part for lease and in part for the use of the lessor, it may not be purchased on a resale certificate and the vendor must collect the tax on the purchase price. The tax must also be collected on any subsequent lease of the property.

(f) The rental of safe deposit boxes, food lockers, storage or baggage lockers are not rental of personalty but rental of storage space and not subject to tax. Charges for chartering of buses, boats, airplanes and limousines are not subject to tax, where the owner maintains complete control over the conveyance.

(g) Rental of equipment to contractors engaged in work on exempt projects is subject to the tax.

(h) A lease is considered to be consummated in this state and subject to the tax where delivery of the tangible personal property is taken within the state or the property is leased with the intent to use it in the State of Connecticut and the property is so used. The tax does not apply where delivery is taken outside the state and the property is used exclusively outside the State of Connecticut.

(Effective April 7, 1980)

Sec. 12-426-26.

Repealed, April 23, 1991.

Sec. 12-426-27. Enumerated services

(a) The rendering of the following enumerated services for a consideration, defined in subsection (b) of this regulation, in this state on or after July 1, 1975, shall be a sale and subject to the sales tax. Any person or entity rendering such services must register with the Commissioner of Revenue Services and must collect the tax due thereon from the purchaser. Such retailers shall pay the taxes so collected in the manner and form as other retailers licensed as such to sell tangible personal property in this state. A purchaser may issue a resale certificate only in those instances where said services are being resold without change.

(b) Enumerated services.

(1) Computer and data processing services.

Such services mean and include providing computer time, storing and filing of information, retrieving or providing access to information, designing, implementing or converting systems, providing consulting services, and conducting feasibility studies. The transfer of dominion and control of computer hardware and software for a consideration does not come within the purview of this section, since such transfer shall constitute a lease or rental of tangible personal property and be subject to tax under Section 12-426-25.

(2) Credit information and reporting services.

Such services include but are not limited to the assembling and evaluating of information regarding the credit standing, creditworthiness, or credit capacity of any individual, corporation, partnership or other type of entity, for the purpose of furnishing and disseminating written or oral credit reports.

(3) Collection services; employment and personnel services.

(a) Collection services mean and include the calling for and receiving of accounts, bills and other indebtedness from a debtor on the behalf of a creditor. Such services are provided for a consideration by a collection agency, whether or not licensed by the state of Connecticut to engage in such services.

(b) Employment services mean and include the procurement or offer to procure for a consideration: Jobs or positions for those seeking employment; or employees for employers seeking the services of employees.

(c) Personnel services mean and include furnishing temporary or part-time help to others by means of employing such temporary and part-time help directly.

(4) Repealed, April 23, 1991.

(5) Private investigation, protection, patrol, watchman and armored car services.

Such services mean and include providing personnel or canines to patrol or guard property; engaging in detective or investigative duties; safeguarding or maintaining a surveillance of an individual; maintaining and monitoring mechanical protective devices, such as burglar and fire alarm systems; providing armored cars for the

transportation of valuables; wrapping coins; setting up a payroll; and the rendering of police services by an off-duty policeman.

(6) Sign painting and lettering services.

Such services include painting and lettering of indoor or outdoor signs, the painting and lettering of names, trademarks, or logos on store fronts, buildings, billboards, motor vehicles, concrete, and marble.

(7) Interior design and decorating services.

Such services shall include but not be limited to the selection, procurement and arrangement of the surface coverings, draperies, furniture, furnishings, and other decorations for the interior of a home or building, counseling with respect to such decorations, and services incidental thereto. Such services do not include the sale of tangible personal property.

(8) Telephone answering services.

Such services include transmitting of telephone messages to the clients of those engaged in the business of providing such services.

(9) Stenographic services.

Such services mean and include typing, taking shorthand, and taking and transcribing dictation for others for a consideration.

(10) Repealed, April 23, 1991.

(11) Services providing "piped-in" music to business or professional establishments.

Such services mean and include providing background music to industrial, commercial, or professional establishments for a consideration, where such music is supplied to customers by radio transmission, telephone lines, and other means.

(c) When the services enumerated in subsection (b) are performed by an employee for his employer, the wages, salaries or other compensation received by the employee do not constitute receipts subject to the Sales and Use Tax.

(d) The services enumerated in subdivisions (b) (1), (2), (4) and (5) are usually rendered in the form of a report by the service agency to its customer. Such reports are taxable, whether given in written, oral or any other form, if delivered to or intended for use in the State of Connecticut.

(e) Collection services rendered by a collection agency are taxable if the collection is made on behalf of a creditor located in Connecticut.

(f) Protection, patrol or watchman services rendered in connection with property located in Connecticut are taxable. Armored car services are taxable when the service is provided to a Connecticut client.

(g) Employment services are taxable if the agency rendering such services procures a job or position in a Connecticut business for a person seeking employment. If a job or position is procured without the state, such services are not taxable.

(h) Personnel services are taxable if the agency rendering such services furnishes temporary or part-time help to a Connecticut business seeking such help. If temporary or part-time help is furnished to a business without the state, such services are not taxable.

(i) Interior decorating and design services are taxable when rendered in connection with property located in Connecticut.

(j) Service agencies providing any of the services enumerated in subsection (b) are considered to be consumers of all tangible personal property consumed in the performance of such services.

(k) The term “includes” when used in a definition contained in this regulation shall not be deemed to exclude other things otherwise within the meaning of the term defined.

(Effective April 7, 1980)

Sec. 12-426-28.

Repealed, November 22, 1985.

Sec. 12-426-28a.

Repealed, April 6, 2000.

Sec. 12-426-29. Exemption of food products for human consumption; Taxability of meals sold by eating establishments or caterers

(a) General Statement.

Section 12-412 (13) of the Connecticut General Statutes exempts the sale of food products for human consumption from sales tax. The purpose of this regulation is to clarify what is covered by that exemption.

(b) Food Products for Human Consumption.

For purposes of this regulation, “food products for human consumption” mean all products normally consumed by human beings for nutritive value or taste satisfaction, except that the following types of products are not food products and are subject to tax:

(1) alcoholic beverages and mixes therefor (excluding wines made for use in cooking).

(2) candy and confectionery, including candied fruit, candy coated popcorn, chewing gum, breath mints and carob, yogurt or chocolate covered nuts, but not including baking chocolate and similar items made for use in cooking or baking.

(3) carbonated beverages, including carbonated water.

(4) pet food.

(5) tobacco products, including chewing tobacco.

(6) items which are combinations of food products and non-food products, unless it is established that fifty percent or more of the sales price is attributable to the value of the food products.

(7) meals sold by eating establishments or caterers.

(c) Meals Sold by Eating Establishments or Caterers.

Meals sold by eating establishments or caterers are subject to sales tax. The measure of the tax is the gross receipts from the sale of meals.

(1) Meals. For purposes of this regulation, “meals” mean food products for human consumption sold in such form and such portions that they are ready for immediate consumption and are of a type normally consumed on or near the location of the seller.

“Meals” include items described in the preceding sentence which are sold on a take-out basis.

“Meals” do not include bulk sales of food products unless meant for consumption on or near the location of the seller. Examples of such bulk sales include the sale of ice cream in one-half gallon containers, whole pies, cold sliced meat sold by the pound and cold salads sold by the pound. Examples of sales which are not bulk sales include the sale of whole pizza pies and buckets of fried chicken.

(2) Eating Establishment. For purposes of this regulation, “eating establishment” means a place where meals are sold and includes a cafeteria; catering hall; coffee and donut shop; fast food restaurant, including one selling items such as fish and

chips, fried chicken pieces, hamburgers, etc.; ice cream shop; luncheonette; mobile food truck or cart, including one selling items such as coffee, ice cream, pastry, sandwiches, etc.; pizzeria; refreshment stand, including one located at a place such as an amusement park, bowling alley, stadium, theatre, etc.; restaurant; sandwich shop; snack bar; and a vending machine.

(3) Caterer. For purposes of this regulation, “caterer” means a person who is engaged in the business of preparing meals and either serving such meals on premises designated by his customer, or delivering, but not serving, such meals to premises designated by his customer. Such a person is a caterer, even if he does not provide the food products which will constitute the meals.

(4) Gross receipts from the sale of meals. For purposes of this regulation, “gross receipts from the sale of meals” include all of the following:

(A) the listed selling price of the meal.

(B) a separately stated service charge, added in lieu of a gratuity, unless both of the following conditions are met:

(i) the service charge does not inure to the benefit of the seller (the use of such service charge by the seller to reduce his expenses, including his payroll expense, is a benefit to the seller.).

(ii) the service charge is remitted, in its entirety, to the service personnel who provided the meal service.

(C) charges for the services of bartenders, busboys, waiters or other personnel.

(D) charges for the use of dishes, glassware or other items used in preparing or serving meals.

(d) **Non-Taxable Sales of Meals.**

The following types of sales are not subject to tax:

(1) Sales of meals made at a school or college to students or staff thereof.

(2) Sales of meals to patients at a hospital, home for the aged, convalescent home, nursing home or rest home.

(3) Sales of meals made to a charitable or religious organization which holds a sales tax exemption or to an agency of the United States, the State of Connecticut, or a Connecticut municipality, provided all the following conditions are met:

(A) the seller directly charges the organization or governmental agency for the meals.

(B) the organization or governmental agency directly pays (by check on its own account) the seller.

(C) the organization or governmental agency is not reimbursed, directly or indirectly, for its payment for the meals by those who consumed the meals.

(4) Sales of meals made by a nonprofit organization to an elderly, disabled or other homebound person if the meal is delivered to the home of such person.

(5) Occasional sales of meals by a nonprofit organization as described in section 12-426-17 of the Regulations of Connecticut State Agencies (Sales Tax Regulation No. 17).

(e) **Employee Meals.**

No tax is due from an employer who serves meals on his premises to his employees, provided no separate charge or deduction is made therefor by such employer.

(f) **Items Purchased for Resale.**

An eating establishment or caterer which furnishes, with meals, paper napkins, paper plates, plastic tableware, straws and similar non-reusable items may purchase such items without payment of sales tax. Such an eating establishment or caterer must furnish the supplier of such items with a resale certificate.

(Effective December 26, 1985)

Sec. 12-426-30. Clothing and footwear

(a) **In general.** The sale at retail of tangible personal property within this state is subject to the sales tax imposed under chapter 219 (Sales and Use Tax Act). The storage, consumption or other use within this state of tangible personal property purchased from a retailer for storage, consumption or other use within this state is subject to the use tax imposed under chapter 219. Subsection (47) of section 12-412 of the Connecticut General Statutes exempts from sales and use taxes the sale, and the storage, consumption or other use, of articles of clothing and footwear, where the sales price thereof is less than seventy-five dollars. Subsection (47) of said section 12-412 does not exempt from sales and use taxes the sale, and the storage, consumption or other use, of clothing and footwear primarily designed for athletic activity or protective use (and not normally worn other than for such athletic activity or protective use) and jewelry, handbags, wallets, watches, luggage and umbrellas. Subsection (b) of this section pertains to the taxation of articles of clothing or footwear sold for more than the exemption amount. Subsection (c) of this section pertains to the taxation of articles of clothing or footwear consisting of several items priced as one item. Subsection (d) of this section pertains to the taxation of materials used to make articles of clothing or footwear. Subsection (e) of this section pertains to definitions of terms used in this section and in subsection (47) of said section 12-412.

(b) **Article sold for more than exemption amount.** When the sales price of an article of clothing or footwear is seventy-five dollars or more, the tax applies to the entire sales price and not just to the amount of the entire sales price in excess of seventy-four dollars and ninety-nine cents (the exemption amount).

(c) **Articles priced separately.** When articles of clothing or footwear consisting of several items are priced separately, each article, for purposes of determining whether the sales price of the article is in excess of the exemption amount, is considered separately. When articles of clothing or footwear consisting of several items are priced as one item, the articles, for purposes of determining whether the sales price of the articles is in excess of the exemption amount, are considered to be one article. For example, suit trousers and a suit jacket priced as one item shall be considered to be one article of clothing; while a skirt and a blouse priced separately shall be considered to be two articles of clothing.

(d) **Materials used to make articles of clothing or footwear.** Subsection (47) of section 12-412 does not exempt from sales and use taxes the sale, and the storage, consumption or other use, of materials used to make articles of clothing or footwear.

(e) **Definitions.** As used in subsection (47) of section 12-412 and in this section, the following terms have the meaning ascribed to them herein.

(1) “Articles of footwear” do not include footwear primarily designed for athletic activity or protective use (and not normally worn other than for such athletic activity or protective use), such as bicycle shoes, bowling shoes, cleated shoes, fireman boots, hiking boots, paddock boots, riding boots, ski boots, waders, roller skates and ice skates. Insoles and arch supports are also not articles of footwear. “Articles of footwear” do include basketball shoes, sneakers, running shoes without cleats, overshoes, rubbers, slippers and safety shoes suitable for everyday use. Shoelaces are also articles of footwear.

(2) “Articles of clothing” do not include clothing designed for athletic activity (and not normally worn other than for such athletic activity) such as sports uniforms, batting gloves, golf gloves, athletic supporters, headbands, martial arts attire, riding pants, shin guards, ski suits, sports helmets, water ski vests and wet suits. “Articles

of clothing'' do not include clothing designed for protective use (and not normally worn other than for such protective use) such as goggles, lab coats, potholders, protective aprons, rubber gloves, and safety glasses. Barrettes, hairnets, shower caps, sunglasses, surgical gloves, wigs and party costumes are also not articles of clothing. ''Articles of clothing'' do include kitchen aprons, arm or leg warmers, bandannas, scarves, handkerchiefs, bathing caps, belts, suspenders, ear muffs, foul weather gear, gloves, gym suits, caps, hats, leotards and tights, adult diapers, knee-length socks, painter pants, employee uniforms, scout uniforms, rented formal wear, ski jackets and sweaters, swim suits, tennis and golf dresses and skirts, and hosiery.

(Effective March 27, 1986)

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Services to Real Property

Sec. 12-430 (7)-1. Nonresident contractors

(a) **In general.** Section 12-430 (7) of the general statutes pertains to ensuring payment of the tax payable with respect to the consumption or use in this state of tangible personal property by a nonresident contractor pursuant to, or in the carrying out of, a contract. Subsection (b) of this regulation defines the term “nonresident contractor.” While this regulation pertains, for purposes of supplementary interpretation, as the phrase is used in section 12-2 of the general statutes, to said section 12-430 (7), the promulgation of this regulation is authorized by section 12-426 (1) of the general statutes.

(b) **Nonresident contractor.** The term “nonresident contractor” means a contractor without a permanent place of business in this state. Such a place of business means an office continuously maintained, occupied and used by such contractor’s regular employees regularly in attendance to carry on such contractor’s business in the contractor’s own name. An office maintained, occupied and used by a contractor only for the duration of a contract will not be considered a permanent place of business. An office maintained, occupied and used by a person affiliated with a contractor will not be considered a permanent place of business of the contractor.

(Effective April 23, 1991)

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**Presumed Total Purchase Price of Motor Vehicle Purchased
Other Than From Motor Vehicle Dealer**

Sec. 12-431 (b)-1. Presumed total purchase price of motor vehicle purchased other than from motor vehicle dealer

(a) **In general.** Section 12-431 (b) of the general statutes requires the commissioner of revenue services to adopt, by regulation, a book of valuations of motor vehicles published by a nationally recognized organization. Section 12-431 (b) also requires the commissioner to determine, by regulation, which of the various valuations of motor vehicles contained in any such book is appropriate for the purposes of section 12-431. This regulation makes the required selections. Subsection (a) of this regulation describes the scope and content thereof. Subsection (b) of this regulation selects the book of valuations that will be used for purposes of section 12-431. Subsection (c) of this regulation selects the valuation of the various valuations contained in the selected book of valuations that will be used for purposes of section 12-431.

(b) **Selected book of valuations.** The book of valuations that will be used under subsection (b) of section 12-431 is the current month's issue of the N.A.D.A. Official Used Car Guide, Eastern Edition. The term "selected book of valuations," wherever used in this regulation, means the current month's issue of the N.A.D.A. Official Used Car Guide, Eastern Edition.

(c) **Selected valuation.** Of the various valuations contained in the selected book of valuations, the valuation that will be used under subsection (b) of section 12-431 is the average trade-in value. The term "selected valuation," wherever used in this regulation, means the average trade-in value, without allowance for any additions (e.g., for low mileage or optional equipment) or deductions (e.g., for high mileage or absence of certain equipment).

(Effective April 28, 1992)

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Alcoholic Beverages Taxes

Secs. 12-449-1—12-449-17.

Repealed, December 26, 1985.

Secs. 12-449-1a—12-449-2a.

Repealed, April 11, 2006.

Sec. 12-449-3a. Withdrawal from customs bonded warehouse

(a) Each licensed distributor withdrawing alcoholic beverages from a customs bonded warehouse shall file in triplicate a customs withdrawal certificate prescribed by the commissioner. The certificate shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. The copies shall be filed with the collector of customs who shall certify to and forward one copy to the Department of Revenue Services, Audit Division, Excise Tax Subdivision and another copy to the distributor. The third copy shall be kept by the collector of customs with his records.

(b) This section is prescribed pursuant to section 12-449 of the general statutes for purposes of section 12-436 of the general statutes.

(Effective December 26, 1985; amended April 11, 2006)

Sec. 12-449-4a. Withdrawal from internal revenue bonded warehouse

(a) Each licensed distributor withdrawing alcoholic beverages from an internal revenue bonded warehouse shall file in triplicate an internal revenue withdrawal certificate prescribed by the commissioner. The certificate shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. The copies shall be furnished to the internal revenue warehouseman who shall certify to and forward one copy to the Department of Revenue Services, Audit Division, Excise Tax Subdivision and another copy to the distributor. The third copy shall be kept by the internal revenue warehouseman with his records.

(b) This section is prescribed pursuant to section 12-449 of the general statutes for purposes of section 12-436 of the general statutes.

(Effective December 26, 1985; amended April 11, 2006)

Sec. 12-449-5a. Reports by customs bonded warehousemen

(a) Each customs bonded warehouseman shall, on a form prescribed by the commissioner, report on or before the close of each month on the inventory of such warehouse and changes therein for the preceding month. The form shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision.

(b) This section is prescribed pursuant to section 12-449 of the general statutes for purposes of section 12-436 of the general statutes.

(Effective December 26, 1985; amended April 11, 2006)

Sec. 12-449-6a. Importation of alcoholic beverages for personal consumption

(a) Each individual seeking, to the extent allowable under section 12-436 of the general statutes, to import alcoholic beverages from within the territorial limits of the United States shall file in triplicate an application, which is prescribed by the commissioner, for permission to import such alcoholic beverages for personal consumption. The application shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. If the application is approved, one copy will be returned to the applicant and one copy will be furnished to the Department of Revenue Services, Audit Division, Excise Tax Subdivision.

(b) Each individual seeking, to the extent allowable under section 12-436 of the general statutes, to import alcoholic beverages from without the territorial limits of the United States shall file in triplicate an application, which is prescribed by the commissioner, for permission to import such alcoholic beverages for personal consumption. The application shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. If the application is approved, one copy will be returned to the applicant and one copy will be furnished to the Department of Revenue Services, Audit Division, Excise Tax Subdivision.

(c) No application referred to in subsection (a) or (b) of this section shall be approved unless and until such applicant shall have filed in triplicate and shall have had approved an application, which is prescribed by the commissioner, for a certificate of payment of taxes due on the importation of alcoholic beverages. The application shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. If the application is approved, two copies will be returned to the applicant.

(d) This section is prescribed pursuant to section 12-449 of the general statutes for purposes of section 12-436 of the general statutes.

(Effective December 26, 1985; amended April 11, 2006)

Sec. 12-449-7a. Notice of additional reciprocal taxes

(a) On or before January first of each year or, in the discretion of the commissioner, at more frequent intervals, the commissioner shall notify each distributor of each additional reciprocal tax imposed under section 12-451 of the general statutes on alcoholic beverages manufactured in another state. A copy of such notice shall be sent to the state treasurer and to the state comptroller.

(b) At the time of the first imposition of an additional reciprocal tax on alcoholic beverages manufactured in another state, the commissioner shall cause to be published in a newspaper having general circulation in such other state a notice pertaining to such tax.

(c) This section is prescribed pursuant to section 12-449 of the general statutes for purposes of section 12-451 of the general statutes.

(Effective December 26, 1985)

Sec. 12-449-8a. Purchases of exempt alcohol

(a) Each person purchasing from a licensed distributor ethyl alcohol used or intended for use for the purposes described in section 12-453 of the general statutes, the purchase of which ethyl alcohol is exempt from tax pursuant to section 12-453 of the general statutes, shall file in triplicate an application, which is prescribed by the commissioner, for permission to purchase ethyl alcohol without payment of the tax imposed under chapter 220. The application shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. If the application is approved, two copies will be returned to the applicant which shall forward one copy to the distributor and shall keep the other copy with its records.

(b) Each person purchasing from a licensed distributor wine or distilled liquor used for the purposes described in section 12-453 of the general statutes or section 12-449-9a (c), the purchase of which wine or distilled liquor is exempt from tax pursuant to section 12-453 of the general statutes or section 12-449-9a (c), shall file in triplicate an application, which is prescribed by the commissioner, for permission to purchase wine or distilled liquor without payment of the tax imposed under chapter 220. The application shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. If the application is approved,

two copies will be returned to the applicant which shall forward one copy to the distributor and shall keep the other copy with its records.

(c) Each person purchasing ethyl alcohol from a person other than a licensed distributor, the purchase of which ethyl alcohol is exempt from tax pursuant to section 12-453 of the general statutes, shall file in quadruplicate an application, which is prescribed by the commissioner, for permission to purchase ethyl alcohol without payment of the tax imposed under chapter 220. The application shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. If the application is approved, two copies will be returned to the applicant (one copy to be kept with its records and one copy to be issued to the person other than a licensed distributor) and one copy will be furnished to the Department of Revenue Services, Audit Division, Excise Tax Subdivision.

(d) Each person purchasing wine or distilled liquor from a person other than a licensed distributor, the purchase of which wine or distilled liquor is exempt from tax pursuant to section 12-453 of the general statutes or section 12-449-9a (c), shall file in quadruplicate an application, which is prescribed by the commissioner, for permission to purchase wine or distilled liquor without payment of the tax imposed under chapter 220. The application shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. If the application is approved, two copies will be returned to the applicant (one copy to be kept with its records and one copy to be issued to the person other than a licensed distributor) and one copy will be furnished to the Department of Revenue Services, Audit Division, Excise Tax Subdivision.

(e) This section is prescribed pursuant to section 12-449 of the general statutes for purposes of section 12-453 of the general statutes.

(Effective December 26, 1985; amended April 11, 2006)

Sec. 12-449-9a. Sales of alcoholic beverages

(a) Sales of alcoholic beverages mean and include sales of warehouse receipts for alcoholic beverages, the delivery of which receipts passes title to such beverages to the purchaser of such receipts. Warehouse receipts may be sold to a licensed distributor or to a distributor licensed by another state, but may not be sold to a retail permittee.

(b) Sales of alcoholic beverages do not mean sales of bitters, except to the extent that such sales are, for federal excise tax purposes, treated as sales of alcoholic beverages.

(c) (1) Sales of alcoholic beverages do not mean sales of wine used for sacramental or religious purposes. The invoice for each such sale shall bear the following statement, signed by an authorized agent of the purchaser: "The above-invoiced wine is to be used solely for sacramental or religious purposes and will not be sold or used for beverage purposes."

(2) Cross reference. See sections 12-449-8a (b) and (d) and 12-449-10a (f).

(d) This section is prescribed pursuant to section 12-449 of the general statutes.

(Effective December 26, 1985)

Sec. 12-449-10a. Schedules

(a) Each distributor shall file with the return required under section 12-437 of the general statutes the schedules furnished and prescribed by the commissioner and setting forth the information required by subsections (b), (c), (d), (e) and (f) of this section.

(b) Schedule A must detail each purchase by such distributor of alcoholic beverages received (including returns for credit from other licensed distributors), on the purchase of which the tax imposed under chapter 220 was not paid.

(c) Schedule A-1 must detail each purchase by such distributor of alcoholic beverages which have not been received.

(d) Schedule B must detail each purchase by such distributor of alcoholic beverages received (including returns for credit from retailers), on which beverages the tax imposed under chapter 220 has been paid prior to their receipt by such distributor.

(e) Schedule C must detail, for each state of destination, each shipment by such distributor of alcoholic beverages (including returns for credit to distributors licensed by another state) to a point without this state.

(f) Schedule D must detail each sale by such distributor of alcoholic beverages to other licensed distributors (including returns for credit to other licensed distributors) and each sale which is exempt from tax pursuant to section 12-453 of the general statutes or section 12-449-9a (c). A copy of each approved application for permission to purchase alcohol without payment of tax shall be attached to such schedule.

(g) This section is prescribed pursuant to section 12-449 of the general statutes. (Effective December 26, 1985; amended April 11, 2006)

Sec. 12-449-11a. Records

(a) Each licensed distributor shall keep complete and accurate records of all purchases, returns, sales and exchanges of alcoholic beverages, and such additional records as will substantiate the entries made on the monthly returns referred to in section 12-437 of the general statutes and section 12-449-10a or the schedules attached thereto. The records shall include the names and addresses of all persons from whom any alcoholic beverages were purchased or received, including the date of purchase, the date of receipt, and the type and quantity of alcoholic beverages purchased or received, and the names and addresses of all retail permittees to whom any alcoholic beverages were sold, including the date of sale and the type and quantity of alcoholic beverages sold.

(b) This section is prescribed pursuant to section 12-449 of the general statutes.

(c) Cross reference. See section 12-449-10a.

(Effective December 26, 1985)

Sec. 12-449-12a. Inventories

(a) Each licensed distributor shall, on forms prescribed by the commissioner, take a physical inventory at the close of business on the last day of each month, whether or not a perpetual inventory is kept. The commissioner may, without prior notice to the licensed distributor, assign an authorized officer of the Department of Revenue Services to assist in the taking of such physical inventory. The forms shall be furnished by the Department of Revenue Services, Audit Division, Excise Tax Subdivision. The forms attributable to the physical inventory taken at the close of business on the last day of June and December shall be submitted with the monthly return referred to in section 12-437 of the general statutes and section 12-449-10a for the tax period ending on the last day of June and December, respectively.

(b) This section is prescribed pursuant to section 12-449 of the general statutes.

(Effective December 26, 1985; amended April 11, 2006)

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Gasoline Tax

Repealed 12-455-1

Gasoline Tax

Sec. 12-455-1.

Repealed, December 18, 1980.

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**Tables of Equivalents for Natural Gas and Propane for
Motor Vehicle Fuels Tax Purposes**

Computation of tax on motor vehicle fuels in gaseous form 12-455a-1

Tables of Equivalents for Natural Gas and Propane for Motor Vehicle Fuels Tax Purposes

Sec. 12-455a-1. Computation of tax on motor vehicle fuels in gaseous form

(a) **Definitions.** As used in this section of the Regulations of Connecticut State Agencies:

(1) “British Thermal Unit” (Btu) means an amount of heat required to raise the temperature of one pound of water one degree Fahrenheit;

(2) “Cubic foot” means a standard unit of gas measurement and is defined as the amount of gas occupying a cubic foot of space at a pressure of 30 inches of mercury (approximately 14.7 psi) and a temperature of 60 degrees Fahrenheit;

(3) “Fuels” includes natural gas and propane, as well as other fuels in gaseous form suitable for the generation of power to propel motor vehicles;

(4) “Gallon” means a measure of volume equivalent to 231 cubic inches. When used as a standard unit of measure for liquid natural gas and other liquid fuels, it refers to a gallon of liquid fuel at a temperature of 60 degrees Fahrenheit;

(5) “Natural gas” means naturally occurring mixtures of hydrocarbon gases and vapors consisting principally of methane, whether in gaseous or liquid form;

(6) “Propane” means a gaseous paraffin hydrocarbon, which becomes liquid under pressure or reduced temperatures;

(7) “Psi” means pounds of pressure per square inch.

(b) The tax imposed on natural gas and propane in their gaseous forms shall be computed based on their liquid gallon equivalents.

(c) **Compressed Propane (Gaseous Form) Equivalency Table.** At 14.73 psi and 60 degrees Fahrenheit :

1 cubic foot propane	=	0.0278 gallons propane
100 cubic feet propane	=	2.78 gallons propane
1 gallon propane	=	35.97 cubic feet propane
100 gallons propane	=	3597 cubic feet propane

(d) **Natural Gas (Gaseous Form) Equivalency Table.** At 14.73 psi and 60 degrees Fahrenheit:

1 cubic foot natural gas	=	0.012 gallons natural gas
100 cubic feet natural gas	=	1.2 gallons natural gas
1 gallon natural gas	=	82.62 cubic feet natural gas
100 gallons natural gas	=	8262 cubic feet natural gas

(e) **Converting Liters to Gallons.** To convert liters to gallons, multiply the number of liters by 0.26417 to determine the equivalent number of gallons.

(f) **Temperature and Pressure Corrections.** When necessary to correct for temperature and pressure, for example when motor vehicle fuels are not measured at 14.73 psi or 60 degrees Fahrenheit, refer to the most recent edition of National Institute of Standards and Technology Handbook No. 44 for the proper correctional factors.

(Adopted effective April 28, 2000)

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Motor Carrier Road Tax

Sec. 12-480-1.

Repealed, July 29, 1985.

Sec. 12-480-1a. Claims for credit

(a) The credit otherwise allowable to a motor carrier (the claimant) under section 12-480 and this section by reason of the purported payment by the claimant of the tax imposed under chapter 221 (the motor *vehicle* fuels tax) on the purchase of the same motor fuel to which the tax imposed under chapter 222 (the motor carrier road tax) applies shall not be allowed unless such claimant maintains records deemed adequate by the commissioner to substantiate a claim for such credit.

(b) The records required to be maintained by subsection (a) of this section shall be deemed adequate if and only if such records establish, for each purported payment of the tax imposed under chapter 221, the date of purchase of the motor fuel, the name and address of the seller of such fuel, the type and quantity (in gallons) of such fuel, the price per gallon of such fuel, the total amount paid by the purchaser and the registration number on the identification marker of the vehicle in which such fuel is used. A copy of each purchase invoice which shall set forth the information required by this subsection, which shall have the name and address of the purchaser thereon and which shall be signed by the seller and by the driver of the vehicle in which the fuel is used shall be kept with such records.

(Effective May 26, 1987)

Sec. 12-480-2.

Repealed, July 29, 1985.

Sec. 12-480-2a. Claims for refund

(a) The refund otherwise allowable to a motor carrier (the claimant) under section 12-480 and this section by reason of the purported payment by the claimant of a tax similar to that imposed under chapter 222 (the motor carrier road tax) to another state on the use of the same motor fuel for which the tax imposed under chapter 221 (the motor *vehicle* fuels tax) was paid shall not be allowed unless—

(1) such claimant maintains records deemed adequate by the commissioner to substantiate a claim for such refund, and

(2) such claimant submits a copy of the tax return filed with each state to which payment of a tax similar to that imposed under chapter 222 was purportedly made by such claimant. Such copy shall be certified by such state to have been filed and the tax reported thereon to have been paid.

(b) The records required to be maintained by subsection (a) of this section shall be deemed adequate if and only if such records establish, for each purported payment of a tax similar to that imposed under chapter 222 to another state on the use of the same motor fuel for which the tax imposed under chapter 221 was paid, the date of purchase of the motor fuel, the name and address of the seller of such fuel, the type and quantity (in gallons) of such fuel, the price per gallon of such fuel, the total amount paid by the purchaser, and the registration number on the identification marker of the vehicle in which such fuel is used. A copy of each purchase invoice which shall set forth the information required by this subsection, which shall have the name and address of the purchaser thereon and which shall be signed by the seller and by the driver of the vehicle in which the fuel is used shall be kept with such records.

(Effective May 26, 1987)

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Repealed 12-484-2—12-484- 6

Motor Carrier Road Tax**Sec. 12-484-1. Annual affidavit by carrier exclusively operating within this state**

(a) Except as otherwise provided in this subsection, each motor carrier, the operations of which are exclusively within this state shall file the quarterly reports required by section 12-484 unless such carrier files on or before the last day of February of each year an affidavit which is prescribed by the commissioner and which attests to the fact that all of the motor fuel to be used in the operations of such carrier during such calendar year will be purchased within this state and that the tax imposed under chapter 221 (the motor vehicle fuels tax) will be paid thereon. In the case of a motor carrier filing its initial application for registration under section § 12-487-1a (b) during a calendar year, the affidavit shall be filed at the time that such application is filed, or on or before the last day of February of such year, whichever date is later. The affidavit shall be furnished by the Department of Revenue Services, Operations Division, Processing Section, Forms Unit.

(b) Cross reference. See section 12-484-3 (a).

(Effective May 26, 1987)

Secs. 12-484-2—12-484-6.

Repealed, April 11, 2006.

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Motor Carrier Road Tax

Repealed 12-487-1—12-487-2

Motor Carrier Road Tax

Sec. 12-487-1.

Repealed, July 29, 1985.

Sec. 12-487-1a.

Repealed, April 11, 2006.

Sec. 12-487-2.

Repealed, April 6, 2000.

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Excise Taxes

School bus 12-493-1

Excise Taxes

Sec. 12-493-1. School bus

As the term is used in section 12-493 of the Connecticut General Statutes, “school bus” means any motor bus painted, constructed, equipped and registered as a school bus, as the term is defined in section 14-275 of the Connecticut General Statutes, regularly used for transporting school children to and from school or school activities, whether or not for compensation or under contract to provide such service. Section 12-484 of the Connecticut General Statutes provides the authorization for this section of the Regulations of Connecticut State Agencies.

(Adopted effective April 11, 2006)

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Real Estate Conveyance Tax

Sec. 12-494-1. Definitions

(a) “Full purchase price” means money and the fair market value of consideration other than money paid or transferred, directly or indirectly, to the transferor, whether or not expressed in the deed, instrument or other writing, and includes, but is not limited to—

(1) the amount of any liability of the transferor, which liability is assumed by the transferee.

(2) the amount of any liability to which the realty is subject, but not including the amount of property tax, other municipal assessments, common expense assessments or similar charges which are not yet due and payable and which are subject to customary adjustments.

(3) in the case of easements, the monetary consideration paid to the transferor at the time of transfer.

(4) in the case of a lease described in subsection (b) (2) of this section, the fair market value of the realty as of the time of conveyance, as if a fee simple conveyance of the realty had occurred.

(b) “Realty” means any lands, tenements or other real property or any interest therein and includes, but is not limited to—

(1) those interests, present or future, vested or contingent, in real property which endure for a period of time, the termination of which is not fixed or ascertained by a specific number of years, such as an estate in fee simple or life estate.

(2) long-term leases or other ownership interests which endure for a fixed period of 99 years or more, or which may so endure because of extension or renewal options.

(c) “Transferor” means any person who or which conveys, grants, assigns or transfers realty and includes, but is not limited to, a grantor, seller, fiduciary, trustee, executor, administrator or lessor under a lease described in subsection (b) (2) of this section.

(d) “Transferee” means any person to whom or which realty is conveyed, granted, assigned or transferred and includes, but is not limited to, a grantee, purchaser, or lessee under a lease described in subsection (b) (2) of this section.

(e) “Person” means any individual, corporation, association, partnership, trust, estate, fiduciary or other entity.

(Effective August 24, 1987)

Sec. 12-494-2. Illustrations

(a) Conveyances which are subject to tax. The following are examples of conveyances which are subject to the tax:

(1) A conveyance of realty in exchange for property other than realty. For the measure of the tax, see section 12-494-1 (a).

(2) A conveyance of realty in exchange for the conveyance of other realty. Each conveyance is subject to the tax. For the measure of the tax, see section 12-494-1 (a).

(3) A transfer of a cooperative unit. For the measure of the tax, see section 12-494-1 (a). (The measure of the tax includes the unit’s percentage or fractional share of the common expense liability multiplied by underlying mortgage or similar recorded indebtedness.)

(4) A conveyance of a reversionary interest by a lessor. For the measure of the tax, see section 12-494-1 (a).

(5) A sale (either by bill of sale or by deed of conveyance) of a mobile manufactured home which is located in a mobile manufactured home park licensed under

chapter 412 of the Connecticut General Statutes or which is located on a single-family lot as a permitted nonconforming use or as otherwise permitted by municipal zoning regulations. For the measure of the tax, see section 12-494-1 (a).

(b) Conveyances which are exempt from tax. The following are examples of conveyances which would otherwise be subject to the tax but which are, by virtue of federal law, exempt from the tax. (The conveyances which would otherwise be subject to the tax but which are, by virtue of State law, exempt from the tax are set forth in section 12-498.) No tax must be paid on the following conveyances:

(1) Conveyances of realty by an entity such as a production credit association, which entity is, by virtue of federal law, exempt from all taxation imposed by any state.

(2) A deed by a debtor under a plan confirmed under 11 U.S.C. § 1129, whether the transferee is the reorganized debtor, a corporation specifically organized under the plan, an entity financially related to the debtor's estate or an unrelated party, and whether or not the plan expressly refers to the deed or authorizes the transfer.

(c) Transactions which are not conveyances. The following are examples of transactions which are not conveyances and, accordingly, not subject to the tax:

(1) An option for the purchase of realty.

(2) A contract for the sale of realty, if the contract does not vest legal title.

(3) An assignment of a right held under an agreement described in subdivision (1) or (2) of this subsection.

(4) A deed deposited in escrow. The deed is subject to tax upon delivery to and acceptance by the transferee.

(5) A lease other than a lease described in section 12-494-1 (b) (2).

(d) Conveyances on which no tax must be paid. The following are examples of conveyances which are not subject to the tax and, thus, cannot, strictly speaking, be exempt from the tax. (The conveyances which would otherwise be subject to the tax but which are exempt from the tax are, in the case of conveyances exempt under State law, set forth in section 12-498, and, in the case of conveyances exempt under federal law, set forth in subsection (b) of this section.) No tax must be paid on the following conveyances:

(1) A deed conveying realty as a bona fide gift, even if the deed recites a consideration for the transfer, such as "natural love and affection and \$1," including a gift of realty by one person to another accomplished through the conveyance of the property by such person for an ostensible consideration to a "straw man" who immediately reconveys the property to such other person.

(2) A deed to confirm title already vested in the transferee, such as a quitclaim deed to correct a flaw in title.

(3) A deed from an agent to his principal conveying realty purchased for and with funds of the principal.

(4) A deed executed by a debtor conveying property to a trustee for the benefit of his creditors; however, when the trustee conveys such property to a creditor or sells it to any other person, the deed executed by him is subject to tax.

(5) A conveyance to a receiver of realty included in the receivership assets, and reconveyance of such realty upon termination of the receivership.

(6) A deed to or by a fiduciary not pursuant to a sale.

(Effective August 24, 1987)

Sec. 12-494-3. Returns

(a) Filing of return condition precedent to recording. No deed, instrument or writing shall be recorded by any town clerk unless and until a return prescribed and

furnished by the commissioner of revenue services is filed by the transferor with the town clerk and any tax reported to be due thereon has been paid.
(Effective August 24, 1987)

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Repealed 12-517-1

Capital Gains and Dividends Taxes

Sec. 12-517-1.

Repealed, April 6, 2000.

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Repealed 12-517a-1—12-517a-2

Capital Gains and Dividends Taxes

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Repealed, April 6, 2000.

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Repealed, December 18, 1980.

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Repealed, December 18, 1980.

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Repealed, October 24, 1986.

Administrative Procedures

Definitions, Description of Organization, Administrative Procedures and Rules of Practice

Description of Organization and Public Information

Sec. 12-562-1a. Definitions

The definitions provided by Section 4-166 C.G.S., shall govern the interpretation and application of Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies. In addition thereto and except as otherwise required by the context:

(a) “Appellant” means a person who takes an appeal to the gaming policy board from a decision of the executive director or other authorized hearing officer of the division of special revenue pursuant to the provisions of Section 12-574 (j) C.G.S.

(b) “Applicant” means a person applying for any license from the gaming policy board or executive director of the division of special revenue.

(c) “Board” or “GPB” means the gaming policy board of the state of Connecticut as established by Section 12-557d C.G.S.

(d) “Compliance conference or meeting” means an informal proceeding held in order to attempt to dispose of allegations of statutory or regulatory violation(s) by a licensee or permittee.

(e) “Contested case” means a formal proceeding conducted under oath, in the board’s or division’s disposition of matters delegated to their respective jurisdictions by law in which the legal rights, duties or privileges of a party are determined by the board or division after an opportunity for a hearing.

(f) “Division” means the division of special revenue of the state of Connecticut and, where appropriate to the context of Sections 12-562-1a through 12-562-56a, inclusive, of the Regulations of Connecticut State Agencies, any duly authorized representative thereof.

(g) “Executive director” means the executive director of the division of special revenue and, where appropriate to the context of Sections 12-562-1a through 12-562-56a, inclusive, of the Regulations of Connecticut State Agencies, any individual to whom his authority may be lawfully delegated.

(h) “Hearing” means that portion of the board’s or division’s procedures in the disposition of matters delegated to its jurisdiction by law wherein an opportunity for presentation of evidence and argument occurs, which is preceded by due notice and which includes both an opportunity to present such written and oral testimony and argument as the presiding officer deems appropriate and an opportunity to examine and cross-examine any witness giving testimony therein.

(i) “Intervenor” means each person admitted by the presiding officer as a participant in a contested case who is not a party.

(j) “License” includes the whole or part of any gaming policy board or division of special revenue permit, registration, approval, or similar form of permission which the board or the division issues under authority of Chapters 226, 226b, 229a and 98 C.G.S. and the regulations promulgated thereunder, the Mashantucket Pequot

Gaming Procedures and the Mohegan Tribe and State of Connecticut Tribal-State Compact.

(k) “Party” means each person named or admitted by the board or division as a party to a contested case, whose legal rights, duties or privileges will be determined by the board or division by the decision therein.

(l) “Person” means any individual, partnership, corporation, association, governmental subdivision, or public or private organization of any character to whom or which Sections 12-562-1a through 12-562-19a, inclusive, of these **rules of practice** may apply in dealing with the board or division for any purpose.

(m) “Petitioner” means a person who has filed a petition to or request for a declaratory ruling from the board or the division.

(n) “Presiding officer” and “hearing officer” mean, as Sections 12-562-1a through 12-562-19a, inclusive, of these rules of practice may apply, and where appropriate to the context of the regulations herein set forth:

(1) The gaming policy board;

(2) The executive director or any individual designated by the executive director to whom the executive director’s authority to preside at hearings may be lawfully delegated.

(o) “Respondent” means a person against whom an order or a proceeding of the gaming policy board or division is directed.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-2a. Creation and authority

The gaming policy board and the division of special revenue were originally established as agencies of the executive branch of state government by Public Act 79-404. The gaming policy board and the division of special revenue are statutorily reposed with the joint responsibility of administering and regulating legalized gaming activities within the state. The board and the division derive their authority primarily from Chapters 226, 226b, 229a and 98 of the Connecticut General Statutes and the Mashantucket Pequot Gaming Procedures and the Mohegan Tribe and State of Connecticut Tribal-State Compact.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-3a. The gaming policy board—organization, functions, course and method of operations

(a) **Organization.** Pursuant to Section 12-557d of the Connecticut General Statutes, the gaming policy board consists of five members appointed by the governor with the advice and consent of the general assembly. The executive director of the division is a member of the board ex-officio.

To insure the highest standard of legalized gaming regulation at least four of the board members shall have training or experience in at least one of the following fields: corporate finance, economics, law, accounting, law enforcement, computer science or the pari-mutuel industry. At least two of these fields shall be represented on the board at any one time.

(b) **Gaming policy board; powers and duties.** The gaming policy board shall work in cooperation with the division of special revenue to implement and administer the provisions of Chapters 226, 226b and 229a of the general statutes and the Mashantucket Pequot Gaming Procedures and the Mohegan Tribe and State of Connecticut Tribal-State Compact. In carrying out its duties the board shall be responsible for: (1) Approving, suspending, or revoking licenses issued under subsection (a) of Section 12-574 of the General Statutes; (2) approving contracts for

facilities, goods, components or services necessary to carry out the provisions of Section 12-572 of the General Statutes; (3) setting racing and jai alai meeting dates; except that the board may delegate to the executive director the authority for setting make-up performance dates within the period of a meeting set by the board; (4) imposing fines on licensees under subsection (j) of Section 12-574 of the General Statutes; (5) approving the types of pari-mutuel betting to be permitted; (6) advising the executive director concerning the conduct of off-track betting facilities; (7) assisting the executive director in developing regulations to carry out the provisions of Chapters 226, 226b, 98 and 229, and approving such regulations prior to their adoption; (8) hearing all appeals taken under subsection (j) of said Section 12-574 of the General Statutes, Section 12-802b of the General Statutes, the Mashantucket Pequot Gaming Procedures and the Mohegan Tribe and State of Connecticut Tribal-State Compact; and (9) advising the Governor on state-wide plans and goals for legalized gaming.

(c) **Course and method of operations.** The board holds regular meetings monthly and convenes at such other times as its responsibilities may require. The powers of the board are vested in its members. All actions of the board are taken and motions and resolutions adopted by the affirmative vote of at least four members. Four members of the board constitute a quorum, or in the instance of a vacancy, a majority of the members remaining qualified.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-4a. Division of Special Revenue—organization, functions, course and method of operations

(a) **Organization.** The division is currently composed of five units which are under the overall direction of the executive director. Each unit is under the supervision of a unit head, appointed by the executive director with the advice and consent of the board, who administers and coordinates the authorized activities in the unit head's respective unit. The current organization of the division is as follows:

(1) The executive director. Pursuant to Section 12-557c of the Connecticut General Statutes the governor appoints an executive director of the division, with the approval of the general assembly, to administer and coordinate the various programs within the division. The executive director shall be experienced in the functions of the division and shall have overall supervisory authority and responsibility over each of the operational units.

(2) Gambling regulation. This unit is responsible for regulating off-track betting, lottery, charitable games, racing and the game of jai alai, licensing and disclosure and the regulatory functions as provided for in the Mashantucket Pequot Gaming Procedures and Mohegan Tribe and State of Connecticut Tribal-State Compact.

(3) Integrity assurance and technical services. This unit is responsible for the accounting and auditing required to maintain control over the integrity of legalized gaming activities and for data processing functions.

(4) Security. This unit provides support services in the division's ongoing efforts to insure the highest standards of integrity and security in relation to its regulation activities. These services include the internal security and investigation necessary to enforce the provisions of Chapters 226, 226b, 229a and 98 C.G.S., the Mashantucket Pequot Gaming Procedures, the Mohegan Tribe and State of Connecticut Tribal-State compact and the division's regulations and procedures.

(5) Planning and research. This unit is responsible for conducting administrative hearings for licensing matters, researching the social and economic impact, as well

as the effectiveness of the various legalized gaming activities and for performing analyses relating to relevant issues.

(6) Division administration. This unit is responsible for division staff support services including, purchasing, general services, and general fund disbursements.

(b) **Functions.** Generally, the division, under its executive director, with the advice and consent of the board, implements and administers the statutory mandates placed upon the executive director by Chapters 226 and 266b. The division has the power to do whatever is reasonably necessary to carry out the intent of Chapters 226, 229a and 98 and the Mashantucket Pequot Tribe Gaming Procedures and the Mohegan Tribe and State of Connecticut Tribal-State Compact. The division acts as the board's agent for the purpose of filing materials and the implementation of policy decisions made by the board.

The division regulates the operation of off-track betting, lottery, charitable games, racing and jai alai. The division licenses all persons participating in any aspect of the operation or administration of legal gaming activities, licenses gaming employees of native american casino operations, registers gaming service enterprises and registers non-profit organizations conducting charitable games. It is the responsibility of the division to ensure that all laws and regulations regarding the establishment and operation of such legalized gaming activities are complied with and that the public interest is at all times protected.

The division reports at least annually to the governor concerning its activities and conducts studies at least quinquennially to determine the effects of legalized gaming on the citizens of the state and, when appropriate, the desirability of expanding, modifying, or reducing the amount of legalized gaming to be permitted.

(c) **Course and method of operations.** The executive director has overall responsibility for the operation of the division of special revenue and provides supervision and direction to the activities of the division. The executive director may appoint a deputy and an executive assistant for the efficient conduct of the business of the division. The deputy executive director shall, in the absence, disqualification or death of the executive director exercise the powers and duties of the executive director until the executive director resumes all official duties or the vacancy is filled. The deputy executive director and the executive assistant shall serve at the pleasure of the executive director. In carrying out the executive director's responsibilities, the executive director may delegate certain functions or authority to the deputy executive director, an individual unit head or a unit within the division, or individual employees within the division as the situation may require. In acquitting itself of its day to day responsibilities, the division, with the advice and consent of the board, has promulgated the following sets of substantive regulations as the same may, from time to time, be amended:

- (1) Rules and regulations governing the operation of lottery;
- (2) Rules and regulations governing the operation of parimutuel facilities;
- (3) Rules and regulations governing the licensing and disclosure requirements of the board and the division; and
- (4) Rules and regulations governing the operation of charitable games.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-5a. Location of principal offices

The gaming policy board and the division of special revenue are located at 555 Russell Road, Newington, Connecticut 06111. All communications should be

addressed to the board or the division, as the case may be, P.O. Box 11424, 555 Russell Road, Newington, Connecticut 06111.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-6a. Public information

The public may inspect the regulations, decisions and all public records of the gaming policy board and the division of special revenue at their offices in Newington. There is no prescribed form for requests for information. All such requests should be in writing and be sufficiently specific to allow facile identification of the matters or material requested. Such written requests should be submitted to the gaming policy board or the division, as the case may be, at the above stated principal office address.

(Effective October 24, 1986; amended June 4, 1999)

Rules of Practice

Article I

General Provisions

Part 1

Scope and Construction of Rules

Sec. 12-562-7a. Procedure governed

Sections 12-562-7a through 12-562-19a inclusive, of the Regulations of Connecticut State Agencies govern practice and procedure before the gaming policy board and the executive director of the division of special revenue, or the deputy executive director or a unit head or other individual authorized by law, under the applicable laws of the state of Connecticut and except where by statute otherwise provided.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-8a. Waiver of rules

Where good cause appears, the board, the executive director or any presiding officer may permit deviation from Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies, except where precluded by law.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-9a. Construction and amendment

Sections 12-562-1a through 12-562-19a inclusive, of the Regulations of Connecticut State Agencies, shall be construed by the board, the executive director or any presiding officer so as to secure just, speedy, and inexpensive determination of the issues presented hereunder. Amendments and additions to Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies, may be adopted by the executive director, with the advice and consent of the board, by being duly promulgated as regulations in accordance with Chapter 54, C.G.S.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-10a. Computation of time

Computation of any period of time referred to in Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies, begins with the first day following that on which the act which initiates such period of time occurs and ends on the last day of the period so computed. This last day of that period is to be included unless it is a day on which the offices of the board and

division are closed, in which event the period shall run until the end of the next following business day. When such period of time, with the intervening Saturdays, Sundays, and legal holidays counted, is five (5) days or less, the said Saturdays, Sundays, and legal holidays shall be excluded from the computation; otherwise such days shall be included in the computation.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-11a. Extension of time

Except where statutorily mandated, the board, the executive director or any presiding officer may extend the time limit prescribed or allowed by Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies, for good cause. All requests for extensions shall be made before the expiration of the period originally prescribed or as previously extended. The board, the executive director or any presiding officer shall cause all parties to be notified of the action upon any such motion.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-12a. Effect of filing

(a) **Obligation to comply.** The filing with the board or division of any application, petition, complaint, request for declaratory ruling, or any other filing of any nature whatsoever shall not relieve any person of the obligation to comply with any statute, regulation or order of the board or division.

(b) **Nonwaiver.** Unless the board or the division otherwise specifies in an express written waiver by accepting the filing of any petition, application, exhibit, or document of any kind whatsoever the board or division shall not have waived any failure to comply with Sections 12-562-7a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies. Where appropriate the board or division may require the amendment of any filing.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-13a. Consolidation of proceedings

Two or more proceedings involving related questions of law or fact may be consolidated at the direction of the board, executive director or any presiding officer.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-14a. Ex parte communication

(a) **Board member prohibition.** No board member shall engage in any oral ex parte communications with any representative, agent, officer or employee of any business organization regulated under Chapter 226 C.G.S., the Mashantucket Pequot Gaming Procedures and the Mohegan Tribe and State of Connecticut Tribal-State Compact concerning any matter pending or impending before the board.

(b) **Contested case proceedings.** Unless required for the disposition of matters ex parte authorized by law, neither board members, the executive director, nor any designated division presiding officer shall communicate directly or indirectly with any party or intervenor concerning any issue of fact or law involved in any contested case that has been commenced under Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies, except upon notice and opportunity for all parties to participate. The board members, the executive director and any other designated presiding officer may severally communicate with each other ex parte and may communicate with and have the aid and advice of such members of the division staff as are assigned to assist them in any contested case. This rule shall not be construed to preclude such routine communications as are

necessary to permit division staff to investigate facts and to conduct informal staff conferences at any time before, during, and after the hearing of a contested case. The board, the executive director or any designated presiding officer may designate a staff person who is not assigned to render a decision or to make findings of fact or conclusions of law to communicate with any person or party for the purposes of conducting informal conferences at any time before, during or after the hearing of the contested case proceeding.

(Effective October 24, 1986; amended June 4, 1999)

Part 2

Formal Requirements

Sec. 12-562-15a. Date of filing

All orders, decisions, findings of fact, correspondence, motions, petitions, applications, and any other documents governed by Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies, shall be deemed to have been filed or received on the date on which they are received by the board or division at their principal office, except as hereinafter provided.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-16a.

Repealed, June 4, 1999.

Sec. 12-562-17a. Signatures

Every application, notice, motion, petition, brief, and memorandum shall be signed by the filing person or by the filing person's attorney.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-18a. Formal requirements as to documents and other papers filed in proceedings

(a) **Copies.** Except for routine correspondence and inquiries by the public, and as may be otherwise required by Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies, or by any other rules or regulations of the board or division or as ordered or expressly requested by the board or division, at the time motions, petitions, applications, documents, or other papers are filed with the board or division, there shall be furnished to the board or division the original of such papers. In addition to the original, there shall also be filed eight (8) copies if such submission is to the board for the use of the board and division staff, and the public, unless a greater or lesser number of such copies is expressly requested by the board. If such submission is to the division, there also shall be filed two copies in addition to the original unless a greater number is requested by the division.

(b) **Filing.** All motions, petitions, applications, documents or other papers relating to matters requiring action by the board or the division shall be filed with the board or the division at the principal offices as described in Section 12-576-5a of the Regulations of Connecticut State Agencies.

(c) **Noncompliance.** In the event of failure to comply with the provisions of this section, such motions, petitions, applications, documents or other papers deficient in filing may be returned for noncompliance by the board or executive director.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-19a. Service

(a) **General rule.** Service of all documents and other papers filed in all contested cases, including but not limited to motions, petitions, applications, notices, briefs, and exhibits shall be by personal delivery, facsimile, or by first class mail, except as hereinafter provided.

(b) **On whom served.** In addition to the filing of such documents and papers by the person filing an original plus the copies provided in Section 12-562-18a (a) of the Regulations of Connecticut State Agencies, one copy shall be served on every person that has theretofore been designated a party in any proceeding. Certification of such service shall be endorsed on all documents and other papers when filed with the board or division.

(c) **Service by the board or division.** A copy of any documents or other papers served by the board or division showing the addresses to whom the document or other paper was mailed and the date of mailing shall be placed in the board's and division's files and shall be prima facie evidence of such service and the date thereof.

(d) **Service as written notice.** Written notice of all orders, decisions or authorizations issued by the board or division shall be given to the party affected thereby and to such other persons as the board or division may deem appropriate by personal delivery or by first class mail, as the board or division determines.

(Effective October 24, 1986; amended June 4, 1999)

Article II

Contested Cases

Part 1

Parties, Intervention and Participation

Sec. 12-562-20a. Designation of parties

In issuing the notice of hearing the board or the division, as the case may be, will designate as parties those persons known to them whose legal rights, duties or privileges are being determined in the contested case and any person whose participation as a party is then deemed necessary to the proper disposition of such proceeding. All other persons proposing to be named or admitted as parties shall apply for such designation in the manner hereinafter described. No other person shall be or have standing before the division as a party within the definition of Section 4-166 (8), C.G.S.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-21a. Application to be designated a party

(a) **Filing of petition.** Any other person that proposes to be designated or admitted as a party to any proceeding, as defined by Section 4-166 (8), C.G.S., shall file a written petition to be so designated not later than five (5) days before the date of the hearing of the proceeding as a contested case.

(b) **Contents of petition.** The petition to be designated a party shall state the name and address of the petitioner. It shall describe the manner in which the petitioner claims to be substantially and specifically affected by the proceeding. It shall state the contention of the petitioner concerning the issue of the proceeding, the relief sought by the petitioner, the statutory or other authority therefore, and a summary of any evidence that the petitioner intends to present in the event that the petition is granted.

(c) **Designation as party.** The presiding officer shall consider all such petitions and will designate or admit as a party in a contested case any person whose legal rights, duties or privileges will be determined by the decision of the presiding officer after the hearing, if the presiding officer finds such person is entitled as of right to be party to said contested case or that the participation of such person as a party is necessary to the proper disposition of said contested case.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-22a. Participation by nonparties

(a) **Request to participate.** At any time prior to the commencement of oral testimony in any hearing in a contested case any person may request that the presiding officer permit that person to participate in the hearing. Any person not a party that is so permitted to participate in the hearing will be identified an intervenor in Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies.

(b) **Contents of request.** The request of the proposed intervenor shall state such person's name and address and shall describe the manner in which that person is affected by the contested case. The proposed intervenor shall further state in what way and to what extent he proposes to participate in the hearing, and shall summarize any evidence he proposes to offer.

(c) **Designation as intervenor.** The presiding officer will act to determine the proposed intervenor's participation in the hearing, taking into account whether or not such participation will furnish assistance to the board or division in resolving the issues of the contested case. The presiding officer may grant the request to intervene if he finds that the proposed participation as an intervenor will add evidence or arguments on the issue of the contested case that would otherwise not be available to the board or division.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-23a. Participation by persons admitted to participate as intervenors

The intervenor's participation shall be limited to those particular issues, that state of the proceeding, and that degree of involvement in the presentation of evidence and argument that the presiding officer shall permit at the time such intervention is allowed, and thereafter by express order upon further application by the said intervenor.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-24a. Procedure concerning added parties

(a) **During hearing.** In addition to the designation of parties in the initial notice and in response to board or division petition, the presiding officer may act in behalf of the board or division to add parties at any time during the pendency of any hearing upon the presiding officer's finding that the legal rights, duties or privileges of any person will be determined by the decision after the hearing or that the participation of such person as a party is necessary to the proper disposition of the contested case.

(b) **Notice of designation.** In the event that the presiding officer thus designates or admits any party after service of the initial notice of hearing in a contested case, the board or division shall give notice thereof to all parties theretofore designated or admitted. The form of the notice shall be a copy of the order of the presiding officer naming or admitting such added party and a copy of any petition filed by

such added party requesting designation as a party. Service of such notice shall be in the manner provided in Section 12-562-19a of the Regulations of Connecticut State Agencies.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-25a. Status of party and of intervenor as party in interest

(a) **Party as party in interest.** By the decision of a contested case the board or division shall dispose of the legal rights, duties and privileges of each party designated or admitted to participate as a party in the proceeding. Each such party is deemed to be a party in interest who may be aggrieved by any final decision, order or ruling of the board or division.

(b) **Status of a nonparty that has been admitted to participate.**

Status as a nonparty or as an intervenor shall not be deemed to be an expression by the board or division that the person permitted to intervene is a party in interest who may be aggrieved by any final decision, order or ruling of the board or division unless the presiding officer explicitly so states.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-26a. Representation of parties and intervenors

Each person authorized to participate in a contested case as a party or as an intervenor shall file a written notice of appearance with the presiding officer. Such appearance may be filed in behalf of parties and intervenors by an attorney who is not required to be a member of the Connecticut bar or other duly authorized representative subject to the rules hereinabove stated.

(Effective October 24, 1986; amended June 4, 1999)

Part 2

Hearings, General Provisions

Sec. 12-562-27a. Place of hearings

All hearings conducted by the board or the division shall be held at their principal offices, unless a different location is designated by statute or by direction of the board or division.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-28a.

Repealed, June 4, 1999.

Sec. 12-562-29a. Notice of hearings

(a) **Persons notified.** Except when the presiding officer shall otherwise direct, the presiding officer shall give written notice of a hearing in any pending matter to all persons designated as parties, to all persons who have been permitted to participate as intervenors, to all persons otherwise required by statute to be notified, and to such other persons as have filed with the presiding officer their written request for notice of hearing in the particular matter. Written notice shall be given to such additional persons as the presiding officer shall direct.

(b) **Contents of notice.** Notice of a hearing shall include but shall not be limited to the following: (1) a statement of the time, place, and nature of the hearing; (2) a statement of the legal authority under which the hearing is to be held and the identification of statutes or regulations that are involved; (3) a short and plain

statement of fact describing the purpose of the hearing. Notice of all board or division hearings shall comply with the requirements of Section 4-177 (b) C.G.S. (Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-30a. General provisions

(a) **Purpose of hearing.** The purpose of any hearing that the board or executive director conducts under Chapter 54 C.G.S. shall be to provide to all parties an opportunity to present evidence and argument on all issues to be considered.

(b) **Order of presentation.** In hearings on requests and petitions, the party that shall open and close the presentation of any part of the matter shall be the complainant or the petitioner unless otherwise provided by the presiding officer. In hearings concerning license denials, suspensions or revocations, the party that shall open and close the presentation of any part of the matter shall be the division's representative unless otherwise provided by the presiding officer.

(c) **Limiting number of witnesses.** To avoid unnecessary cumulative evidence, the presiding officer may limit the number of witnesses or the time for testimony upon a particular issue in the course of any hearing.

(d) **Burden of proof.** The respondent, complainant or petitioner shall have the burden of proving with substantial evidence that his or her position is justified in any hearing, except in any hearing conducted to revoke or suspend a license.

(e) **Discovery.** The board and division are not required to respond to pre-hearing interrogatories or to other requests for discovery other than public records in the possession of the division.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-31a. Witnesses, subpoenas, and production of records

(a) The board, the executive director, or any presiding officer authorized to conduct any inquiry, investigation or hearing shall have power to administer oaths and affirmations and take testimony under oath relative to the matter under inquiry, investigation or hearing.

(b) At any hearing ordered by the board or executive director the presiding officer, or any agent authorized by law to issue such process, may subpoena witnesses and require the production of records, papers and documents pertinent to such inquiry. Any party, not represented by a member of the bar of the state of Connecticut, may request that such process be issued. The request shall be in writing and contain the following: the name and address of each person upon whom such process is to be served; an adequate description of any records, papers and documents sought to be produced; and a short explanation of the testimony or evidence to be offered at the hearing and its materiality to the subject thereof. It shall be the sole responsibility of the party requesting such process to cause it to be served in accordance with law.

(c) If any person disobeys such process or, having appeared in obedience thereto, refuses to answer any pertinent question put to him or to produce any records and papers pursuant thereto, the presiding officer may apply to the superior court setting forth such disobedience to process or refusal to answer, as provided by Section 12-565 C.G.S.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-32a. Rules of evidence

The following rules of evidence shall be followed in the admission of testimony and exhibits in all hearings held under Chapter 54 C.G.S.

(a) **General.** Any oral or documentary evidence may be received; but the presiding officer shall, as a matter of policy, exclude irrelevant, immaterial, or unduly repetitious evidence. The presiding officer shall give effect to the rules of privilege recognized by law in Connecticut where appropriate to the conduct of the hearing. Subject to these requirements any testimony may be received in written form as herein provided.

(b) **Documentary evidence, copies.** Documentary evidence should be submitted in original form, but may be received in the form of copies or excerpts at the discretion of the presiding officer. Upon request by any party an opportunity shall be granted to compare the copy with the original if available, which shall be produced for this purpose by the person offering such copy as evidence.

(c) **Cross-examination.** Cross-examination may be conducted as the presiding officer shall find to be required for a full and true disclosure of the facts.

(d) **Facts noticed, scope and procedure.** The presiding officer may take administrative notice of generally recognized technical or scientific facts within the presiding officer's specialized knowledge. Parties shall be afforded an opportunity to contest the material so noticed by being notified before or during the hearing, or by an appropriate reference in preliminary reports or otherwise of the material noticed. The presiding officer shall nevertheless employ his or her experience, technical competence, and specialized knowledge in evaluating the evidence presented at the hearing for the purpose of making his or her finding of facts and arriving at a final decision.

(e) **Facts noticed, board or division records.** The presiding officer may take administrative notice of judicially cognizable facts, including the records and the prior decisions and orders of the board or division. Any exhibit admitted as evidence by the board or division in a prior hearing may be offered as evidence and admitted as an exhibit in a subsequent hearing; but the presiding officer shall not deem such exhibit to be cognizable in whole or in part for this purpose and shall not consider any facts set forth therein unless such exhibit is duly admitted as evidence in the matter then being heard.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-33a. Filing of added exhibits and testimony

Upon order of the presiding officer before, during, or after the hearing any party shall prepare and file added exhibits and written testimony. Such added exhibits and testimony shall be deemed to be an offer of evidence and shall be subject to such comment, reply, and contest as due process shall require.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-34a. Uncontested disposition of case

Unless precluded by law, any contested case may be resolved by stipulation, agreed settlement, consent order or default, upon the order of the presiding officer. Upon such disposition a copy of the order of the presiding officer shall be served on each party.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-35a. Record in a contested case

The record before the presiding officer in a contested case shall include:

(1) All motions, applications, petitions, requests for action, pleadings, notices of hearing, and intermediate rulings;

(2) The evidence received and considered by the presiding officer;

(3) Questions and offers of proof, objections, and the rulings thereon during the hearing;

(4) The decision, opinion or report by the presiding officer. The presiding officer may designate other documents or portions of the proceedings as part of the record in a contested case. Requests to so designate other material as part of the record should be made to the presiding officer within thirty (30) days after the final decision is issued.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-36a. Final decision in a contested case

All decisions and orders of the presiding officer concluding a contested case shall be in writing. Findings of fact and conclusions of law shall be separately stated. The presiding officer shall serve a copy of his final decision on each party in the manner required by Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies and by Chapter 54 C.G.S.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-37a. Transcript of contested case proceedings

(a) **Proceedings recorded.** All hearings in contested case proceedings shall be either electronically or stenographically recorded.

(b) **Written transcript.** At the close of the reception of evidence, the respondent or any other party of record may file a written request with the presiding officer for a written transcript of the proceedings. If no such written request is filed, the presiding officer may order that a written transcript be prepared.

(c) **Reasonable costs.** If any party of record desires a copy of the transcript, it will be made available upon written request and payment of the reasonable cost to the division.

(Effective October 24, 1986; amended June 4, 1999)

Part 3

Hearings, Enforcement Proceedings

Sec. 12-562-38a. Scope and applicability

In addition to the general provisions of this article governing hearings, the following special provisions shall apply to all proceedings instituted by the board or division which might result in the revocation or suspension of any license, or in the imposition of a fine.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-39a. Opportunity to show compliance

(a) No revocation, suspension, annulment or withdrawal of any license is lawful unless prior to the institution of proceedings, the agency gave notice to the licensee of facts or conduct which warrant the intended action, and the licensee was given the opportunity to show compliance with all lawful requirements for the retention of the certificate, license or registration.

(b) Notification of such compliance conference shall be by first class mail or personal delivery. Said notice shall contain:

- (1) A statement of the time, date and place of the compliance conference;
- (2) A reference to any statute or regulation allegedly violated;

(3) A clear and concise factual statement sufficient to inform each respondent of the acts or practices alleged to be in violation of the law; and

(4) A statement informing each respondent that he may be represented by counsel.

(c) Compliance conferences may be recorded but need not be transcribed and the rules of evidence are not applicable.

(d) The board or executive director shall designate a person to preside at such compliance conference. After said compliance conference said designated presiding officer shall report in writing his recommendations to the board or executive director.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-40a. Summary suspension

If the board or the division finds that public health, safety, or welfare imperatively requires emergency action, and incorporates a finding to that effect in its order, summary suspension of a license may be ordered pending proceedings for revocation or other action. These proceedings shall be promptly instituted and determined by the board or the division.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-41a. Disposition by consent decree

(a) A respondent may agree to enter into a written consent decree in lieu of an adjudicated hearing on an issue. The acceptance of a consent decree is within the complete discretion of the board or the division.

(b) A consent decree shall contain:

(1) An admission of all jurisdictional facts;

(2) An express waiver of the requirement that the decision of the board or the division contain findings of fact and conclusions of law, stated separately;

(3) An express waiver of the right to appeal or otherwise challenge or contest the validity of the decree;

(4) A statement that the consent decree shall have the same force and effect as provided by statute for other final decisions or decrees and shall become final when issued;

(5) The signature of the presiding officer.

(c) A consent decree is a matter of public record and will be available for public inspection in the offices of the board or division.

(d) A consent decree has the same force and effect as a final decision or decree issued following a show cause hearing.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-42a. Conduct of show cause hearings

(a) As the matter may require, show cause hearings shall be presided over by at least four board members where the respondent is a board licensee or by the executive director, the deputy executive director, any unit head, assistant unit head or executive assistant appointed by the executive director as a hearing officer where the respondent is a division licensee.

(b) The board members and the executive director and other authorized presiding officers shall have the power:

(1) To administer oaths and affirmations;

(2) To rule upon offers of proof and receive evidence and exclude irrelevant, immaterial, or unduly repetitious evidence;

(3) To regulate the course of the hearing and the conduct of the parties and their counsel therein;

(4) To hold conferences for informal dispositions and simplification of issues;

(5) To consider stays and rule upon, as justice may require, all procedural and other motions appropriate in a show cause proceeding;

(6) To make and file final decisions, recommendations, and orders;

(7) To exercise any and all other powers as provided in the Connecticut General Statutes;

(c) Unless varied or modified by the board, the executive director or other authorized hearing officer, the order of proof at show cause hearings shall be:

(1) Evidence of the violations alleged;

(2) Cross-examination of board or division witnesses;

(3) Evidence by respondent charged and his witnesses;

(4) Cross-examination of the person charged and his witnesses;

(5) Such rebuttal or other evidence on behalf of the board or the division or any party in interest as may be regarded as relevant by the board or the division.

(d) Each party at a show cause hearing shall have the right to present evidence of a visual or oral nature, cross-examine witnesses, enter motions and objections, and assert all other rights essential to a fair hearing. The rules of evidence shall be as prescribed in Section 4-178 C.G.S. and Section 12-562-32a of the Regulations of Connecticut State Agencies.

(e) Objections to evidence shall be timely and shall briefly state the grounds relied upon. Rulings on all decisions and any exceptions thereto shall appear on the record.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-43a. Notice and manner of service

(a) **Contents of notice.** A notice of the institution of a show cause hearing by the board or division shall contain all the informational requirements set forth in Section 4-177 (b) C.G.S. and Section 12-562-29a (b) of the Regulations of Connecticut State Agencies.

(b) **Manner of service.** Notwithstanding any other provisions of Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies regarding the method or manner of service of documents by the board or division to the contrary, service of notice and particulars upon respondents in show cause hearings shall be by either:

(1) Certified mail, return receipt requested, directed to respondent at the last known home or business address on file with the board or division; or,

(2) Personal delivery by an agent of the board or division which may include in hand service to respondent or service at the premises of respondent's last known home or business address on file with the division or the board. The board or division serving agent shall endorse a copy of the notice of show cause hearing and make return to the board or division.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-44a. Default

In any duly noticed proceeding when the respondent fails to appear, the presiding officer, upon a finding of actual or constructive notice of the pendency of such proceedings, may note such failure upon the record, and render a decision by default.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-45a. Continuances, extensions of time

If a respondent can reasonably show a need for additional time to prepare a defense to alleged statutory or regulatory violations, the presiding officer may, in

his or her complete discretion, grant an extension of time for a reasonable period. Such continuances or extensions of time will be granted for good cause only. A second request for a continuance or extension of time advanced by a respondent in any show cause hearing proceeding will only be granted in consequence of extraordinary circumstances.

(Effective October 24, 1986; amended June 4, 1999)

Article III

Appeals to Gaming Policy Board

Sec. 12-562-46a. Appeals under sections 12-574 (i) and 12-574 (j)

(a) **General.** These rules set forth the procedure to be followed in the disposition of appeals to the board from final decisions of the division pursuant to Sections 12-574 (i) and (j) and 12-568a of the general statutes, Chapter 229a, Section 5(g) of the Mashantucket Pequot Gaming Procedures and Section 5(g) of the Mohegan Tribe and State of Connecticut Tribal-State Compact.

(b) **Time limit for appeal.** Appeals to the board under this section may be made by an applicant for a license or licensee aggrieved by a final decision of the executive director. Any such appeal shall be in writing and made within fifteen days of the date notice was mailed of the final decision to be appealed.

(c) **Form of appeal.** All appeals shall conform to the general provisions of Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies and shall set forth clearly and concisely the basis of appeal together with all pertinent documents or exhibits attached thereto.

(d) **Stay of execution.** The filing of an appeal does not of itself stay enforcement of the division's decision. Upon application the division may grant, or the board may order, a stay upon appropriate terms.

(e) **Submission of record; procedure.** If the board shall find that the appeal conforms to the requirements of Sections 12-562-1a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies, oral arguments on the merits of the appeal shall be scheduled by the board. Prior to oral argument, the executive director shall certify and submit to the board and the appellant the record in the division proceeding. The record so certified shall consist of those items specified in Section 12-562-35a of the Regulations of Connecticut State Agencies. Oral argument may be waived by the appellant and the appeal determined by the board on the basis of memoranda or briefs.

(f) **Additional evidence.** If before the date set for oral argument it is shown to the satisfaction of the board that the presentation of additional evidence is material and that there were good reasons for failure to present it in the proceedings before the division, the board may permit the additional evidence to be taken before the division which may thereafter modify its decision.

(g) **Scope of appeal.** The appeals made to the board under this section shall be confined to the record made at the division proceeding, however proof may be taken of alleged procedural irregularities before the division not shown in the record. The board shall not substitute its judgment for that of the division as to the weight of the evidence on questions of fact. The board may affirm, modify, remand, or reverse the division's decision if substantial rights of the appellant have been prejudiced because of the division's findings, inferences, or conclusions, or if the division's decision is: (1) in violation of constitutional or statutory provisions; (2) in excess of the statutory authority of the division; (3) made upon unlawful procedure; (4)

affected by other error of law; (5) clearly erroneous in view of the reliable, probative, and substantial evidence on the whole record; or (6) arbitrary or capricious or characterized by abuse of discretion or clearly unwarranted exercise of discretion.

(h) **Notice of decision.** The board shall render its decision on the merits of the appeal within a reasonable time after oral argument, if any, and after the submission of written memoranda or briefs. Notice of the board's decision on the appeal shall be forwarded to all appellants and such other persons as the board may deem appropriate, in accordance with the provisions of Sections 12-562-7a through 12-562-19a, inclusive, of the Regulations of Connecticut State Agencies. Any final agency action may be appealed to the Superior Court within forty-five days after mailing of the final decision, pursuant to Section 4-183 C.G.S.

(Effective October 24, 1986; amended June 4, 1999)

Article IV

Rule Making

Sec. 12-562-47a. Authority to promulgate regulations

The executive director derives the statutory authority from Chapters 226, 226b, 98 and 229a C.G.S. to adopt, amend, or repeal regulations with the advice and consent of the board.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-48a. Form of petition

Any person may at any time petition the executive director to promulgate, amend, or repeal any regulation. The petition shall set forth clearly and concisely the text of the proposed regulation, amendment, or repeal. Such petition shall also state the facts and arguments that favor the action it proposes by including such facts and arguments in the petition or in a brief annexed thereto. The petition shall be addressed to the executive director and sent by mail or delivered in person during normal business hours. The petition shall be signed by the petitioner and shall furnish the address of the petitioner and the name and address of petitioner's attorney, if applicable.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-49a. Procedure after petition filed

(a) **Decision on petition.** Upon receipt of the petition, the executive director shall within thirty (30) days, deny the petition or initiate regulation-making proceedings.

(b) **Procedure on denial.** If the executive director denies the petition, the executive director shall give the petitioner notice in writing, stating the reasons for the denial based upon the facts and arguments submitted with the petition and upon such additional facts and arguments as the executive director deems appropriate.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-50a. Procedure for the issuance, amendment or repeal of a regulation

(a) **Initiation.** Proceedings for the issuance, amendment, or repeal of a regulation may be commenced by the division on its own initiative, on the initiative of the board, or pursuant to a petition submitted by an interested person.

(b) **Notice.** Notice of the proposed issuance, amendment or repeal of a regulation will appear in the Connecticut Law Journal at least thirty (30) days prior to the intended action. The notice will contain:

- (1) A statement of the purpose of the proposed action.
- (2) A statement of the terms or substance of the intended action.
- (3) A statement of the time, place and date of the public hearing or other opportunity for the presentation of views, and the manner in which said views may be presented.
- (4) Reference to the statutory authority under which the division is acting.
- (c) **Public participation.** The division shall give all interested parties an opportunity to participate in the proceedings through the submission of written or oral data, views, arguments, or suggestions.
- (d) **Approval.** After any necessary revisions have been made, and the regulations have been approved by the board, the proposed regulations will be forwarded to the attorney general and to the legislative regulation review committee of the general assembly for approval, and the division shall comply with all notice requirements to interested persons as required under Sections 4-168, 4-169 and 4-170 C.G.S.
- (e) **Emergency regulations.** When the division, with the approval of the board, finds that imminent peril to the public health, safety or welfare so requires, the division may adopt emergency regulations as provided in Section 4-168 (b) C.G.S.
- (f) **Effective date.** The new regulations shall take effect upon filing with the secretary of the state, unless otherwise indicated as provided in Section 4-168 (f) C.G.S.

(Effective October 24, 1986; amended June 4, 1999)

Article V

Miscellaneous Proceedings

Part 1

Declaratory Rulings

Sec. 12-562-51a. General rule

Sections 12-562-51a through 12-562-53a inclusive, of the Regulations of Connecticut State Agencies set forth the procedure to be followed by the board and division in the disposition of a request for declaratory rulings as to the validity or applicability of any statutory provision or of any regulation or order of the board or division. Such a ruling of the board or division disposing of a petition for a declaratory ruling shall have the same status as any decision or order of the board or division in a contested case.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-52a. Form of petition for declaratory ruling

Any person may at any time request a declaratory ruling of the division with respect to the validity or applicability to such person of any statute, regulation or order enforced, administered, or promulgated by the board or division. Such request shall be addressed to the division and sent by mail or delivered in person during normal business hours. The request shall be signed by the person in whose behalf the inquiry is made. It shall give the address of the person requesting the declaratory ruling and the name and address of such person's attorney, if applicable. The request shall state clearly and concisely the substance and nature of the request; it shall identify the statute, regulation or order concerning which the request is made and shall identify the particular aspect thereof to which the request is directed. The

request for a declaratory ruling shall be accompanied by a statement of any supporting data, facts and arguments that support the position of the person making the inquiry.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-53a. Procedure after petition for declaratory ruling filed

(a) **Notice to other persons.** The board or division may give notice to any person that such a declaratory ruling has been requested and may receive and consider data, facts, argument and opinions from persons other than the person requesting such ruling.

(b) **Provision for hearing.** If the division deems a hearing necessary or helpful in determining any issue concerning the request for declaratory ruling, the division shall schedule such hearing and give such notice thereof as shall be appropriate. The provisions of Sections 12-576-20a through 12-576-45a, inclusive, of the Regulations of Connecticut State Agencies govern the practice and procedure of the division in any hearing concerning the issuance of a declaratory ruling.

(c) **Decision on petition, ruling denied.** If the board or division determines that a declaratory ruling will not be rendered, the board or division shall within thirty (30) days thereafter notify the person so inquiring that the request has been denied and furnish a statement of the reasons on which the board or division relied in so declining.

(d) **Decision on petition, ruling granted.** If the board or division renders a declaratory ruling, a copy of the ruling shall be sent to the person requesting it and to that person's attorney, if applicable, and to any other person who has filed a written request for a copy with the board or division.

(e) **Approval of board.** If the request for a declaratory ruling is directed to the division and the division determines to issue such ruling in compliance with such request, the approval of the board to such recommended ruling is a prerequisite to its issuance by the division.

(Effective October 24, 1986; amended June 4, 1999)

Part 2

Investigations and Inquiries

Sec. 12-562-54a. Investigations and inspections

The board or the executive director may at any time institute investigations in order to carry out their statutory responsibilities. Statutory authority to conduct investigations and inspections is derived from, but not limited to, Sections 12-562, 12-565, 12-574, 12-575, 12-577 and 12-584 C.G.S. Upon direction of the board or executive director, the person being investigated shall file such data, facts, arguments and statements of position as shall be necessary to respond to the inquiry of the board or the executive director, subject to the subpoena authority set forth in Section 12-565 C.G.S.

(Effective October 24, 1986; amended June 4, 1999)

Sec. 12-562-55a. Investigative hearings or inquiries

(a) For the purposes of carrying out the provisions of Chapters 226, 226b, 98 and 229a C.G.S., the Mashantucket Pequot Gaming Procedures and the Mohegan Tribe and State of Connecticut Tribal-State Compact, the executive director or the board may convene any inquiry or investigative hearing pursuant to the provisions of Section 12-565 C.G.S. The provisions of Sections 12-562-27a through 12-562-45a of the Regulations of Connecticut State Agencies concerning procedures in

contested case hearing proceedings do not apply to such investigative hearings. The board or the executive director shall have the following powers in convening any such investigative hearing:

(1) To subpoena witnesses and require the production of records, papers and documents pertinent to such inquiry;

(2) To administer oaths and affirmations;

(3) To regulate the course of the investigative hearing and the conduct of the parties and their counsel therein;

(4) To require the sequestration of witnesses therein;

(5) To limit or restrict entirely the cross-examination of witnesses;

(6) To issue reports and recommendations at the conclusion of said investigative hearing for further action by the board or executive director.

(b) Orders instituting any such investigative hearing shall indicate the nature of the matters to be investigated by the board or executive director and shall be served upon all persons being investigated or witnesses whose attendance is required.

(Effective October 24, 1986; amended June 4, 1999)

Article VI

Miscellaneous Provisions

Personal Data

Sec. 12-562-56a. Personal data

(a) **Definitions**

(1) The following definitions shall apply to Section 12-562-56a of these regulations:

(A) Category of personal data. Classifications of personal information set forth in the Personal Data Act, Connecticut General Statutes Section 4-190 (9).

(B) Other data. Any information which because of name, identifying number, mark or description can be readily associated with a particular person.

(C) Division. The division of special revenue.

(D) Board. The gaming policy board.

(2) Terms defined in Connecticut General Statutes Section 4-190 shall apply to Section 12-562-56a of the Regulations of Connecticut State Agencies.

(b) **General nature and purpose of personal data systems.**

The gaming policy board does not maintain personal data systems. The division of special revenue maintains the following personal data systems:

(1) Personnel records.

(A) All personnel records are maintained at the offices of the division, 555 Russell Road, Newington, Connecticut.

(B) Personnel records are maintained in both automated and written or typewritten form.

(C) Personnel records are maintained for the purpose of providing a history of payroll, promotion, discipline and related personnel information concerning division employees.

(D) Personnel records are the responsibility of the executive director of the division, whose business address is division of special revenue, 555 Russell Road, Newington, Connecticut. All requests for disclosure or amendment of these records should be directed to the executive director of the division.

(E) Routine sources for information retained in personnel records are generally the employee, previous employers of the employee, references provided by applicants for employment, the employee's supervisor, the comptroller's office, department of administrative services, division of personnel and labor relations, and state insurance carriers.

(F) Personal data in personnel records are collected, maintained and used under authority of the State Personnel Act, Connecticut General Statutes Section 5-193 et seq.

(2) Retirement system participant records.

(A) Participant records are maintained at the offices of the division, 555 Russell Road, Newington, Connecticut.

(B) Participant records are maintained in both automated and written or typewritten form.

(C) Participant records are maintained for the purpose of determining the eligibility for and the amount of benefit payments to be made to participants and beneficiaries.

(D) Participant records are maintained with the executive director of the division, 555 Russell Road, Newington, Connecticut. All requests for disclosure or amendment of these records should be directed to the executive director of the division.

(E) Routine sources of information retained in participant records are generally the participant and current and previous employers of the participant.

(F) Personal data in retirement system participant records are collected and maintained and used under authority of Connecticut General Statutes Section 5-152 et seq.

(3) Licensing and integrity assurance records.

(A) Licensing and integrity assurance records are maintained at the division, 555 Russell Road, Newington, Connecticut.

(B) Licensing and integrity assurance records are maintained in both automated and written or typewritten form.

(C) Licensing and integrity assurance records are maintained for the purpose of enabling the division to discharge its regulatory responsibilities relative to licensing and to assuring the integrity of pari-mutuel operations, lottery, charitable games and native american casino operations.

(D) Licensing and integrity assurance records are the responsibility of the executive director of the division, 555 Russell Road, Newington, Connecticut. All requests for disclosure or amendment of licensing and integrity assurance records should be directed to the executive director of the division.

(E) Routine sources of information retained in licensing and integrity assurance records are generally the license applicants, licensees, and pari-mutuel and lottery winners.

(F) Licensing and integrity assurance records are collected, maintained and used under authority of Chapters 226, 226b, 229a and 98 of the Connecticut General Statutes.

(c) **Categories of personal data.**

(1) Personnel records.

(A) The following categories of personal data are maintained in personnel records:

(i) Educational records.

(ii) Medical or emotional condition or history.

(iii) Employment records or business history.

(iv) Other reference records.

(B) The following categories of other data may be maintained in personnel records:

- (i) Addresses.
- (ii) Telephone numbers.
- (C) Personnel records are maintained on employees of the division.
- (2) Retirement system participant records.

(A) The following categories of personal data are maintained in retirement system participant records:

- (i) Educational records.
- (ii) Medical or emotional condition or history.
- (iii) Employment records.
- (iv) Salary records.
- (v) Contributions records.
- (vi) Income tax withholding information.
- (vii) Social security number.

(B) The following categories of other data may be maintained in retirement system participant records:

- (i) Addresses.
- (ii) Marital status.
- (iii) Retirement system membership number.
- (iv) Telephone numbers.
- (v) Date of birth.

(C) Retirement system participant records are maintained on current and former division employees.

(3) Licensing and integrity assurance records. Such records are primarily related to licensing and pari-mutuel and lottery winnings.

(A) The following categories of personal data related to licensing are maintained in licensing and integrity assurance records:

- (i) Social security or federal identification number.
- (ii) Family and military information.
- (iii) Employment and business history.
- (iv) Financial statements and tax returns.
- (v) Miscellaneous financial information, i.e., bank accounts, safe deposit boxes, securities, liabilities, etc.

(B) The following categories of personal data related to pari-mutuel and lottery winnings are maintained to enable the division to meet internal revenue service reporting and withholding requirements, and for providing historical payment files for annuity winners, including, but not limited to:

- (i) Names.
- (ii) Addresses.
- (iii) Social security numbers.
- (iv) Amounts won.
- (v) Amounts withheld.
- (vi) Transaction numbers.
- (vii) Types of wagers.
- (viii) Payment histories.

(C) The following categories of other data may be maintained in licensing and integrity assurance records:

- (i) Name.
- (ii) Address.

(iii) Telephone number.

(iv) Marital status.

(d) **Maintenance of personal data—general.**

(1) Personal data will not be maintained by the division of special revenue unless relevant and necessary to accomplish the lawful purposes of the agency. Where the agency finds irrelevant or unnecessary public records in its possession, the agency shall dispose of the records in accordance with its records retention schedule and with the approval of the public records administrator as per Connecticut General Statutes Section 11-8a, or if the records are not disposable under the records retention schedule, request permission from the public records administrator to dispose of the records under Connecticut General Statutes Section 11-8a.

(2) The division shall collect and maintain all records accurately and completely.

(3) Insofar as it is consistent with the needs and mission of the division, the division, wherever practical, shall collect personal data directly from the persons to whom a record pertains.

(4) Employees of the division involved in the operations of the agency's personal data systems will be informed of the provisions of (A) the Personal Data Act, (B) the agency's regulations adopted pursuant to Section 4-196, (C) the Freedom of Information Act and (D) any other state or federal statute or regulation concerning maintenance or disclosure of personal data kept by the agency.

(5) All employees of the division shall take reasonable precautions to protect personal data under their custody from the danger of fire, theft, flood, natural disaster and other physical threats.

(6) The division shall incorporate by reference the provisions of the Personal Data Act and regulations promulgated thereunder in all contracts, agreements or licenses for the operation of a personal data system or for research, evaluation and reporting of personal data for the agency or on its behalf.

(7) The division shall have an independent obligation to insure that personal data requested from any other state agency is properly maintained.

(8) Only employees of the division who have a specific need to review personal data records for lawful purposes of the agency will be entitled to access to such records under the Personal Data Act.

(9) The division will keep a written up-to-date list of individuals entitled to access to each of the agency's personal data systems.

(10) The division will insure against unnecessary duplication of personal data records. In the event it is necessary to send personal data records through interdepartment mail, such records will be sent in envelopes or boxes sealed and marked "confidential."

(11) The division will insure that all records in written or typewritten personal data systems are kept under lock and key and, to the greatest extent practical, are kept in controlled access areas.

(e) **Maintenance of personal data—automated systems.**

(1) To the greatest extent practical, automated equipment and records shall be located in a limited access area.

(2) To the greatest extent practical, the division of special revenue shall require visitors to such limited access area to sign a visitor's log and permit access to said area on a bona-fide need-to-enter basis only.

(3) To the greatest extent practical, the division of special revenue will insure that regular access to automated equipment is limited to operations personnel.

(4) The division shall utilize appropriate access control mechanisms to prevent disclosure of personal data to unauthorized individuals.

(f) Maintenance of personal data—disclosure.

(1) Within four business days of receipt of a written request therefor, the division shall mail or deliver to the requesting individual, a written response in plain language, informing him as to whether or not the division maintains personal data on that individual, the category and location of the personal data maintained on that individual and procedures available to review the records.

(2) Except where nondisclosure is required or specifically permitted by law, the division shall disclose to any person upon written request, all personal data concerning that individual which is maintained by the division. The procedures for disclosure shall be in accordance with Connecticut General Statutes Sections 1-15 through 1-21k, inclusive. If the personal data is maintained in coded form, the division shall transcribe the data into a commonly understandable form before disclosure.

(3) The division is responsible for verifying the identity of any person requesting access to his own personal data.

(4) The division is responsible for ensuring that disclosure made pursuant to the Personal Data Act is conducted so as not to disclose any personal data concerning persons other than the person requesting the information.

(5) The division may refuse to disclose to a person medical, psychiatric or psychological data relating to that person if the division determines that such disclosure would be detrimental to him.

(6) In any case where the division refuses disclosure, it shall advise that person of his right to seek judicial relief pursuant to the Personal Data Act.

(7) If the division refuses to disclose medical, psychiatric or psychological data to a person based on its determination that disclosure would be detrimental to that person and nondisclosure is not mandated by law, the division shall, at the written request of such person, permit a qualified medical doctor to review the personal data contained in the person's records to determine if the personal data should be disclosed. If disclosure is recommended by the person's medical doctor, the division shall disclose the personal data to such person; if nondisclosure is recommended by such person's medical doctor, the division shall not disclose the personal data and shall inform such person of the judicial relief provided under the Personal Data Act.

(8) The division shall maintain a complete log of each person, individual, agency or organization which has obtained access to, or whom disclosure has been made of, personal data under the Personal Data Act, together with the reason for each such disclosure or access. This log must be maintained for not less than five years from the date of such disclosure or access or for the life of the personal data record, whichever is longer.

(g) Contesting the content of personal data records.

(1) Any person who believes that the division is maintaining inaccurate, incomplete or irrelevant personal data concerning him may file a written request with the division for correction of said personal data.

(2) Within 30 days of receipt of such request, the division shall give written notice to that person that it will make the requested correction, or if the correction is not to be made as submitted, the division shall state the reason for its denial of such request and notify the person of his right to add his own statement to his personal data records.

(3) Following such denial by the division, the person requesting such correction shall be permitted to add a statement to his personal data record setting forth what that person believes to be an accurate, complete and relevant version of the personal data in question. Such statements shall become a permanent part of the division's personal data system and shall be disclosed to any individual, agency or organization to which the disputed personal data is disclosed.

(h) Uses to be made of the personal data.

(1) Personnel records.

(A) Employees of the division who are assigned personnel and payroll responsibilities use the personal data contained in the division's personnel records in processing promotions, reclassifications, transfers to another agency, retirement, and other personnel actions. Supervisors use the personal data when promotion, career counseling, or disciplinary action against such employee is contemplated, and for other employment-related purposes.

(B) Personnel records are retained in accordance with a records retention schedule adopted pursuant to Connecticut General Statutes Section 11-8a, a copy of which is available at division offices.

(2) Retirement system participant records.

(A) Retirement system participant records are used for the preparation of retirement applications and longevity payrolls.

(B) Retirement system participant records are retained in accordance with a records retention schedule adopted pursuant to Connecticut General Statutes Section 11-8a, a copy of which is available at division offices.

(3) Licensing and integrity assurance records.

(A) Licensing and integrity assurance records are maintained for the purposes of determining the qualifications of license applicants and the continued suitability of licensees.

(B) Licensing and integrity assurance records are retained in accordance with a records retention schedule adopted pursuant to Connecticut General Statutes Section 11-8a, a copy of which is available at division offices.

(4) When an individual is asked to supply personal data to the division, the division shall disclose to that individual, upon request, the name of the agency and the division or unit within the agency which is requesting the data, the legal authority under which the agency is empowered to collect and maintain the personal data, the individual's rights pertaining to such records under the Personal Data Act and the agency's regulations, the known consequences arising from supplying or refusing to supply the requested personal data, and the proposed use to be made of the requested personal data.

(Effective October 24, 1986; amended June 4, 1999)

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Operation of a State Lottery

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Operation of Lottery

Sec. 12-568a-1. Definitions, constructions, interpretations

(a) In applying the provisions of sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, the following definitions, constructions and interpretations shall apply:

(1) "Acceptance test" means a series of hardware, software and terminal tests established and performed by the CLC to assure integrity, conducted prior to the installation of the on-line wagering system or prior to any software or hardware modification(s) to the on-line wagering system.

(2) "Act" means chapter 229a of the Connecticut General Statutes.

(3) "Agent" or "lottery sales agent" means a person who has been licensed by the division to sell and redeem lottery tickets as specified by the division.

(4) "Backup site" means the designated secondary location of the on-line computer system, operated by a vendor and capable of handling all transactions necessary to continue operation of the on-line system.

(5) "Board" or "CLCB" means the thirteen-member board governing the Connecticut Lottery Corporation, established pursuant to the act.

(6) "Business records" means journals, books of accounts, correspondence, memorandums, tapes, discs, papers, books and other documents that may be requested by the division from time to time.

(7) "Central computer system" means the central processing unit(s) for the on-line wagering system with all associated peripherals.

(8) "Chapter 226" means chapter 226 of the Connecticut General Statutes.

(9) "Chapter 229a" means chapter 229a of the Connecticut General Statutes.

(10) "Control" means the power to exercise authority over, or direct the management and policies of, a person or business organization.

(11) "Corporation" or "CLC" means the Connecticut Lottery Corporation as created under Section 12-802 of the Connecticut General Statutes.

(12) "Delinquency" means the failure by a lottery sales agent to remit all moneys due and owing as a result of the agent's lottery ticket sales upon the settlement date established for that agent.

(13) "Disaster recovery plan" means a plan which provides for a back-up site, detailing the computer systems, communications equipment, power supply, security procedures, recovery procedures, and time schedules for the recovery and continuation of the on-line system, in the event the primary site is deemed inoperable due to a disaster or emergency.

(14) "Division" means the Division of Special Revenue within the Department of Revenue Services.

(15) "Drawing" means that process as established in procedures promulgated by the CLC and approved by the division, whereby winners in a lottery game are conclusively determined.

(16) "Executive director" means the executive director of the Division of Special Revenue within the Department of Revenue Services.

(17) "Failover recovery" means the official procedures executed in the event of a system or component failure that restores full configuration; shall also mean the execution of recovery procedures within a time schedule determined by the CLC and approved by the division.

(18) "Fault-tolerant" means the ability of the central system to allow one faulty component or unit to drop out of the configuration without impact to the other(s);

shall also mean the ability of each central processing unit to operate independently while in full synchronization with each other.

(19) "Gaming policy board" or "GPB" means the five member Gaming Policy Board of the state of Connecticut established by section 12-557d of the Connecticut General Statutes.

(20) "Hardware" means all equipment, devices, peripherals, computers, computer components, proms and mountings.

(21) "High tier claim center" means a lottery sales agent designated by the CLC and approved by the division to pay and process claims for lottery winnings of specified denominations, and required to post and maintain a surety bond at the agent's sole expense, in an amount approved by the CLC.

(22) "Incident" means a statutory, regulatory or criminal violation or allegation of a violation.

(23) "Instant ticket vending machine" means a machine that dispenses instant tickets for sale.

(24) "Key personnel" means any individual who asserts, influence and control over the day to day operations and who has the power to exercise authority over or direct the management and policies of a person or business organization.

(25) "On-line wagering internal control system" or "ICS" means a system, which captures and accounts for all transactions and provides audit capability for the on-line wagering system.

(26) "License" or "lottery sales agent license" means the right to sell lottery tickets or where the context requires, the actual document issued by the division evidencing such right.

(27) "Lottery" means the Connecticut state lottery conducted by the corporation pursuant to sections 12-568a and 12-800 to 12-818, inclusive, of the Connecticut General Statutes, and the state lottery referred to in subsection (a) of section 53-278g of the Connecticut General Statutes.

(28) "Lottery fund" means a fund or funds established by, and under the management and control of, the corporation, into which all lottery revenues of the corporation are deposited, from which all payments and expenses of the corporation are paid and from which transfers to the general fund are made pursuant to section 12-812 of the Connecticut General Statutes.

(29) "Management information system" or "MIS" means a computer system, which supplies real-time and historical on-line information.

(30) "Management information workstations" means the workstations supplied by the CLC which have the ability to access real-time and historical information from the on-line system and provides reports for division users.

(31) "Network" means the communications network, which provides interface and compatibility between terminals, modems, data sets, and the central computer system.

(32) "Official procedures" means the documents which contain the formalized methods of operation and management of the various lottery games and the CLC, as required and approved in writing by the division and all procedures concerning security, administration, purchasing and budgeting.

(33) "On-line wagering system" means the complete integrated set of hardware and software elements which functions to issue, cancel and validate wagers, capture pools, determine winners, perform agent accounting, provide real-time and historical reporting, and other functions necessary for the on-line operation of the lottery.

(34) "On-line game" means any game in which a lottery ticket is produced by a terminal, which communicates with a central computer system.

(35) "Operating revenue" means the total revenue received from lottery sales less all canceled sales and amounts paid as prizes but before payment or provision for payment of any other expenses.

(36) "Person" means any individual, partnership, association, corporation, trust, or other public or private entity, organized or existing under the laws of the state or any other state, including federal corporations.

(37) "Pool" means the amount of money wagered for a particular drawing.

(38) "President" means the chief executive officer of the corporation responsible for directing and supervising the operations and management of the corporation.

(39) "Primary contract" means goods or services supplied to the CLC by a contractor who receives or, in the exercise of reasonable business judgment, can be expected to receive more than \$75,000 or twenty-five percent (25%) of its gross annual sales from the CLC and any contractor who provides any Lottery game or any on-line wagering system related services.

(40) "Primary site" means the main location of the on-line computer system, the communications network and administrative offices.

(41) "Prize claim period" means the redemption period for winning tickets.

(42) "Purge file" means the record of all unclaimed winning tickets which have lapsed past the prize claim period.

(43) "Redundancy" means the ability to log the transaction in more than one medium, including disk and magnetic tape.

(44) "Security Background Investigation" means an investigation of the background of an applicant performed by the Division of Special Revenue.

(45) "Serial number" means the unique algorithmic number on the face of the ticket.

(46) "Settlement" means the process by which the CLC receives the monetary amount equivalent to all tickets sold by an agent, minus an agent's authorized compensation and cancels.

(47) "Software" means computer and firmware programs.

(48) "State" means the state of Connecticut.

(49) "State Police Background Investigation" means an investigation of the background of an applicant performed by the Connecticut State Police on behalf of the division.

(50) "Subscription" or "lottery subscription" means a contract under which the subscription purchaser is automatically entered in designated drawings for a specified period of time.

(51) "Term prize payments" means those payments made to a prizewinner over a period of time.

(52) "Ticket" or "lottery ticket" means any lottery ticket approved for sale to the general public pursuant to sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies.

(53) "Unclaimed prize funds" means the value of prizes, which remain unclaimed after the prize claim period expires, as determined by the CLC.

(54) "Unclaimed prize monies" means prizes that remain unredeemed after the prize claim period expires.

(55) "Vendor" means a person or business organization awarded the primary contract by the CLC to provide facilities, goods, components, and services necessary

to carry out the provisions of sections 12-568a and 12-800 to 12-818, inclusive, of the Connecticut General Statutes.

(56) “Working papers” means specifications for instant ticket lottery games including but not limited to color representations of the front and back of the game ticket; prize structure; representation of fonts; official procedures; detailed specifications; packing information; delivery schedule; and approval and price confirmation.

(Adopted effective October 6, 1999)

Sec. 12-568a-2. General provisions

(a) **Games.** Each different type of lottery game shall be established by the Connecticut Lottery Corporation (“CLC”) and approved by the Division of Special Revenue (“division”) in writing. For purposes of sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, the types or categories of games shall be (1) instant; (2) on-line and (3) others, including any variations of these. Any game or type or category of game, once having been established may thereafter be discontinued in similar manner provided reasonable notice of such intention is given to the division and its written approval secured within seven (7) business days after receipt; provided, however, if the division does not approve or disapprove of the CLC’s request within seven (7) business days of such request, such approval shall be deemed granted. Such approval shall not be unreasonably withheld. Except as otherwise provided in sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, a discontinuation shall not affect the rights of those who purchased tickets prior to the effective date of termination.

(b) Official procedures, division approval.

(1) Prior to implementation, the CLC shall obtain the division’s written approval of all official procedures which assure the integrity of the Connecticut State lottery games in order to minimize the possibility of corruption or illegal practices for the protection of the public. Procedures shall be required for, but are not limited to, the following: prize claim period(s); unclaimed prizes; ticket validation and verification requirements; controls on the production and distribution of tickets and ticket stock; ticket destruction; central system configuration; failover recovery procedures; acceptance testing; procedures to protect the on-line system from tampering with pools, liabilities or winfiles; procedures for balancing and for reconciling the on-line automated wagering system on a daily and weekly basis; lost or stolen ticket claims; mutilated tickets; payments of prizes to minors; multiple claimants; interrupted games; timing of prize payments; cancellation of tickets; security plans for primary and secondary CLC sites; game additions, changes, discontinuations; game procedures; subscription programs; disaster recovery plans; probability of winning; lump sum versus annuitized payment plans; on-line drawings; confidentiality of drawing procedures; promotional drawings; vendor reports for issuance of ticket stock; fraudulent claims; previously paid claims; rightful ticket ownership and incredulous claims; unclaimed prize information; audits of instant ticket games; ticket reconstruction; definitions of a valid on-line ticket and a valid instant ticket; and instant ticket vending machines.

(2) All procedures shall be promulgated after receipt of the division’s approval; provided, however, if the division does not approve or disapprove of the CLC’s request within seven (7) business days after receipt of such request, such approval shall be deemed granted; provided, further, that the division shall not unreasonably withhold written approval of any and all CLC official procedures that assure the integrity of the lottery.

(c) **Emergencies.** Notwithstanding the provisions of subsections (a) and (b) of this section, in the event of unforeseen problems which might reasonably cause substantial detriment to the public interest of the state of Connecticut, the division reserves the right to order an immediate suspension of the sales of any tickets or the conducting of any drawing relating to a particular game. The division will thereafter require the CLC to establish new procedures relating to the manner in which any incidental drawings are to be conducted, winners to be determined, and the amount of any prizes to be fixed. In addition, if during the actual conduct of any drawing, a problem arises requiring immediate action, the executive director or the executive director's designee shall take immediate action.

(d) **Prize payouts.**

(1) Except in the event of a multi-state lottery game, at least forty-five percent (45%) of the total gross sales in any lottery game shall be returned as prizes to holders of winning tickets.

(2) The CLC may limit its liability in games with fixed payouts and may cause a cessation of sales of tickets of certain designation when such liability limit has been reached.

(e) **Notice of change of games; drawing deadline.** In the event that the CLC changes a lottery game to a game which is greatly dissimilar to the old game, the CLC may set a date before which all eligible winners must claim to participate in the final drawing of the old game. The CLC shall give adequate notice to the public by publishing in at least two newspapers having substantial circulation in the state that the lottery game is to be changed and that winning ticket holders must claim by a certain date pursuant to this rule to be eligible for the final drawing. This notice shall be published at least three times a week for at least two weeks commencing no later than three weeks prior to the final claiming date.

(f) **Waiver.** In the sole discretion of the executive director, any rule contained herein may be waived when such waiver shall be in the best interests of the state of Connecticut and the operation of state lotteries.

(g) **Game procedures.** All game procedures shall be in written form and kept on file at the CLC offices in sufficient supply to assure distribution to any party requesting a copy. The CLC shall also provide to the division a sufficient supply of copies of all game procedures. Official notice of the adoption of procedures governing any particular game shall be published in at least two newspapers having a substantial circulation in the state not later than one day prior to the beginning of that game.

The CLC may produce and distribute informational brochures and other materials designed to inform the general public as to the manner of participation in a game. This game information may also be printed on the ticket itself. However, in the event of any conflict, the official procedures, as adopted and on file with the CLC, shall control.

(h) **General division approval.** In any instances in which division approval is required under Sections 12-568a-1 through 12-568a-23, inclusive, of the Regulations of Connecticut State agencies, the division shall not unreasonably withhold its approval. Where no particular time period is otherwise specified for division approval or deemed approval, the division shall not unreasonably delay its approval decision.

(Adopted effective October 6, 1999)

Sec. 12-568a-3. The Gaming Policy Board

(a) **Composition.** The Gaming Policy Board ("GPB") exists pursuant to chapter 226, within the Department of Revenue Services for administrative purposes. The

GPB consists of five (5) members nominated by the Governor and approved by the general assembly.

(b) **Powers and duties.** The GPB shall work in cooperation with the Division of Special Revenue to implement and administer the provisions of the act. In carrying out its duties the GPB's responsibilities shall include, but not be limited to:

(1) Assisting the executive director in developing regulations and approving regulations prior to their adoption.

(2) Hearing all appeals as provided in the act, sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division's rules of practice and hearing procedures.

(3) Conducting any necessary inquiry, investigation, or hearing including the administration of oaths, the taking of testimony, and the subpoena of witnesses.

(4) Providing books in which shall be kept a true, faithful and correct record of all of their proceedings, which books shall be open to the public as provided in section 1-210 of the Connecticut General Statutes.

(5) Advising the Governor on statewide plans and goals for legalized gambling.

(c) **Action by the Gaming Policy Board.** The powers of the GPB are vested in its members. All actions shall be taken and motions and resolutions adopted by the GPB at any meeting thereof by the affirmative vote of at least four members. Four members of the GPB shall constitute a quorum, or in the instance of a vacancy, a majority of the members remaining qualified.

(d) **Powers reserved.** All powers of the GPB not specifically defined in subsection (b) of this section are reserved to the GPB under chapter 226.

(Adopted effective October 6, 1999)

Sec. 12-568a-4. Division of Special Revenue

(a) **Composition.** Pursuant to chapter 226, a Division of Special Revenue exists within the Department of Revenue Services for administrative purposes. The division is headed by an executive director who is appointed by the Governor with the approval of the general assembly. Under the executive director's direction and in cooperation with the Gaming Policy Board the division shall implement and administer the provisions of chapters 226, 226b and 229a of the Connecticut General Statutes.

(b) **Powers and duties.** The division under the executive director shall have the power and it shall be its duty with the advice and consent of the GPB to carry out the intent of chapters 226, 226b and 229a of the Connecticut General Statutes. These duties shall include, but not be limited to, the following:

(1) The enforcement of the provisions of chapters 226, 226b and 229a of the Connecticut General Statutes and the regulations which may be adopted thereunder.

(2) With the advice and consent of the GPB, the adoption, amendment, repeal, and publishing of all regulations necessary to govern the operation of state lotteries in Connecticut.

(3) Doing whatever is reasonably necessary to carry out the intent of chapters 226, 226b and 229a of the Connecticut General Statutes.

(4) Calling upon other administrative departments of the state government and of municipal governments, state and municipal police departments, and prosecuting officers and state's attorneys for such information and assistance as it deems necessary for the performance of its duties.

(5) The providing of books in which shall be kept a true, faithful and correct record of all of its proceedings, which books shall be open to the public as provided in section 1-210 of the Connecticut General Statutes.

(6) The conducting of any necessary inquiry, investigation or hearing including the administration of oaths, the taking of testimony, and the subpoena of witnesses.

(c) **Powers reserved.** All powers of the division and the executive director not specifically defined in subsection (b) of this section are reserved to the division and the executive director under chapters 226, 226b and 229a of the Connecticut General Statutes creating them and specifying their powers and duties.

(Adopted effective October 6, 1999)

Sec. 12-568a-5. Purchasers

(a) **Generally.** One who participates in an authorized lottery game by purchasing a ticket at a licensed lottery agent location or by lawfully receiving a ticket so purchased by another shall be deemed for the purposes of this rule a purchaser, and such purchaser agrees to abide by all provisions of sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, CLC's Rules of Operations, and agrees further to the conditions of this section.

(b) **Official procedure.** A purchaser shall be bound by the official procedures of the particular game as approved in writing by the division.

(c) **Claims.**

(1) Prizes may be claimed only in accordance with the official procedures or any emergency procedures as prescribed by the CLC and approved in writing by the division within seven (7) business days after receipt; provided, however, if the division does not approve or disapprove of CLC's request within seven (7) business days of such request, such approval shall be deemed granted. Such approval shall not be unreasonably withheld.

(2) To be valid, claims must be presented to the CLC within the time period(s) described in the official procedures. Any subsequent change in the time period allowed for presenting valid claims shall be applied to the category of game as a whole and shall not be applied on an individual basis for individual claims.

(d) **Validation and verification of claims.** Any person who forges or counterfeits any lottery ticket, or who alters any number or symbol on such ticket, or who offers for sale or sells any such forged, counterfeit or altered ticket, knowing it to be such, or who presents such forged, counterfeit or altered ticket for payment with intent to defraud the CLC or any person participating in any such lottery game shall be guilty of a class A misdemeanor.

(e) **Sales prohibitions.**

(1) No lottery ticket shall be purchased by, and no prize shall be paid to any GPB member, executive director, or employee of the division or to any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of abode of any of the foregoing persons.

(2) No lottery ticket shall be purchased by, and no prize shall be paid to: any CLCB member, any officer or employee of the CLC, any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of abode of any of the foregoing persons, or to any officer or employee of a vendor providing goods or services to the CLC necessary for the operation of the lottery.

(f) **Reimbursement to state by state debtors who are lottery term prize winners or agents.** The CLC shall provide any state agencies upon request with the names of all lottery term prize winner(s) and lottery sales agents. If the agency confirms a debt owed to the state by such person or entity, said agency shall notify the CLC and the division. Thereafter, the CLC shall process and administratively

offset those amounts due such entity, currently or in the future, and transfer such debtor payments, at the earliest opportunity, to the appropriate state authority.

(Adopted effective October 6, 1999)

Sec. 12-568a-6. Lottery sales agent

(a) **CLC certification.** The CLC shall certify on each lottery sales agent license application that it authorizes submission of the application by such applicant at such location and that it shall activate such applicant as a lottery sales agent upon licensure.

(b) **Qualifications for licensure.** Any person desiring a lottery sales agent license shall make application, under oath, on forms prescribed by the division. An applicant for a lottery sales agent license shall be required to supply in its application, at a minimum: The name, nature, and location of applicant's business; applicant's federal tax identification number, Connecticut tax registration number, and, where applicable, social security number; names, addresses and dates of birth of officers, principal owners, and designated employee in charge of applicant's business; an explanation of any criminal conviction, other than minor traffic offenses, of applicant, its officers, principal owners, or employee-in-charge; an explanation of any tax disputes or delinquencies involving taxes owed to the state of Connecticut by applicant; and the names and addresses of two business references. No applicant will be issued a license to engage in business exclusively as a lottery sales agent. In determining an applicant's qualifications for licensure as a lottery sales agent, the division shall consider the following factors:

(1) The financial responsibility of the applicant. In this connection, the division may conduct an investigation into the credit worthiness of the applicant as it relates to the integrity of the applicant utilizing the services of a commercial credit-reporting agency. The CLC may require that the applicant post and maintain a surety bond at applicant's sole expense in an amount determined by the CLC;

(2) The veracity and completeness of the information submitted with the license application;

(3) The applicant's reputation for honesty and integrity;

(4) Insofar as permitted by law, any record of criminal convictions;

(5) The security of the particular business premises designated in the application as a lottery sales location;

(6) Certification of municipal tax compliance; and

(7) Such other information as the division may deem pertinent to the issuance of a lottery sales agent license, including, but not limited to, the provisions of section 12-568a-10(d) of the Regulations of Connecticut State Agencies.

(c) **Corporate or limited liability company or partnership applicants.** In the event the applicant is a corporation, limited liability company or limited liability partnership, the division shall require that its principal owner or a natural person connected with the corporate, limited liability company or limited liability partnership applicant acceptable to the division, assume in writing, joint and several liability with said corporate, limited liability company or limited liability partnership applicant prior to the issuance of said lottery sales agent license. In the event said corporate or limited liability company or partnership lottery sales agent licensee shall thereafter be adjudicated a delinquent agent pursuant to section 12-568a-13 of the Regulations of Connecticut State Agencies, and the CLC Rules of Operation, the division and/or the CLC may avail itself of any appropriate collection procedures against said corporate or limited liability company or partnership licensee or natural person or both.

(d) **Change of operations.** A lottery sales agent license shall not be transferred or sold. Changes in the ownership, location, or name of an agent's business may only be made in accordance with the following provisions:

(1) When the ownership of the licensee's business enterprise is to be transferred, if the proposed transferee wishes to continue lottery sales in connection with such enterprise, said transferee must submit an application for a new lottery sales agent license in advance of such transfer. Provision shall be made at closing for the resolution of any obligations owed the CLC as a result of the transferor's lottery business, and no license will be issued to the transferee if the transferor's lottery obligations are unpaid. This subsection shall also apply when there is any change in the parties who comprise the ownership of an agent's business or when there is a forty-nine percent (49%) or greater change in the ownership of any corporate stock of a corporate agent.

(2) An agent desiring to move its lottery business from one location to another must make proper application on forms provided by the division.

(3) An agent wishing to change its name must inform the division in writing. In considering whether to issue a license to such transferee or to permit lottery sales following a change in business name or location the division may apply the same criteria used in determining initial eligibility. The division, however, may defer action on any such application or request if a delinquency assessment has been imposed, a license suspension or revocation action is pending against the agent or decision having been rendered, an appeal is pending.

(e) **License suspension and revocation.** The executive director or any designee authorized by him shall have the authority to suspend or revoke a lottery sales agent's license after a hearing held in accordance with chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

(1) If the agent's license application contains false or misleading information;

(2) If the agent violates or fails to comply with the provisions of sections 12-568a and 12-800 to 12-818, inclusive, of the Connecticut General Statutes or with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies;

(3) If the agent commits an act which seriously impairs its reputation for honesty and integrity; or

(4) If the agent fails to sell and redeem lottery tickets in accordance with the official procedures of the CLC.

(f) **License renewal.**

(1) Any lottery sales agent license issued by the division shall be valid for no more than one year.

(2) A licensed lottery sales agent having applied for a license renewal prior to its expiration may continue lottery sales activity until final agency action on the renewal application in accordance with section 4-182 of the Connecticut General Statutes.

(3) Each applicant for license renewal shall certify on the application that all information on file with the division is current, accurate and complete. In the event of any changes, such changes shall be reported to the division within 30 days of such change and the division may require an applicant to apply for a license pursuant to the provisions of this section.

(4) The division shall notify each agent 60 days in advance of the due date for such renewal application.

(Adopted effective October 6, 1999)

Sec. 12-568a-7. Special lottery sales agents

(a) **Special licenses, conditions.** The division may issue a special license to a proper applicant whom, in its opinion, will best serve the public interest and convenience of the state. A special license may be issued to the CLC, a temporary agent or an agent whose premises consist of a motor vehicle registered in the state of Connecticut. The division may attach such reasonable conditions to a special license as will assure the integrity of the lottery program. By way of example and not limitation, these conditions may include:

- (1) Length of licensure;
- (2) Establishment of hours and days of sale;
- (3) Locations of sales as will be permitted; and
- (4) Limitation as to specific charitable, social, or other special events.

(b) **Applicability of other regulations.** All other regulations shall apply to a special lottery sales agent license.

(Adopted effective October 6, 1999)

Sec. 12-568a-8. Lottery sales

(a) **Categories of sales.** The CLC in its discretion, shall determine the categories of tickets (1) instant, (2) on-line, and (3) others, which, for the convenience of the public, an agent shall be allowed to sell. An agent shall sell and redeem all categories of tickets unless otherwise instructed by the CLC.

(b) **Sales restricted to premises.** The sale of lottery tickets by an agent at other than its licensed premises is prohibited.

(c) **Multiple locations.** Any agent who desires to sell lottery tickets at more than one address or location must hold a separate license for each location, however, division or CLC disciplinary proceedings or orders concerning any activity by such an agent at any one licensed location may apply to any other licensed location of the agent. Any category (1) instant tickets as described in subsection (a) of this section, allocated for one licensed location, shall be sold at that licensed location only.

(d) **Limitations on sales.**

(1) All ticket sales shall be final.

(2) Only duly licensed lottery sales agents, and/or locations or their designated employees may sell lottery tickets, however, persons who may lawfully purchase lottery tickets may make a gift of lottery tickets to another.

(3) Lottery tickets may not be sold for less than or greater than the price established by the CLC. This shall not preclude a person who has purchased lottery tickets from providing those tickets to customers as gifts or as promotional consideration as permitted by law.

(4) No tickets shall be sold to any person under the age of majority as established by law, however, minors may receive lottery tickets as gifts.

(5) An agent for lottery ticket purchases shall accept only bet slips provided by the CLC.

(Adopted effective October 6, 1999; amended May 2, 2006)

Sec. 12-568a-9. Obligations of licensed agents

The issuance of a license by the division to any person as a lottery sales agent shall constitute acceptance by the agent of the following conditions:

(1) **Fiduciary relationship.** An agent shall assume, in the sale of lottery tickets and the receipt of revenue therefrom, a fiduciary relationship with the CLC.

All moneys received by lottery sales agents from the sale of lottery tickets shall constitute a trust fund. The sales agent, or in the case of a corporation, the natural

person guarantor, shall be personally liable for all such lottery ticket proceeds which shall be kept separate and apart from all other funds and assets in a separate bank account and shall not be commingled with any other funds, assets or bank accounts of the lottery sales agent.

(2) Laws and regulations. An agent shall agree to be bound by the provisions of the act, all regulations duly adopted by the division and procedures of the CLC.

(3) CLC instructions. An agent shall conduct the sale and exchange of lottery tickets pursuant to the CLC's instructions for any game. These may include but are not limited to restrictions as to hours of ticket sale and redemption, the approval of the location of lottery equipment and material on the premises, and the imposition of a minimum required sales level.

(4) Safeguard tickets. An agent shall assume responsibility for and safeguard any tickets and equipment entrusted to its care and shall prevent unauthorized sale or issuance of any tickets. An agent shall be responsible for any such unauthorized sale or issuance of tickets that may nonetheless occur.

(5) Financial records. In accordance with a written request of the executive director, an agent shall permit inspection of the financial books and records relating to its business operation and allow the performance of an audit upon those books or records as it pertains to lottery sales or activities. Only persons clearly authorized by the executive director shall conduct such audit. An agent shall also, upon request, furnish any other papers or information required for the purposes of this section.

(6) Inspection of premises. An agent shall permit physical inspection of its premises during normal business hours upon the request of any division representative for the purpose of determining whether the agent is functioning in a manner consistent with the act and with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies.

(7) License displayed. An agent shall display its license in a location approved by the division. Such license is the property of the division and shall be returned to the division upon license surrender, cancellation, suspension or revocation.

(8) Current information. An agent shall keep all exhibits, statements, reports, or other data, submitted pursuant to an application for a lottery sales agent license, current, accurate and complete. An agent shall immediately provide the division with a full description of any significant operational or other change in the information submitted as part of its application.

(9) Compulsive gambling materials. An agent shall display all informational materials supplied by the division informing the public of the programs available for the prevention, treatment and rehabilitation of compulsive gambling in this state.

(Adopted effective October 6, 1999)

Sec. 12-568a-10. Lottery sales agent employees

(a) **Permitted.** A licensed lottery sales agent may utilize the services of its employees in the activities authorized under such agent's license. The agent shall assume full responsibility for the activities and their consequences of such employees. The division reserves the right to order that an employee not be engaged in the sale or exchange of lottery tickets. Any such determination of non-eligibility shall be final and shall be complied with promptly.

(b) **Person in charge.** Where the agent itself will not be directly involved in the sale or exchange of lottery tickets, the agent shall notify the division of a designated employee who shall be the person in charge responsible for managing the agent's lottery business. Such person in charge shall be subject to the approval of the

division. An agent shall notify the division in writing within 15 days whenever said person in charge is replaced.

(c) **Agent strictly liable.** In any proceedings initiated by the division against an agent it shall be no defense that an employee of that agent acted contrary to an order or that the agent did not participate in any violations. A lottery sales agent shall be held strictly liable for any violations of the act, and sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies.

(Adopted effective October 6, 1999)

Sec. 12-568a-11. Accountability

(a) **Agent's responsibility.** Lottery tickets before sale remain exclusively the property of the CLC held in trust by the agent. Any loss or theft of tickets shall be reported immediately to the CLC.

(b) **Cash.** Cash received by the lottery sales agent from the sale of lottery tickets is solely the responsibility of the agent.

(c) **CLC Responsibility.** The CLC shall notify the division's Security Unit immediately of all lost, stolen or otherwise unaccounted for tickets reported by an agent or other person.

(Adopted effective October 6, 1999)

Sec. 12-568a-12. Proceeds, CLC property

As used in this section, "proceeds" means any moneys received from the sale, both actual and presumed, of lottery tickets. In accordance with the provisions of section 12-813(b) of the Connecticut General Statutes, all moneys received by lottery sales agents from the sale of lottery tickets constitute property of the corporation while in such agent's possession and shall be held in trust for the corporation by such agents. During the time period lottery tickets are held in trust for the corporation by such agents, said tickets shall remain the property of the corporation. Agents shall hold in trust for the corporation the proceeds generated from the sale of tickets minus the authorized agent compensation. During the time period said proceeds are held in trust for the corporation by such agents, said proceeds shall remain property of the corporation.

(Adopted effective October 6, 1999)

Sec. 12-568a-13. Agent delinquencies

(a) **Collection agents.** The president may designate any person or entity as a collection agent to collect or receive settlements and delinquencies. Such collection agent shall be bonded in an amount established by the president as sufficient to protect and save harmless the CLC against any loss.

(b) **CLC'S determination, division notices to agent.**

(1) If the CLC determines that a settlement is improper in that all moneys due and owing the CLC have not been remitted or that an agent has failed to render a timely settlement, the agent shall be so notified by the CLC and shall be afforded a reasonable period of time as determined by the CLC within which to render a proper settlement. If after said period of time the agent remains delinquent, the president shall make a finding of delinquency and notify said agent and the executive director. Thereafter, the executive director shall charge the delinquent agent:

(A) The amount due but unremitted as of the stated past settlement date;

(B) A delinquency assessment equal to ten percent of the amount due and unremitted or ten dollars, whichever amount is greater;

(C) Interest at the rate of one and one half percent of the amount due for each month or fraction of a month computed from the date the settlement was due to the date of payment.

(2) Subject to the provisions of section 12-568a of the Connecticut General Statutes, the executive director may waive all or part of the penalties provided under subparagraph (B) of this subsection if it is proven to executive director's satisfaction that the failure to pay the moneys due to the state within the time allowed was due to reasonable cause and was not intentional or due to neglect.

(c) **Opportunity for hearing, notice.** Included conspicuously in the finding of delinquency shall be a notice informing the agent that its sales are suspended and informing the agent of its right to contest the finding at a delinquency assessment hearing before the executive director. The notice shall establish a date and time for the hearing which shall not be later than seven (7) calendar days from the date on the notice. The notice shall further inform the agent that failure to appear at the hearing will result in a conclusive presumption of delinquency with the attendant consequences thereof under the act and sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies. A request for a continuance by an agent will be granted only once in extraordinary circumstances and then for not more than seven (7) calendar days. To this end, the executive director may require a statement, under oath, from the agent explaining these extraordinary circumstances.

(d) **Delinquency assessment hearing.** At a delinquency assessment hearing, the following shall be received into evidence: (1) the agent's settlement, if any; (2) CLC and division reports; (3) the initial notification of indebtedness; (4) the finding of delinquency; (5) the agent's past record regarding late settlements; and (6) any other relevant testimony or documents. The agent may then present any testimony, documents or other evidence designed to establish that the alleged delinquency is incorrect in any or all respects. At the conclusion of the hearing and based upon the evidence presented therein, the executive director is authorized to affirm, modify, or rescind the delinquency assessment. The agent shall be formally notified, in writing, of the executive director's decision in this regard.

(e) **Delinquency assessment modification.** If the executive director decides to modify the delinquency assessment, the executive director may, as a condition to the modification or the continued licensure of the agent, require that the agent:

(1) Remit the full amount due and owing pursuant to the terms of the modified assessment; or enter into a payment schedule with the CLC pursuant to the terms of the modified assessment;

(2) Thereafter post a bond in such form and amount as the division determines is required to protect and save harmless the CLC from any future loss.

(f) **Delinquency assessment affirmance.** If the executive director affirms the finding of delinquency at a delinquency assessment hearing, the executive director shall issue in writing a formal finding of delinquency assessment. Thereafter, the president may employ collection agents for the purpose of collecting the delinquency assessment. In this regard, the CLC shall prepare and the executive director may sign a warrant directed to any sheriff, deputy sheriff, constable or designated collection agent employed by the CLC for distraint upon any property (real, personal, tangible or intangible) owned by the agent, in whole or in part, and located in the state of Connecticut. There shall be attached to the warrant an itemized bill, certified by the executive director as a true statement of the full amount due from the agent. Such warrant shall be considered equivalent to an execution issued in accordance with chapter 906 of the Connecticut General Statutes. Such warrant shall be levied

on any applicable property and sale made pursuant to such warrant as provided for an execution under chapter 906 of the Connecticut General Statutes.

(g) **Agency action.** Notwithstanding any other provisions of this section, the division may at any time initiate the delinquency assessment hearing process against an agent.

(Adopted effective October 6, 1999; amended May 2, 2006)

Sec. 12-568a-14. Sales suspension

(a) The president may suspend for cause any licensed lottery sales agent subject to a final determination through a hearing provided in accordance with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division rules of practice and hearing procedures.

(b) Upon suspension, no additional lottery materials or tickets shall be delivered to the agent, and any lottery equipment on the agent's premises shall be rendered inoperative pending a division hearing to be scheduled for said agent within three business days of receipt of notice of the sales suspension. Said notice shall be provided by the CLC to the division within two (2) working days of the sales suspension.

(c) No lottery agent shall be entitled to a hearing by the division for any sales suspension by the CLC on the basis of insufficient agent sales or failure to adhere to marketing criteria as determined by the CLC.

(Adopted effective October 6, 1999)

Sec. 12-568a-15. Summary suspension

If the division finds that public health, safety or welfare imperatively requires emergency action, and incorporates a finding to that effect in its order, summary suspension of a lottery sales agent license may be ordered pending proceedings for revocation or other action. These proceedings shall be promptly instituted and determined by the division.

(Adopted effective October 6, 1999)

Sec. 12-568a-16. Occupational badges and licenses

(a) Badges.

(1) The division as it deems necessary shall require occupational licensees to obtain a badge at the expense of the CLC. Such badges shall be displayed or carried upon such licensee as required. All badges are the property of the division and shall be returned to the division upon termination, license suspension or revocation.

(2) The CLC shall file a list of persons and specific duties of such persons not licensed as occupational licensees who must enter the facilities of the CLC for reasons connected with the operation of the lottery. In such instances, the CLC shall provide nontransferable visitor badges to individuals on such lists.

(3) The division, at its discretion, may provide temporary badges to facilitate operations when an occupational licensee does not have such badge available.

No licensee shall permit any other person to use said licensee's badge or license.

(b) Occupational licenses.

(1) No person may be employed by the CLC unless such person is licensed as a class I or class II occupational licensee by the executive director pursuant to sections 12-568a and 12-800 to 12-818, inclusive, of the Connecticut General Statutes.

(2) The president, all other officers, and any other individual who in the judgment of the executive director will exercise control, shall be required to be licensed as a

class II occupational licensee. All other employees shall be required to be licensed as class I occupational licensees.

(3) If the division shall find that the financial responsibility, character, and general fitness of the applicant are such that the participation of such person will be consistent with the public interests, convenience, or necessity and with the best interests of lottery generally, in conformity with the purposes of chapters 226, 226b and 229a of the Connecticut General Statutes, it shall thereupon grant an occupational license. If the division shall find that the applicant fails to meet any of said conditions, it shall not grant such license and it shall notify the applicant of the denial.

(4) Notwithstanding the provisions of subdivisions (1) to (3), inclusive, of this subsection, former employees of the Division of Special Revenue who continue employment with the CLC shall not be required to be fingerprinted; however, such individuals may be subject to a security background investigation as deemed necessary by the executive director and shall be licensed by the division.

(c) **Vendor licenses.** No person or business organization awarded a primary contract by the CLC to provide facilities, components, goods or services necessary for the operation of the lottery may do so unless such person or business organization submits to and successfully completes a state police background investigation or is issued a vendor license by the executive director after successful completion of a security background investigation.

(d) **Suspension - revocations.** If the division finds that the financial responsibility, character and general fitness of the licensee are such that the continued participation of such person will not be consistent with the public interest, convenience or necessity, and with best interests of lottery generally, in conformity with the purposes of the act, it may thereupon revoke or suspend said license.

(e) **Examination of licenses.** All persons who have been issued a license by the division shall keep such license in their possession, subject to examination by the division or its duly authorized representatives or officials of the CLC, at any time they may deem necessary or proper.

(Adopted effective October 6, 1999)

Sec. 12-568a-17. Violations of rules and regulations

(a) **Liability.** Any officer or employee of the CLC violating the act or sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, shall be liable for the penalties in this section. It is the duty and responsibility of all such officers to know sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies. Nothing in sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies shall be deemed to lessen the primary responsibility of the CLC to enforce these rules and regulations.

(b) **Violations.** A violation of chapters 226 and 229a of the Connecticut General Statutes or sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, shall result in the following:

(1) The executive director or designee may for good cause suspend or revoke any occupational license. The executive director or designee may for good cause suspend and revoke any vendor licensee. Any licensee, vendor employee, or CLC employee or officer who is alleged to have defrauded, produced, altered, forged, passed or counterfeited a lottery ticket, may be summarily suspended from involvement with the lottery, and such licensee, employee or officer may be subject to license suspension or revocation.

(2) The executive director or the executive director's designee may order that any licensees under suspension shall be denied admission to or attendance at all

facilities subject to division regulation in Connecticut, including all pari-mutuel operations, CLC offices and lottery high tier claim centers.

(3) In the case of license revocation, the executive director may bar such licensees from all facilities subject to division regulation in Connecticut, including all pari-mutuel operations, CLC offices and lottery high tier claim centers.

(4) All parties cited for violations of this section shall be given the opportunity for a hearing in accordance with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division rules of practice and hearing procedures.

(5) All decisions of the division may be appealed pursuant to section 4-183 of the Connecticut General Statutes.

(c) **Fraudulent activity.** Any licensee, vendor employee, or CLC employee or officer who, with intent to defraud, produces, alters, forges, passes or counterfeits a lottery ticket, shall be terminated from involvement with the lottery, and such licensee, employee or officer may be subject to license suspension or revocation.

(d) **Wrongful validation of prizes.** Any licensee or employee or officer of the CLC who influences or attempts to influence the winning of a prize, through the use of coercion, fraud, abuse, misuse or misappropriation of confidential system information, including the tampering of lottery files, software or equipment, may be subject to license suspension or revocation.

(e) **Prohibition of prize payments for compromised tickets.** The CLC shall insure that no prize shall be paid arising from claimed winning tickets that are stolen, counterfeit, altered, fraudulent, unissued, issued in error, unreadable, not received, unclaimed or not recorded by the CLC within applicable deadlines, lacking in captions that conform and agree with the play symbols appropriate to the lottery game involved, or not in compliance with specific rules and with the confidential validation and security tests of the CLC.

(f) **Confidentiality of win files and restricted access to proprietary information.** The CLC shall prohibit game win files from access by unauthorized person(s). In the event that the CLC becomes aware of a compromise or potential compromise of security regarding exposure of information contained in the game win files, the CLC shall immediately notify the executive director and the division director of security. The CLC shall thereafter take all necessary steps to restore security as quickly as possible.

(g) **Advance notification of expiring jackpot and grand prize winning tickets.** The CLC shall provide the public adequate advance notice of all-expiring jackpot and grand prize winning tickets. The CLC shall utilize broadcast media, and shall publish in at least two newspapers having substantial circulation in the state, that the winning ticket holders must claim by a certain date to be eligible for payment.

(h) **Prohibition of financial interest in vendors.** No CLCB member, CLC officer or employee or any spouse, child, brother, sister or parent of the foregoing persons shall have a financial interest in any vendor doing business or proposing to do business with the CLC.

(i) **Prohibition from purchasing and claiming jackpot and grand prizewinners.** The CLC shall not directly or indirectly acquire any beneficial interest in lottery ticket(s), and shall not directly or indirectly receive prizes.

(j) **Summary suspension.** If the division finds that public health, safety or welfare imperatively requires emergency action, and incorporates a finding to that effect in its order, summary suspension of an occupational or vendor license may be ordered

pending proceedings for revocation or other action. These proceedings shall be promptly instituted and determined by the division.

(Adopted effective October 6, 1999)

Sec. 12-568a-18. Requirements of the CLC

(a) **New games, division approval.** After acquiring the CLCB's approval, the CLC shall obtain the division's review and approval of all new game designs, and official game procedures and working papers, in order to insure the integrity of the games. The division's review or approval shall be conducted within seven (7) business days of receipt. If the division fails to approve or disapprove within such seven (7) day period, it shall be deemed to have approved such game designs and procedures. Such approval shall not be unreasonably withheld.

(b) **Provision of all CLC records.** The CLC shall provide to the division all business records, reports, documents, policies and procedures required by the division in its sole discretion.

(c) **Provision of CLC payroll listings and organizational charts.**

The CLC shall provide to the division a complete payroll listing of all CLC employees on a monthly basis. The CLC shall provide to the division on an annual basis a complete organizational chart, including officers and directors, and advise the division promptly concerning changes in key personnel.

(d) **Annuity providers, division approval.**

(1) All annuities, from which payments shall be made to winners of lottery prizes, shall be invested in instruments issued by agencies of the United States government and backed by the full faith and credit of the United States, or shall be issued by insurance companies licensed to do business in the state.

(2) The division shall approve, prior to utilization by the CLC, the financial stability and acceptable minimum investment rating of all annuity providers.

(e) **Cost of regulatory oversight paid for by CLC.** The CLC shall reimburse the division for all reasonable direct and indirect costs associated with the regulatory oversight of the corporation, as determined by the division in its sole discretion.

(f) **Offices for Division.** The CLC shall provide suitable office space for the use of division personnel at the CLC corporate offices and the primary site. Final determination as to the suitability of said office space is in the sole discretion of the division. Division personnel shall have unfettered access to all areas of the CLC offices and the primary site.

(g) **Records retention.** The CLC and any vendor shall retain all business records for a period of not less than five (5) years.

(h) **Return of agent licenses.** The CLC shall obtain the lottery sales agent license certificate of surrendered, canceled, suspended, or revoked agents. If the CLC is unable to obtain the license, it shall provide the division with an affidavit explaining the reason therefor.

(i) **Changes in agent status.** The CLC shall, on a monthly basis, notify the division of changes in the status of issued lottery sales agent licenses and the reason(s) for such, and any withdrawal of pending license applications.

(j) **Delinquency assessment accounting.** The CLC shall account to the division on a monthly basis, those amounts that remain outstanding for all delinquent agents. Said reporting shall delineate delinquencies by individual agent.

(k) **Acceptance testing.**

(1) Prior to the installation of any on-line wagering system or the implementation of any software or hardware modifications, the CLC shall certify to the division that the system has been tested and is operating correctly. The CLC shall make

available the acceptance test plans, test script and test results for review by the division prior to implementation.

(2) In the sole discretion of the division, the CLC shall require a vendor to produce a test system accessible and available for division testing prior to implementation of the on-line wagering system or any software or hardware modifications.

(3) The division shall have final approval over the implementation of any system modification.

(l) Unclaimed prize funds, accounting.

(1) The CLC shall maintain a separate accounting of unclaimed prize funds. Information on unclaimed prize contributions for on-line gaming shall be made available through the CLC's on-line wagering system's management information system and for off-line gaming from other sources, as approved by the division. Such information shall include, but not be limited to, accurate reports of purged tickets.

(2) Information on unclaimed prize dispersals shall be submitted quarterly to the division by the CLC and shall be distinguished by allowable categories as specified in section 12-806(b)(10) of the Connecticut General Statutes.

(3) The CLC shall make available all information required under this section and shall submit an annual report of all unclaimed prize funds available for disposition after the expiration date of the unclaimed prize. All information shall be in a format approved by the CLC.

(m) Tax withholding and reporting.

(1) The CLC shall be responsible for all applicable federal and state withholding and reporting responsibilities arising under the provisions of chapters 226, 226b and 229a of the Connecticut General Statutes pertaining to lottery prize winners, lottery agents and any other applicable person or entity. The division shall be held harmless from any federal or state tax penalties or interest that may arise as a result of the CLC's activities in performing these responsibilities.

(2) The division shall have the right to inspect withholding and miscellaneous income records and related tax filings as prepared by the CLC at all times.

(n) Federal gaming occupation tax. If, at any time, the operation or the management of the CLC becomes subject to the federal gaming occupation tax, the CLC shall be responsible for meeting all applicable requirements and shall hold lottery agents, any other applicable person or entity and the division, harmless from any penalties or interest that may arise as a result of the CLC's activities in performing these responsibilities.

(o) Contact personnel.

(1) The CLC shall designate individual(s) knowledgeable in, and responsible for, the CLC's accounting and reporting systems as contact person(s) who shall respond to and cooperate with the division regarding accounting and other financially related questions or problems.

(2) The CLC shall provide the division with the names(s) of contact persons from each financial consultant and CPA firm utilized for financial advice, accounting and auditing functions, as applicable, and shall provide the name(s) of contact person(s) from any law firm utilized for legal counsel and advice. Such information as submitted to the division shall be updated for any changes as they occur.

(3) The CLC shall provide the division with the name(s) of vendor contact personnel in the event of system problems.

(p) Disclosure of odds of winning.

(1) The CLC shall include a prominent and clear statement of the average chances of winning per lottery ticket in each advertisement intended to promote the purchase of lottery tickets.

(2) The provisions of subdivision (1) of this subsection shall apply only to (A) advertisements in newspapers, magazines, brochures and on posters and (B) television and radio advertisements thirty seconds or longer for one game.

(3) The CLC shall include a prominent and clear statement of the odds of winning each individual prize level on all game brochures.

(q) **Automated wagering system balancing and reconciliation.** The CLC shall have procedures to internally balance and reconcile the on-line wagering system on a daily, weekly, and monthly basis and shall provide reports of same to the division.

(Adopted effective October 6, 1999)

Sec. 12-568a-19. Financial reporting

(a) **Division consultation.** Prior to any audit of the CLC that shall be performed by a certified public accountant, the CLC shall provide to the division the opportunity to meet with the CLC to identify areas of audit to be conducted by the certified public accountant.

(b) **Annual report.** The CLC shall require that the independent certified public accountant engaged to conduct the audit required under section 12-802(d) of the Connecticut General Statutes submits to the division within one-hundred-fifty (150) days after the close of its fiscal year, a complete set of audited financial statements that present the CLC's financial position and the results of its operations and its cash flows in conformity with generally accepted accounting principles.

(c) **Disclosure.** In addition, the CLC shall disclose the following to the division on an annual basis:

- (1) Disclosure of all related-party transactions
- (2) Organizational chart
- (3) Schedules of:
 - (A) Annuities purchased to fund lottery prizes;
 - (B) Miscellaneous revenue in detail by source
 - (C) Promotions and advertising expenses
 - (D) Payments of major contractual services
 - (E) Professional fees, including legal, accounting and consulting fees

Information which is submitted to the division on a more frequent basis in connection with other sections of these regulations need not be reduplicated in the annual report.

(4) A report as to whether any material deficiencies in internal control were noted by the independent auditor during the course of the annual audit of CLC's financial statements. In addition, the CLC shall submit to the division a copy of any report issued by the independent auditor in connection with the annual audit.

(5) The CLC's representation letter to the auditor for accounting information material to the financial statements and for matters relating to audit disclosure requirements. Any reports resulting from an examination or the performance of mutually agreed upon procedures relating to the design and/or operating effectiveness of the CLC's internal control.

(6) Access to articles of organization and any changes thereto, resolution, amendments to by-laws, minutes of CLC meetings, and schedules of percentage distribution of income.

(d) **Recommendations.** Recommendations made as a result of an audit shall be implemented within a reasonable time frame as established by the CLC. If the CLC disagrees with the recommendations, it shall provide a written explanation to the division as to why said recommendations will not be implemented.

(e) **Additional audits.**

(1) The division may require, in its sole discretion, the CLC or any vendor to submit to an audit of its internal control systems. The division or its duly authorized representative(s), shall be provided with total cooperation and such written information in a timely manner as may be requested.

(2) Recommendations made as a result of the audit shall be implemented within a reasonable time frame as established by the CLC and approved by the division. If the CLC disagrees with the recommendations, it shall provide a written explanation to the division as to why said recommendations should not be implemented. Thereafter, a final determination shall be made by the division as to whether said recommendations shall be required.

(Adopted effective October 6, 1999)

Sec. 12-568a-20. Security

(a) **Director of security.** Any director of security the CLC may employ shall be a duly qualified, full time director of security licensed by the executive director as a class II occupational licensee. The duties of the director of security include, but are not limited to, responsibility for the security of CLC buildings and facilities and for monitoring the wearing of badges at said facilities.

(b) **Division security unit.** The security unit within the division shall enforce all regulations and state statutes as adopted by legislation pertaining to the CLC, ensuring that the lottery is operated with absolute integrity and for the public good. The division security unit shall have overall responsibility for both regulatory and criminal investigations. The division security unit chief shall have the discretion to determine the need to conduct an investigation into any and all perceived or actual incidents or violations.

(c) **Reporting requirements.**

(1) The CLC shall immediately report to the division all incidents or allegations of misconduct involving any CLC employee, vendor employee or lottery retailer that threatens the integrity of the lottery. In addition to the reporting requirements established by section 4-33a of the Connecticut General Statutes, the CLC shall also notify the division of any unauthorized, illegal, irregular or unsafe handling or expenditure of state or quasi-public agency funds.

(2) The CLC shall immediately report to the division all statutory, regulatory and criminal incidents, or allegations of incidents. The division, in its sole discretion, may conduct its own investigation into any and all suspected incidents or violations.

(3) Failure by the CLC to report said incidents in a timely manner may be cause for license suspension or revocation of CLC officers, after being afforded the opportunity for a hearing in accordance with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division rules of practice and hearing procedures.

(d) **Division notification of system problems and disruptions.**

(1) The CLC shall notify the division immediately of all material system problems, downtime, disruptions, or system modifications involving lottery games and/or tickets. Upon notification, the CLC shall estimate the time needed to bring the system back to full operation. Thereafter, the CLC shall provide a documented report of the events causing the disruption, the steps taken to resolve the situation, and the name of a contact person in the event additional clarifications are warranted.

(2) Failure to immediately report said incidents may be cause for license suspension or revocation of CLC officers, after being afforded the opportunity for a hearing in accordance with sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, and the division rules of practice and hearing procedures.

(e) **Drawings.** Division security representatives shall oversee drawings conducted by the CLC. Division security shall formulate, implement, and conduct security procedures for all drawings, and shall be responsible for the safeguarding and testing of all drawing equipment. The division security shall have sole responsibility for the ultimate decision for any and all drawing problems or circumstances that may arise.

(f) **Security of transaction tapes prior to the drawings.** Until such time as an Internal Control System (ICS) provides the division with direct access to transaction tapes, division security representatives shall take possession of transaction tapes from the on-line vendor prior to any drawing being held.

(g) **Promotional drawings.** The CLC shall provide the division with advance notice of, and drawing procedures for, any promotional drawings. Said procedures shall be reviewed by the division and approved prior to said events being held. The division security representatives shall oversee promotional drawings. Division security shall have sole responsibility for the "final call", in the event of any drawing problems or circumstances that may arise.

(h) **Unfettered access to, inspection of, and monitoring of all CLC facilities.** Employees of the division and its designated representatives shall have the right to unannounced and unfettered entry to all CLC and vendor facilities. Division security shall inspect CLC and vendor facilities for possible breaches of security and physical standards. The CLC shall ensure that all vendors comply with physical security standards as approved by the division.

(i) **Instant tickets.** The CLC shall submit working papers for instant games to the division. The division shall review and approve said papers for integrity purposes prior to ticket production. Division security representatives shall obtain a sample of instant tickets during production and shall submit such samples to an approved independent laboratory for testing purposes. Tickets shall not be allowed to be distributed by the CLC until the independent laboratory results are received and approved by the division.

(j) **Master system console logs.** The CLC shall maintain system console logs of activity for the on-line system. These console log reports shall reflect all system activity, including, but not limited to, all system access, system transmissions and system errors.

(k) **Retention and inspection of system console logs.** The CLC shall retain all system console logs. The logs shall be in a media and format acceptable to the division and shall be retained for no less than five (5) years. The division, in its sole discretion, may request to review the system console logs at any time.

(l) **Disaster recovery.** The CLC shall submit for division approval a disaster recovery plan for the on-line system.

(m) **Redundant fault-tolerant system.** The CLC shall insure the on-line system records each transaction in at least two separate locations for each processor.

(n) **Ticket validation requirements.** The CLC shall set minimum ticket validation requirements for both instant and on-line tickets subject to division approval. All claims presented shall be verified in accordance with established procedures for validating winning tickets processed through the on-line system.

(o) **Ticket purge requirements for winning tickets.** The on-line vendor shall utilize software that restricts access to nearly purged or soon to be purged winning tickets, and insures reporting controls to detect unusual cashing activity by agents, the on-line vendor, and the CLC. The CLC shall provide system reports on a regular basis, as determined by the division, which identify the cashing of nearly purged or soon to be purged tickets.

(p) **Tampering with pools, liabilities, winfiles/console log review.** The on-line vendor shall utilize software protection in the on-line system to prohibit CLC or vendor employees from tampering with pools, liabilities or winfiles. The on-line vendor shall produce system pool reports generated immediately at the close of games. These reports shall be provided to the division to verify liabilities. If an attempt is made to tamper with information, such activity shall be indicated on the system console log.

(q) **System management reports.** The CLC shall provide system reports which reveal all system activity generated at and by the terminals, including, but not limited to: wagers, cashes, cancels, errors, statuses, validations, activations, deactivations, special reports, sign-ons, sign-offs, inquiries, and diagnostic requests. These reports shall be available upon the division's request and shall be used to verify the operating status of the system and agent terminals.

(r) **Liability for loss of data.**

(1) In the event of loss of any data or records necessary for the performance of division duties, where such loss is due to the error or negligence of the CLC, the CLC shall cause the vendor to recreate such lost data or records at the CLC's own expense.

(2) In the event of loss of any data or records necessary for the performance of division duties, where such loss is due to the error or negligence of the vendor, the CLC shall cause the vendor to recreate such lost data or records at the vendor's own expense.

(Adopted effective October 6, 1999)

Sec. 12-568a-21. Instant ticket vending machines

(a) **Licensed agents only.** Only lottery sales agents licensed by the division shall provide instant ticket vending machines on their premises. Said machines shall be at all times within the line of sight of the lottery sales agent or their designated employee. Agents and their designated employees shall use all reasonable efforts to insure that minors do not utilize the instant ticket vending machines.

(b) **Disabling Equipment.** Prior to utilization by an agent, all instant ticket vending machines shall be equipped with a device capable of instantly disabling said machines from operation.

(Adopted effective October 6, 1999)

Sec. 12-568a-22. Management information system (MIS)

MIS implementation.

(a) The CLC shall implement a management information system (MIS), including computers, workstations, networking, databases, software, and data interfaces to insure networked access to the on-line system by division users as designated by the division. The system shall provide both real-time and historical reports as determined by the CLC. At a minimum, the system shall provide daily information as to sales, cashes, cancels and pool totals. The division shall have access to such reports through the MIS system.

(b) The MIS shall provide the division with the capability to verify, validate, and monitor the accuracy of system data and to insure the integrity of the information.

(Adopted effective October 6, 1999)

Sec. 12-568a-23. Internal control system (ICS)

(a) **ICS equipment and network and communications software.** In order for the division to test and approve of the CLC's Internal Control System, the CLC

shall provide the division with access to all of the CLC's ICS system and shall give the division the ability to independently monitor the system through utilizing on-line system log tapes by providing the necessary hardware and software.

(1) All division ICS hardware and network and communication software shall be enhanced and updated by the CLC to remain current technology. Said enhancements shall be confirmed by the division as operating successfully prior to implementation.

(2) The CLC shall provide the division with all system documentation to support the ICS. The documentation shall include hardware and communications configurations, all data and file formats for wagering system transactions, and all service contracts deemed necessary to maintain the ICS.

(3) The on-line wagering system transactions provided by the CLC through the on-line vendor via real-time communication, tape, or both, at the division's option, shall be complete data that enables the ICS to achieve independent matching of critical system balances including, but not limited to, pools, liabilities, sales, advance sales, cancels and purges for all games individually and in total.

(4) The CLC shall supply the division with up-to-date information on validation files and the inventory of instant and other off-line games, via tape input, in a format readable by the division.

(b) ICS system problem resolution.

(1) In addition to the problem reporting requirements of subsections (c) and (d) of section 12-568a-20 of the Regulations of Connecticut State Agencies, the CLC shall immediately notify the division of on-line system problems which may have an impact on the ICS system.

(2) The CLC shall implement division approved procedures for the resolution of system problems.

(c) **Backup capability.** The division may require the CLC to provide full backup capability for the ICS in order to resume operation in the event of a system failure. At a minimum, this shall include:

(1) Fully maintained and tested computer hardware (servers) in a "hot environment", connected to the network and capable of immediate system switchover with minimal intervention;

(2) Tape cartridge backup of ICS databases for high speed backup and restore processing;

(3) Software to provide full or partial restoration of databases; and

(4) Operating system software to allow network system switchover to backup equipment.

(Adopted effective October 6, 1999)

Sec. 12-568a-24. Executive director's decisions

In the event of any occurrence not covered by sections 12-568a-1 to 12-568a-23, inclusive, of the Regulations of Connecticut State Agencies, the executive director retains the authority to make a decision(s) in the best interests of the lottery and the state of Connecticut.

(Adopted effective October 6, 1999)

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Repealed	12-571-1—12-571-10
Amended	12-571-1a—12-571- 4a
Repealed	12-571-5a—12-571- 6a
Amended	12-571-7a—12-571- 8a
Repealed.	12-571- 9a
Repealed	12-571-1b—12-571-27b

Operation of Off-Track Betting

Secs. 12-571-1—12-571-10.

Repealed, June 18, 1986.

Secs. 12-571-1a—12-571-4a, 12-571-7a—12-571-8a.

Amended to Secs. 12-571-1b through 12-571-11b. (Effective December 6, 1994)

Secs. 12-571-5a—12-571-6a.

Repealed, December 6, 1994.

Sec. 12-571-9a.

Repealed, December 6, 1994.

Secs. 12-571-1b—12-571-27b.

Repealed, October 3, 2001.

See § 12-574.

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The Operation of Thoroughbred Racing

(Effective June 27, 1973, except as noted)

Sec. 12-574-A1. General provisions

(a) **Application.** The rules and regulations contained herein shall apply to all associations, as defined herein, conducting a thoroughbred horse race meeting for any purse, stake or reward, and where pari-mutuel wagering shall be permitted.

(b) **Licenses subject to rules.** All licenses granted by the commission are subject to these rules and regulations.

(c) **Amendments.** These rules and regulations are subject to amendment from time to time and shall be amended in accord with Public Act 854 of the 1971 session of the general assembly. All licensees shall abide by any such amendments.

(d) **Waiver.** The commission in its discretion may waive any rule contained herein when such waiver shall be in the best interests of the state of Connecticut and the sport of thoroughbred racing.

Sec. 12-574-A2. Definitions, constructions, interpretations

(a) In applying the rules and regulations as contained herein, including all amendments thereto, the following definitions, constructions and interpretations shall apply:

(1) Act. Public Act 865 of the 1971 session of the general assembly together with any and all amendments thereto.

(2) Added money. The money which, in a stake race, an association adds to the nominating and starting fees.

(3) Age. The age of a horse is reckoned as beginning on the first of January in the year in which he is foaled.

(4) Applicant. Applicant shall mean, according to the requirement of the text:

(A) A person seeking to obtain an occupational license from the commission, or

(B) An individual, partnership or corporation seeking to obtain a license to conduct a thoroughbred race meeting pursuant to the act.

(5) Arrears. Arrears includes all moneys due for entrance forfeits, fees (including jockeys' fees), forfeitures, subscriptions, stake, purchase money in claiming races, and also any default in money incident to the rules.

(6) Association. An association is any individual, partnership or corporation, licensed to conduct a recognized thoroughbred race meeting pursuant to the act.

(7) Authorized agent. A person appointed by a written instrument signed by the owner and filed in accordance with the rules.

(8) Breeder. The owner of the horse's dam at the time of foaling.

(9) Breeding place. A horse is bred at the place of his birth.

(10) Claiming race, optional claiming race.

(A) A claiming race is one in which every horse running therein may be claimed in conformity to the rules.

(B) An optional claiming race is a race restricted to horses entered to be claimed for a stated claiming price and to those which have started previously for that claiming price or less. In the case of horses entered to be claimed in such a race, the race will be considered, for the purposes of these rules, a claiming race.

(11) Commission. The nine (9) commissioners of the commission on special revenue of the state of Connecticut as established by the act and their duly authorized representatives.

(12) Declaration. Means the act of withdrawing an entered horse from a race before the closing of overnight entries.

(13) Day. Shall mean, according to the requirement of the text:

(A) A period of twenty-four (24) hours, beginning at midnight.

(B) Any period of twenty-four (24) hours beginning at midnight and included in the period of a race meeting.

(14) Drug. Drug shall be deemed to include substances intended for use in the diagnosis, treatment, mitigation, cure or prevention of disease in man or other animals and substances (other than foods) intended to affect the structure or any function of the body of man or other animals.

(15) Entry. Means, according to the requirement of the text:

(A) A horse made eligible to run in a race.

(B) Two or more horses which are entered and run in a race which are owned by the same owner or trained by the same trainer.

(16) Equipment. As applied to a horse, equipment shall mean whips, blinkers, tongue straps, muzzles, nosebands, bits, shadow rolls, martingales, breast plates, bandages, boots and plates.

(17) Field. When the individual horses competing in a race exceed the numbering capacity of the tote, the highest numbered horse within the capacity of the tote, and all horses of a higher number, shall be grouped together and called the "field."

(18) Forfeit. Money due because of an error, fault, neglect of duty, breach of contract, or a penalty.

(19) Foul riding. Any and all acts of a jockey committed in the running of a race designed to gain unfair or unsportsmanlike advantage, to the end of improving his own chance or position in the race or of lessening the chance or position of another in the race.

(20) Fraudulent and/or corrupt turf practice. This shall mean any attempt to enrich oneself or associates, or gain any advantage, through unfair, unlawful or dishonest behavior in connection with the racing of horses.

(21) Free handicap. A free handicap is one in which no liability is incurred for entrance money, stake or forfeit, until acceptance of the weight, either directly or through omission to declare out.

(22) Futurity. A futurity race is a race for younger horses, usually two-year olds, in which entries are made a considerable time before the running of the race, often before the entered horse is born.

(23) Gender. References in these rules to the male gender shall be deemed to include the female gender unless the circumstances preclude such inclusion.

(24) Handicap. A handicap is a race in which the weights to be carried by the horses are adjusted by the handicapper for the purpose of equalizing their chances of winning.

(25) Highweight handicap. A highweight handicap is one in which the top weight shall not be less than 140 pounds.

(26) Horse. This includes mare, gelding, colt, filly and horse.

(27) Jockey. A jockey is a licensed jockey, or apprentice.

(28) Licensee. This shall mean, according to the requirement of the text:

(A) An association that has received a license from the commission to conduct thoroughbred horse racing with pari-mutuel wagering.

(B) A person who has an occupational license issued by the commission.

(29) Locked in the gate. Locked in the gate shall mean that a horse is prevented from leaving the post at off-time because of the failure of the front door of the gate to open simultaneously with the other doors, thus preventing said horse from starting when the other horses officially start.

(30) Maiden. A horse which, at the time of starting, has never won a race on the flat in any country at a recognized meeting held under the auspices of a legal racing authority.

(31) Match. A race between two horses the property of two different owners on terms agreed upon by them.

(32) Matinee. A program of races conducted upon a racetrack which concludes by 7:00 p.m., prevailing time.

(33) Minor. A minor shall be any person under the age of 18 years.

(34) Month. This shall mean a calendar month.

(35) Net pool. The total amount bet in a specific pool minus the deduction allowed by the act for the state and the association.

(36) Night performance. A program of races conducted upon a racetrack which begins at 7:00 p.m. prevailing time or later.

(37) Nominator. The nominator is the person in whose name a horse is entered.

(38) Off-time. Off-time is the moment at which, on signal of the starter, the horses break and start to run.

(39) Overnight race. A race for which the entries close seventy-two (72) hours (exclusive of Sundays), or less, before the time set for the first race of the day on which such race is to be run.

(40) Owner. Includes part-owner or lessee.

(41) Place. In racing shall mean first, second or third, and in that order is called "win," "place," and "show."

(42) Post position. The position assigned to the horse at the starting line of the race.

(43) Post race. A race in which the subscribers designate, at the usual time before a race for declaring to start, the horse or horses they are to run, without limitations of choice other than that prescribed by the rules of racing or the conditions of the race.

(44) Post time. The time set for the arrival at the starting point of the horses in a race and which must be shown a reasonable time prior to the race on a clock device, prominently displayed and clearly readable from the grandstand.

(45) Program. Shall mean according to the requirement of the text:

(A) A schedule of races of either a matinee or night performance.

(B) The schedule of races as prepared by the racing secretary and printed by the association for sale to the public.

(46) Purse. A race for money or other prize to which the owners of the horses engaged do not contribute.

(47) Race. Includes a stake, a purse, a sweepstakes, a private sweepstakes, a match or an overnight event, but does not include a steeplechase or hurdle race.

(48) Recognized meeting, or meeting. Any racing meeting given by an association in good standing, within the enclosure of any racetrack, licensed and conducted under the sanction of the act and the rules and regulations of the commission; and constituting the entire consecutive period of days (excluding Sundays only) that has been granted to the association by the commission to conduct thoroughbred racing.

(49) Ruled off. Means the act of debarring horses and/or persons from the grounds of an association and denying all racing privileges.

(50) Rules. The rules herein prescribed and any amendments or additions thereto.

(51) Scratch. The act of withdrawing an entered horse from the race after the closing or overnight entries.

(52) Scratch time. The time set by the association for the closing of applications for permission to withdraw from races of that day.

(53) Starter. This shall mean, according to the requirement of the text:

(A) A horse is a “starter” for a race when the stall doors of the starting gate open in front of it at the time the starter dispatches the horses.

(B) The official who effects the proper start of the horses in the race.

(54) Stewards. The stewards shall be deemed to mean the steward or stewards of the meeting, or their deputies or substitutes acting together, or such of them as may be acting at the time.

(55) Subscription. The act of nominating to a stake race.

(56) Suspended. Suspended shall mean that any privilege granted to a licensee of the commission by the officials of a racing meeting or by the commission has been withdrawn.

(57) Sweepstakes. A race in which the owners of the competing horses nominate their horse for participation and pay subscriptions, entrance and starting fees, whether money or any added prize is added or not (unless it is a private sweepstake). An overnight race, however, is never considered to be a sweepstakes race.

(58) Tote or tote board. This shall mean the totalisator.

(59) Track, or racetrack. This shall be deemed to mean any and all parts of the plant of a racing association, including, but not limited to, the racing strip, the approaches and entrances, the stands and all other accommodations and facilities afforded to the public, the stables, barns, paddocks, quarters of jockeys, and others employed in or about the track, judges’ and stewards’ boxes, photo-finish and film patrol plants, pari-mutuel offices, facilities and equipment, totalisator and public address system.

(60) Walk over. An event in which all horses but one in a proposed race are withdrawn, leaving that horse to walk over the prescribed course and distance of the proposed race

(61) Weight for age. A standard weight according to these rules. A “weight for age” race is one in which all horses carry weight according to the scale without penalties or allowances.

(62) Year. Shall mean a calendar year.

(63) Publicly owned corporations. Any corporation whose stock is available for purchase by the general public.

(64) Stock. Shall include common and preferred shares.

(b) Singular, plural. Singular words include the plural, except where the context otherwise requires.

(Effective January 4, 1974)

Sec. 12-574-A3. Commission on special revenue

(a) **Composition.** The act established a commission on special revenue which appoints an executive secretary and an executive director for each of three separate divisions. The commission consists of nine members, five of whom are appointed by the governor and two by the opposite party leader in the house of representatives, speaker or minority leader, and two by the opposite party leader in the senate, president pro tempore or minority leader. No more than five may be of the same political party. The chairman is selected by the governor, initially, thereafter to be elected annually by the commission members. The commissioners shall be electors of the state, shall have resided in this state for at least seven years next preceding his appointment and qualification and shall be at least thirty years of age.

(b) **Powers.** The powers of the commission are vested in the commissioners thereof. The commission shall have the power and it shall be its duty to:

(1) Promulgate rules and regulations governing the establishment and operation of pari-mutuel wagering and thoroughbred horse racing in the state of Connecticut.

(2) Amend, repeal, or supplement any such rules and regulations from time to time as it deems necessary or desirable.

(3) Appoint an executive secretary to whom it may delegate such authority as it deems proper and appropriate for the efficient administration of the provisions of the act.

(4) Appoint an executive director of the racing division to administer and coordinate the racing division which includes thoroughbred racing.

(5) Hire such employees as may be necessary to carry out the provisions of the act.

(6) Do whatever is necessary to carry out the provisions of the act.

(7) Call upon other administrative departments of the state government and of municipal governments, state and municipal police departments and prosecuting officers and state's attorneys for such information and assistance as it deems necessary to the performance of its duties.

(8) Report to the governor in writing on or before September first, annually, on the activities of the commission during the fiscal year ended the preceding June thirtieth including a statement of receipts and disbursements of the commission, a summary of its activities, and any additional information and recommendations which the commission may deem of value or which the governor may request.

(9) Provide books in which shall be kept a true, faithful and correct record of all its proceedings.

(10) At least annually, on or before December thirty-first of each calendar year, publish in convenient pamphlet form all regulations then in force and furnish copies of such pamphlets to such persons as desire them.

(11) Require, if it determines that it is necessary, that any of its employees give bond in such amount as said commission may determine pursuant to the act.

(c) **Qualification of powers.** The powers herein described shall only relate to the operation of the thoroughbred racing section of the racing division. They shall in no way infringe upon or limit the powers of the commission relative to other aspects of the act. The powers of the commission relative to these other endeavors will be covered by other rules and regulations.

(d) **Powers reserved.** All powers of the commission not specifically defined in these regulations are reserved to the commission under the act creating the commission, and the amendments thereto, and specifying its powers and duties.

(e) **General policy — declaration and administration.** General policies on racing matters are to be decided upon by the commission at their meetings. The administration thereof shall be in the hands of the executive secretary.

(f) **Names on daily racing program.** The commission may require that the names of the commissioners and of its specified employees with their titles, if any, and the address of the commission's offices appear in the daily racing programs.

(g) **Orders-form and execution.** Whenever the commission has adopted a rule or regulation or has rendered a decision, whether on appeal or otherwise, the signature of the individual commissioners shall not be required on any written order or other form of determination, but the chairman or the vice-chairman of the commission shall certify to and promulgate the same, and his signature on such written order or other form of determination or on any promulgation thereof shall be valid and effective as evidencing the official action thus taken by the commission.

Sec. 12-574-A4. Executive secretary

(a) **Appointment.** The commission shall appoint an executive secretary who shall be a resident of this state at the time of and during the full term of his employment.

(b) **Powers.** The executive secretary shall have the power and it shall be his duty to:

(1) Administer and coordinate the administrative functions of the commission.

(2) Have overall supervisory authority and responsibility over the racing division which includes the thoroughbred racing section.

(3) Have that authority which the commission delegates to him as it deems proper and appropriate for the efficient administration of the provisions of this act.

(4) Report to the commission on those functions assigned to him by the commission.

(c) **Qualification of powers.** The powers herein described shall only relate to the operation of the thoroughbred section. They shall in no way infringe upon or limit the powers of the executive secretary relative to other aspects of the act. The powers of the executive secretary relative to these other endeavors will be covered by other rules and regulations.

Sec. 12-574-A5. Executive director

(a) **Appointment.** The commission shall appoint an executive director of the state racing division who shall be a resident of the state at the time of and during the full term of his employment.

(b) **Racing division.** The racing division of the commission shall encompass the thoroughbred racing, harness racing, greyhound racing and jai alai sections.

(c) **Powers.** The director shall have the power, and it shall be his duty to:

(1) Administer and coordinate the operation of the racing division in accordance with the provisions of the act and with the rules and regulations of the commission.

(2) Maintain full and complete records of the operation of the racing division. These records shall be open to the public as provided in section 1-19 of the 1969 supplement to the general statutes.

(3) Report on a regular basis to the executive secretary on the status of the racing division.

(4) Perform those functions assigned to him by the executive secretary.

Sec. 12-574-A6. Application for license to conduct meeting

(a) **License, form, date.** No individual, partnership or corporation shall hold or conduct any meeting within Connecticut at which thoroughbred racing is permitted for any purse, stake or reward and where pari-mutuel wagering is conducted unless such individual, partnership or corporation is licensed by the commission as provided in these regulations.

(1) Applications for a license shall be made on forms supplied by the commission and shall be filed with the executive secretary of the commission on or before a day to be fixed by the commission.

(2) Each applicant shall file such forms as may from time to time be required by the commission.

(b) **Licensing new applicants.** In granting a license to any new applicant the commission will consider the following matters:

(1) Opportunity for the sport to develop properly.

(2) Extent of community support for the promotion and continuance of the track.

(3) The character and reputation of the men identified with the undertaking.

(4) Financial ability of the applicant to promote a facility.

(5) The type and quality of the facility proposed.

(6) The possible avoidance of competition with other established pari-mutuel facilities in Connecticut, if applicable.

The commission may reject any application for a license for any cause which it deems sufficient.

(c) **Corporations.** All corporate applicants shall be Connecticut corporations or corporations authorized to do business in Connecticut. It shall file with the commission along with its application, the names, addresses, dates and places of birth and social security numbers of the officers and directors, the date of incorporation, and a copy of the original certificate of incorporation and of any amendments; a statement giving the names, addresses, dates and places of birth and social security numbers of all its stockholders and the number of shares registered in the name of each and shall likewise file revised statements giving such information from time to time as changes occur; and if any shares be registered in the name of a corporation or in the name or names of one or more persons as trustees or otherwise for a corporation, the applicant shall, at the same time and in the same manner, furnish a similar statement with respect to the stockholders of such corporation. In the case of publicly owned corporations, provisions of this rule may be waived at the discretion of the commission.

(d) **Partnerships.** If the applicant is a partnership, it shall file with the commission, along with its application, the names, addresses, dates and places of birth and social security numbers of all the partners, general or limited, and the percentage of ownership of each and shall likewise file revised statements giving such information from time to time as changes occur, and if one or more of the partners be a corporation, shall comply with the provisions of rule (c) of this section.

(e) **Individuals.** If the applicant is an individual, he shall file with the commission, along with his application, his name, address, date and place of birth and social security number.

(f) **Change of ownership.** No change of ownership of an association shall be made without prior written approval of the commission except changes effected by a court of competent jurisdiction which shall be treated, for the purposes of this sub-section, in the same manner as stock transfers of publicly owned corporations. In the case of publicly owned corporations, the provisions of this rule shall be waived by the commission upon the following conditions:

(1) The association shall inform the commission of all changes in stock ownership, including the names and addresses of the record owner of the stock, within a period of time from the date of said transaction as shall be determined by the commission.

(2) The association shall use its best efforts to provide the commission with such information pertaining to the new stockholders as the commission shall request.

(3) If the association is unable to provide the commission with any information requested pursuant to the above conditions, or if the commission determines, after a security check of the new stockholder, that the stockholder is a person whose character and reputation are such that the commission deems that person may be detrimental to the best interests of the State of Connecticut and/or thoroughbred racing in the State of Connecticut, the association must take such that Meet a divestiture of the stock in question within a reasonable time after receipt of the commission's order to do so and shall inform the commission that a divestiture has occurred by such date as shall be determined by the commission.

(4) The association shall take such steps that may be necessary to insure that no transfers of stock take place which are not reported to the commission.

(5) Failure to adhere to any of the above conditions (1) (2) (3) (4) may be cause for revocation of the association's license.

(g) **Verification.** The application, if made by an individual, shall be signed and verified under oath by such individual, and, if made by two (2) or more individuals

or a partnership, shall be signed and verified under oath by all of the individuals or by all of the members of the partnership, whether general or limited, as the ease may be. If the application is made by a corporation, it shall be signed by an officer of the corporation duly authorized by the board of directors and shall affix to the application a certified copy of the minutes or resolution of the board of directors specifically authorizing that officer to sign the application for the corporation. The seal of the corporation shall be affixed to the application and to the certified copy of the minutes or resolution.

(h) **Leasing racing plant.** A license shall not be issued to an applicant if the applicant leases the land and/or buildings for its facility, and the lessor is an individual, partnership or corporation, who would be unable to secure a license to conduct a meeting from the commission pursuant to rule (b) (3) of this section. If the applicant's racing plant or any part thereof, including land and/or buildings, is leased, the applicant shall furnish the name, address, date and place of birth and social security number of the owner, or if the owner be a corporation, the names, addresses, dates and places of birth and social security numbers of the officers, directors and stockholders thereof. No license shall be granted to an applicant who fails to submit such information to the commission as the commission may request from time to time. Failure to report changes in the lessor's ownership, and failure to obtain commission approval thereof may be cause for revocation of license. All associations shall observe the requirements of this rule. In the case of lessors who are publicly owned corporations the provisions of this rule may be waived at the discretion of the commission.

(i) **Fingerprints, photograph.** Each applicant including partner, officer and director shall have their fingerprints and photograph taken by the commission before any license is issued. Every stockholder of an applicant shall comply with this rule. In the case of publicly owned corporations, the provisions of this rule may be waived at the discretion of the commission.

(j) **General information required.** All applicants for a license shall submit on, or as a part of their application:

(1) The number and actual period of days (Sundays excluded), the hours of each racing day, the number of races on a day's program and the post time for the first race, which the applicant desires for a thoroughbred meeting.

(2) The estimated cost of the racing plant to be constructed and a general description of such plant.

(3) A description of the site of the proposed racing plant, including its acreage.

(4) A statement of the plan of financing of the racing plant and if arrangements have been made for the flotation of securities, the name and address of the person or firm with whom such arrangements and terms have been made.

(5) General specifications, surveys, studies and analyses by competent and qualified experts shall be furnished to the commission to ascertain such factors as proposed attendance, traffic flow, income, or any and all other matters necessary for the commission to make a determination with respect to the matter of the application. The commission reserves the right to reject inadequate or unsatisfactory specifications or to demand additional information and specifications from the applicant.

(6) The written verification of the building and zoning officer of the municipality where the racing plant is proposed to be built that the erection of a thoroughbred racing plant in that locality as to all particulars is not in violation of any local ordinance or zoning regulation.

(7) Such other information and requirements as the commission may deem proper.

(k) **Blueprints.** The granting of a license to an association by the commission for the first time shall be conditioned upon the association furnishing, at its expense, such data as the commission shall require to enable it to carry out fully and effectually all of the provisions and purposes of the act which may include, but shall not be limited to, the following: A map or plan of its racetrack and plant, drawn to such reasonable scale as may be required, showing all structures, piping, fire hydrants and other fixed equipment thereon, with dimensions and nature of construction duly noted thereon, and a plan of the racing strip; and when any material changes are made therein, a similar map or plan showing such changes and drawn to the same scale, shall be forthwith filed with the commission. The blueprints and specifications shall be subject to the approval of the commission, which, at the expense of the applicant, may order such engineering examination thereof as to the commission seems necessary. The erection and construction of the track, grandstand and buildings of any association shall be subject to the inspection of the commission. The commission may employ such inspectors, at the expense of the applicant, as it considers necessary for that purpose.

(l) **Minimum standards.** The plans and specifications of an applicant for a license must meet all the standards enumerated in the uniform building code and the uniform fire code of the state of Connecticut, any and all standards of the municipality in which the applicant proposes to build its racing plant, and any other standards that the commission, in its discretion, may prescribe.

(m) **Condition of license.** Any license granted to an association shall be subject to all rights, regulations and conditions from time to time prescribed by the commission.

(n) **Renewals.** A license granted shall be renewed from year to year pursuant to these regulations upon application by an association for racing dates and filing of any such forms requested by the commission with the executive secretary of the commission by such date as shall be determined by the commission. In acting on renewal applications, the commission shall consider the requirements specified in rules b (3) and b (4) of this section.

(o) **Revocations — suspensions.** The commission may revoke the license or fail to renew the license of an association after a hearing on any one of the following reasons:

(1) If it makes any false statement in any form it files with the commission.

(2) If a transfer in ownership is made which has not been approved by the commission, subject to the provisions of Section 12-574-A6 (I) of these rules.

(3) If the association fails to meet its financial obligations.

(4) If it materially violates the rules and regulations of the commission.

(5) If there has been a material change in the character and reputation of the men identified with the undertaking.

(6) If it fails to conduct racing with pari-mutuel betting during any day of its meeting without sufficient cause therefor.

(p) **Non-transferable.** No license shall be transferable or assignable in any manner or in any particular without the prior written approval of the commission.

(q) Any change in the information required to be reported to the commission under sections 12-574-A6 (c) and 12-574-A6 (d) shall be reported to the commission by an association as it occurs. In the case of publicly owned corporations, provisions of this rule may be waived at the discretion of the commission.

(Effective January 4, 1974)

Sec. 12-574-A7. Requirements of association

(a) **Purses.** (1) As a minimum standard, an association shall allocate the following percentages of the pari-mutuel handle at its track for each day of its meeting for the purpose of purse or prize money for the horses racing at its track:

<i>Daily Handle</i>	<i>Percentage for Purses</i>
0 to \$100,000	7% on the entire pool
\$100,001 to \$200,000	6.75% on the entire pool
\$200,001 to \$300,000	6.5% on the entire pool
\$300,001 to \$400,000	6.25% on the entire pool
\$400,001 to \$500,000	6% on the entire pool
\$500,001 to \$600,000	5.75% on the entire pool
\$600,001 to \$700,000	5.5% on the entire pool
\$700,001 to \$800,000	5.25% on the entire pool
\$800,001 to \$900,000	5% on the entire pool
\$900,001 to \$1,000,000	4.75% on the entire pool
\$1,000,001 and over	4.25% on the entire pool

Failure to strictly adhere to this rule shall be grounds for revocation of the association's license.

(2) Prize money shall be awarded the first four (4) finishers in each race, unless fewer than four (4) horses start, in which case each finisher shall be awarded prize money.

(3) Prize money shall be paid to the winners seventy-two (72) hours (Sundays excluded) following their winning. However, no purse money shall be paid to the winners until the reports of specimen samples have been received by the stewards.

(4) Purses must be paid to the winner thereof unless an association is ordered by a court of competent jurisdiction to pay it to another. An association may withhold from purses any money due it by the winner thereof.

(b) **Payment for tests.** The association shall pay the state for the cost of testing horses at its track. This fee shall be determined by the commission at least fifteen (15) days prior to the start of a meeting and shall be based upon actual cost of the testing. The fee shall be payable on a basis to be determined by the commission.

(c) **Offices for commission.** Each association shall provide within its grounds an office for the use of the commission. Members of the commission and its designated representatives shall have the right of full and complete entry to any and all parts of the grounds of the association licensed to conduct thoroughbred racing.

(d) **Liability insurance.** Before any license shall be issued the association shall deposit with the commission an insurance policy against personal injury liability. The insurance shall be in an amount approved by the commission, with premium prepaid. The policy shall name the state of Connecticut as an additional insured.

(e) **Use of program.** In accepting a license from the commission, an association agrees to provide its program to the commission, for just and reasonable compensation, for purpose of off-track betting pursuant to and consistent with the act and the commission rules and regulations concerning off-track betting.

(f) **Track size.** A license for a meeting will be granted by the commission only for racing grounds affording a course of one mile or more in circumference.

(g) **Dates, time and number of races.** (1) The commission shall determine: the number of racing days to be awarded, which shall not be less than 120 days in a year's time unless waived by the commission for the association's initial year in

operation; the actual days awarded; the post time of the first race; the number of races; and the time that races may be held during a given day of the meet.

(2) In case of emergencies when for good cause racing with pari-mutuel wagering cannot be conducted during a meeting, the commission may award make-up days to be utilized on such dates as the commission may determine.

(h) **Illumination for night racing.** In the event night racing is held, an association shall have lighting facilities which must be approved by the commission.

(i) **Emergency lighting.** An association shall have emergency lighting ready to be operated in case of emergency for the protection of patrons.

(j) **Performance bond.** An association which is granted a license to conduct a meeting shall give to the state of (Connecticut a performance bond in such amount as the commission shall determine before said license is issued.

(k) **Riot control.** At least fifteen (15) days before the start of a meeting the association shall provide the commission with a plan for riot control.

(l) **Requirements for admission of horses to association grounds.** (1) No horse shall be admitted to any part of the grounds of any association unless a health certificate signed by a licensed veterinarian is presented. The certificate must state the following:

(A) The horse was examined thoroughly within a seven-day period preceding the admission date.

(B) The horse was free of any evidence of infectious, contagious or transmissible disease and was afebrile at the time of the examination.

(C) The horse was free of ectoparasites at the time of the examination.

(D) Within the prior two weeks the horse had not been exposed to other horses with any known infectious, contagious or transmissible diseases.

(E) This rule may be waived at the discretion of the commission for horses stabled at commission approved facilities in this state.

(2) No horse shall be admitted to any association plant without a certificate that a negative Coggins test has been completed within a period to be specified by the commission.

(3) Any horse not having the required health certificate will be unloaded in a quarantine area to be designated by the association. A health certificate meeting the requirements of this rule must be obtained within twenty-four (24) hours from the time of admission, or the horse must be removed from the grounds. An association veterinarian will be available on the grounds or on call for the purposes of examining the horse and issuing the certificate. If a horse, upon examination, is found to have clinical evidence of infectious, contagious or transmissible disease, the horse shall be promptly removed from the grounds and the stall in which the horse had been stabled and the area immediately surrounding it must be sprayed with a disinfectant, as prescribed by the association veterinarian.

(m) **Condition book.** Each association shall file with the commission at least fifteen (15) days before the start of a meeting its conditions of races, the "Condition Book." No changes shall be made therein without approval of the stewards.

(n) **Information for commission, state tax department.** Associations shall promptly give to the commission and to the state tax department such information in writing as either may request and shall freely and fully cooperate with them in every way.

(o) **Prices of admission.** The commission shall approve the prices of admission to racetracks, to special enclosures and reserved spaces therein, and to parking areas.

Sec. 12-574-A8. Equipment and facilities

(a) **Quarters for participants.** An association shall provide suitable and sanitary living quarters on its grounds for male and female stable employees who are participants during the meet. Said quarters shall include a cafeteria, recreational hall, and proper sanitary arrangements.

(b) **Maintenance of track.** Racing associations shall at all times maintain their racetrack in good, uniform condition and with a special consideration for the public interest, safety of the horses stabled, or entered to race or to be exercised and of all those whose attendance is required by official duties.

(c) **Receiving barn, detention area, laboratory.** (1) The association shall provide and maintain:

(A) Every association shall provide in a convenient location at its racetrack, for use during its current meeting, a receiving barn with adequate stable room and facilities, including hot and cold water and ample stall bedding. Such barn shall be at all times maintained in a clean and sanitary condition by an adequate force of attendants employed by the association, and each stall shall be thoroughly disinfected after each occupancy.

(B) A detention area, in a location acceptable to the commission, for the purpose of securing such specimens of body fluids and eliminations as shall be directed for their chemical analysis.

(C) A building, in a location acceptable to the commission, to be utilized as a laboratory for the analysis of specimens so taken.

(2) The facilities provided pursuant to this section shall be in accordance with specifications hereafter approved by the commission.

(d) **Fire department.** The association shall have a fire department on its premises ready to be utilized at all times that horses are stabled at the association plant. The equipment located therein shall be subject to the approval of the commission.

(e) **Flood lights; patrol system.** Associations shall install and maintain flood lights at their tracks to provide adequate illumination of the stable areas at night and such security system as may be required by the commission.

(f) **Photo finish cameras.** Racing associations shall install at the finish lines and shall adequately maintain two photo finish cameras, to be approved by the commission, to automatically photograph the finish of races. One such camera is to be held in reserve for emergencies. The official photographer shall furnish promptly to the stewards two prints of every photo finish, and the stewards shall keep a permanent file of all such prints and the negative thereof.

(g) **Pari-mutuel equipment.** In the event a system of off-track betting in this state exists prior to the opening of an association's facility, the association shall install such pari-mutuel equipment at its track that can interface with the equipment utilized at commission off-track betting facilities.

(h) **Photographic records.** Associations shall take and make at their expense a complete photographic record of all races run by said association. The arrangements for said photographic records shall be in form satisfactory to the commission, and the said records shall be susceptible to viewing after the end of any race in order to enable the stewards to better judge races and rule on all claims of infractions of the rules and thereby better protect the interest of the public in racing. The photographic record of each race shall be kept in custody of the association for the period of one (1) year, except that photographic records of races in which there were objections, inquiries, or accidents, shall be kept in custody of the association for the period of three (3) years from the date of the race. These photographic records

shall be under the control of the stewards and shall not be shown to other persons without their permission. At all times, the commission shall have full and complete access to all photographic records which are in the custody of an association pursuant to this section.

(i) **Erection, removal of structures.** Any plan to alter, construct or remove structures on the association grounds must be approved by the commission.

(j) **Man, horse ambulances.** Associations shall furnish and maintain at least one man ambulance and at least one horse ambulance each day that their tracks may be open for racing or exercising horses, equipped, ready for immediate duty, and to be placed convenient to the racing strip.

(k) **Temporary hospitals; physicians, nurses.** An association, during the period within which they are conducting a meeting, shall furnish a licensed physician and a registered nurse to render emergency medical services, as may be necessary. An association shall equip and maintain at its track a temporary hospital in a suitable area equipped with such first aid appliances and materials as shall be approved by the commission. The attendance of the physician and nurse shall be required at the hospital during racing hours.

(l) **Jockey room facilities.** An association shall make such sanitary arrangements for baths, toilets, etc., for the use of jockeys, including separate facilities for males and females, as may be required by the commission, the same to be conveniently located on the grounds. Sufficient space shall be allocated for the storage of racing colors.

(m) **Removal of manure, refuse.** Facilities for manure removal shall be constructed and maintained by the association. The commission shall approve all such facilities and maintenance programs.

(n) **Stall rental forbidden.** Associations shall not charge rental for stalls during the conduct of a race meeting, except in the case of leases or other contracts relating to special facilities for stabling, and such leased or contracted facilities shall be made available to horsemen whenever they are not occupied by the lessee, upon reasonable notice to the lessee. An association may charge for stall rental if a horse is stabled at the association plant, but is not racing there.

(o) **Starting gates.** Each association shall provide and maintain two starting gates approved by the commission during the period of its meeting and when horses are exercised. Associations shall have in attendance, whenever said gates are in use, one or more men skilled and qualified to keep said gates in good working order and shall also provide for such periodical inspections thereof as may be reasonably by the commission.

(p) **Horse identification, examination.** A system of horse identification and physical examination shall be instituted and diligently maintained by associations pursuant to these rules and regulations.

(q) **Stands for race officials.** Stands for judges, timers and stewards shall be maintained in positions commanding an uninterrupted view of the entire racing strip and the location thereof shall be subject to approval of the commission.

(r) **Devices to be approved.** All devices pertaining to racing which are used on racetracks must be approved by the commission before installation and shall not be removed except with the approval of the commission.

(s) **Disinfection of vehicles.** All carriers shall take such steps as are necessary to insure the disinfection of all cars, trucks, trailers or other conveyances used in transportation of thoroughbred horses to and from race courses. It shall be the responsibility of the association to see that this rule is carried out.

(t) **Farrier hours.** At least one farrier shop shall be open at each track from 8:00 A.M. until 4:00 P.M., when horses are stabled on its grounds whether racing is being conducted or not, and at least one Farrier shall be in the paddock during race hours.

(u) **Stable sanitation.** Each association shall maintain its stable area in such a manner as to provide a safe, clean, healthful place. Each association shall:

(1) Prohibit smoking in horse stalls, feed rooms and under the sheds.

(2) Not allow sleeping in any of the feed rooms or stalls at any time.

(3) See that stalls occupied by horses are not locked at any time, and also that unassigned tack rooms are not locked.

(4) Allow no open fires anywhere in the stable area, nor any oil or gas burning lanterns or lamps.

(5) See that all electrical appliances used in the stable area are in a safe working condition, and when in use kept a safe distance from walls, beds and other furnishings and not left unattended.

(6) See that no inflammable materials, such as cleaning fluids or solvents, are used in the stable area.

(7) Not allow hay or straw to be stored under the sheds or outside of feed rooms at any time.

(8) See that the alleyway in front of the stalls is kept free of debris and open at all times to give easy access to each stall door in case of fire.

(9) Not allow pets to run at large in the stable area, making sure they are properly and suitably confined at all times.

(v) **Inspection of racing premises prior to meet.** Not less than fifteen (15) days prior to the opening of any meet authorized by the commission, the commission, at the expense of the association, shall make an inspection of the grounds where the meet is to be held, and unless the grounds are found to be safe for animals and persons, and unless they are rendered safe therefor prior to the opening of the meet, the license for the meet shall be withdrawn.

(w) **Clean grounds.** Each association shall keep and operate all of its grounds, including parking area, in a clean and dignified manner.

Sec. 12-574-A9. Occupational licenses

(a) **Officials and participants must be licensed.** Associations conducting thoroughbred meetings shall not permit any official, owner, trainer, jockey, jockey apprentice, stable employee, farrier, agent, valet, veterinarian, association employee whose job requires his presence at the association grounds at any time, concession employee, and any assistants thereto, to operate on its premises unless said person has received a license from the commission and has been photographed and fingerprinted by the commission. No license shall be delivered to the applicant unless evidence is presented to the commission that the applicant will participate in a thoroughbred racing meeting in Connecticut during the period of his license. Application for a license shall be made on forms supplied by the commission and all questions contained therein shall be answered. Licenses shall be issued to natural persons only. Every license granted shall provide that the licensee shall comply with the rules and regulations and that violation thereof may be punished by fine, suspension or revocation of license.

(b) **Badges.** (1) The commission shall supply each licensee with a badge, at the expense of the association licensed to conduct a meeting, showing the license number, name, department and photograph and any other information which the

commission, in its discretion, shall require. Badges are only to be worn by the licensee and are nontransferable. The commission shall determine, in its discretion, which licensees are to wear the badges on their person, and which licensees may carry the badge on their person.

(2) A non-transferable badge may be issued by an association to persons, other than patrons, who are not required to be licensed but who must enter the grounds of the association for reasons connected with the conduct of a meeting. A list of such persons and their specific duties must be filed with and approved by the commission. This badge shall expire on the last day of the meet in which it was issued.

(3) A non-transferable temporary badge may be issued by an association, upon approval of the director of security. These badges must be surrendered by the bearer on leaving the premises, the day of issue. Users of such badges must sign a register prior to entering the grounds. Frequent use by the same person of a temporary badge is prohibited.

(c) **Contractual concessionaires.** All contractual concessionaires must obtain a license from the commission and pay the fee required by the act, if any, and must submit such data and information to the commission as the commission in its discretion may require. Said license must be taken out for each association at which the concessionaire plans to operate.

(d) **Qualifications for license.** If the commission shall find that the financial responsibility, experience, character and general fitness of the applicant are such that the participation of such person will be consistent with the public interest, convenience or necessity and with the best interests of thoroughbred racing generally, in conformity with the purposes of the act, it shall thereupon grant a license. If the commission shall find that the applicant fails to meet any of said conditions, it shall not grant such license and it shall notify the applicant of the denial.

(e) **Suspension, revocations.** If the commission shall find that the financial responsibility, character and general fitness of the licensee are such that the continued participation of such person will not be consistent with the public interest, convenience or necessity, and with the best interests of thoroughbred racing generally, in conformity with the purposes of the act, it shall thereupon revoke, or suspend said license.

(f) **Honor suspensions by other authorities.** The commission shall honor any suspension or ruling off by any other racing jurisdiction in this country or elsewhere.

(g) **Unlicensed activity forbidden.** No person requiring a license from the commission shall carry on any activity whatsoever upon the premises of an association unless and until he has been so duly licensed, except that any such person with the consent of the commission steward may so act pending action on his application duly filed and with the exceptions specified in rule (b) (1) of section 12-574-A22 and rule (b) of section 12-674-A23. Any person who employs anyone in contravention of these regulations may be fined or suspended.

(h) **Surrender of license.** All licenses shall be the property of the commission. All licenses which are terminated by the commission and all licenses held by persons whose positions have been terminated or who have voluntarily retired or quit shall be surrendered to the commission within twenty-four (24) hours of said termination.

(i) **Examination of licenses.** All persons who have been issued a license by the commission must keep such license in his possession subject to the examination by the commission or its duly authorized representatives, or officials of the association at any time they may deem necessary or proper.

(j) **Responsibility of employer on discharge of employee.** When an owner or trainer discharges a licensed employee, or when such employee voluntarily leaves

the employ of an owner or trainer, the said owner or trainer shall immediately notify the commission steward of such discharge or resignation. The failure to so notify the commission steward shall subject the owner or trainer to a fine or suspension or both.

(k) **Corporations, partnerships.** (1) (A) No license as an owner shall lie granted to the lessee or lessees of any corporation, syndicate or partnership unless such corporation, syndicate or partnership shall have no more than ten (10) stockholders or members, as the case may be, each of whom shall be the registered and beneficial owner of stock or membership III such corporation, syndicate or partnership; and every such stockholder or member is required to be licensed as an owner. The commission, by unanimous vote of its members, may waive this rule with respect to any one horse owned by any said corporation, syndicate or partnership, to enable it to participate in a meeting.

(B) For the purposes of this rule, the stockholders or members who bear to each other the relationship of husband and wife, parent and child, grandparent and grandchild, sister and brother shall be regarded collectively as one stockholder or member, as the case may be.

(2) The stockholders or members of any corporation, syndicate or partnership which leases horses for racing purposes in the state of Connecticut shall make and file with the commission as and when requested by it, a report or reports under oath containing such information as the commission may specify; and upon refusal or failure to file any such report or reports the commission may refuse a license to any lessee or lessees of such corporation, syndicate or partnership or may revoke any such license which it may have granted.

(3) Any transfer of stock of such corporation or change in the officers or directors shall be reported in writing to the commission steward at the track within forty-eight (48) hours of such change. The commission steward shall immediately transmit such information to the commission.

(l) **Procedure for revocation.** No license shall be revoked unless such revocation is at a meeting of the commission on notice to the licensee who shall be entitled to a hearing in respect to such revocation. The hearing may be conducted by the commission or a sub-committee of four commissioners who shall report their findings to the commission.

(m) **Certain disqualifications.** No person shall be eligible for an owner's or trainer's license if, during the term of such license, he would practice as Tarrier or veterinarian with horses racing under the jurisdiction of the commission; provided, however, that a duly licensed owner may personally shoe a horse owned by him upon applying for and receiving a certificate of fitness therefor from the commission.

(n) **Unauthorized use of credentials.** No licensee shall permit any other person or persons to use his badge or credentials for entering into any part of the track. Any licensee who violates this rule is liable to suspension or a fine of not exceeding \$200.00 or both, and if he continues to violate the rule, he may be ruled off or otherwise punished, as the commission may decide.

(o) **Duration of license.** No license shall be granted for a longer period than one year, and every such license shall expire on the 31st day of December of the year of the date of its approval.

(p) **Authorized agents.** (1) An owner may appoint an authorized agent by filing an appointment form with the commission provided the agent files an application for a license to act as authorized agent and pays the prevailing fee. Such appointment must first be approved by the commission before such agency becomes effective.

(2) An authorized agent may appoint a sub-agent, who must be licensed as an authorized agent, only when the appointment form authorizes him to so act.

(q) **Payment of fines.** Any person who pays a fine imposed on another may be fined or suspended.

(r) **New riders.** A license to ride shall not be granted to a person who has never ridden in a race. Persons who have never ridden in a race may be allowed by the stewards to ride twice before applying for a license pursuant to rule (a) of section 12-574-A36 of these rules.

(s) **Probationary permit.** Probationary permits may be issued by the commission to jockeys, apprentices and exercise boys who have been disciplined. During the period of the aforementioned probationary permit, it may be revoked by the commission upon the recommendation of the stewards. After one year, said probationer shall be eligible for a regular license in his proper classification.

Sec. 12-574-A10. Telephone and telegraph

(a) **Commission approval.** No telephone, telegraph, teletype, semaphore, signal device, radio, television or other method of electrical, mechanical, manual or visual communication shall be installed within the enclosure of any association until same has been approved by the commission.

(b) **Closing telephones, telegraph.** All public telephones and telegraph wires on the grounds of the association conducting the meeting shall be closed thirty (30) minutes before opening of the pari-mutuel windows for the first race of a program. No calls or wires shall be allowed to be made or received after the telephones and telegraph wires are closed until after the last race of a program has been finished except by the officials of the commission, by duly authorized officers and officials of the association, or duly accredited members of the press.

(c) **Approval for radio, television, press.** (1) Any association licensed by this commission desiring to broadcast, televise, or transmit by press wire pertinent information relating to any race run at its track not inconsistent with any state or federal law, shall first file with the commission an application for its approval and such other information as the commission may request.

(2) Associations may permit, subject to the approval of the commission, representatives of the public press to send, for the exclusive use of such press, news items, "scratches" and changes of jockeys and equipment and also the results of each race after the same has been declared official together with the amounts of the final pools and the payoff prices of such races; and associations may permit telephone, telegraph and teletype wires and equipment on their respective premises during race meetings for the use of such representatives of the public press and for the transaction of the ordinary business of the association and the commission, but no message shall be sent in or out of the association's premises by any communication device or means transmitting money or other thing of value or directing the placing of any wager on the result of a race, excluding information relating to off-track betting conducted and operated by the commission, nor shall any such message be sent unless in plain and intelligible english.

(d) **Prohibition.** No patron or employee is permitted to have in their possession any radio transmitter or any transmitting device while present at the track during any racing programs unless specifically approved by the commission.

Sec. 12-574-A11. Accounting

(a) **Requirements.** (1) Associations shall so keep books and records as to clearly show the total amount of money contributed to every pari-mutuel pool on each race

separately and within sixty (60) days after the conclusion of every race meeting shall submit to the commission a complete audit of its accounts, certified by a public accountant licensed to practice in the state, and in addition, shall submit a detailed annual audit to the commission.

(2) These audits shall become and be maintained in the commission's confidential files and shall include, although not limited to, the following statements and schedules:

- (A) Balance sheet.
- (B) Profit and loss statement.
- (I) Statement application of funds.
- (D) Daily distribution of pari-mutuel handle schedule.
- (E) Daily admissions, receipts and taxes schedule.
- (F) Insurance schedule (this should include the names, addresses of all companies with whom the policies have been placed as well as the agent with whom the policies have been placed).
- (G) schedule.
- (H) Salaries and wages of all departments.
- (I) Salaries paid to officials and department heads.
- (J) Contribution or donation schedule.
- (K) Miscellaneous revenue schedule (this shall be in detail as to source).
- (L) Illegal and accounting fees schedule.
- (M) Travel and entertainment schedule (in complete detail showing the actual disposition of these funds).
- (N) Taxes paid and accrued.
- (O) Advertising expense.
- (P) Organizational data (listing directors, officials, etc., a schedule of stockholders may be submitted under separate cover).
- (Q) Certificate of accountant who prepares audit.

(b) **Commission inspection.** The commission or its duly authorized representatives and the tax commissioner or his agents are authorized to enter upon the premises of any association for the purpose of inspecting books and records, and examining cashiers, ticket sellers and other persons handling money on said premises.

Sec. 12-574-A12. Uncashed tickets

(a) **Outsbook.** Every association shall carry on its books an account which shows the total amount due on outstanding unredeemed mutuel tickets, which represents the winning tickets not presented for payment. In the event of a payoff discrepancy, such winning tickets remaining unpaid at the close of each program shall be entered in the "outs" book at the actual price paid to the public. A record of all unpaid pari-mutuel tickets shall be prepared and forwarded to the commission within thirty (30) days after the last day of each race meeting.

(b) **Requirements.** (1) The "outsbooks" shall be compiled by data processing systems or computerized totalisator equipment, and the following minimum requirements shall apply:

(A) All printed outs summaries and printed outs ledger sheets shall be placed in a separate binder in chronological order. Safeguarding of these records is a management responsibility.

(B) These daily ledger sheets shall include the date, race, winning number, price paid per ticket, amount outstanding from previous performance, tickets paid for each performance and new balance outstanding.

(C) Totalisator codes for each performance shall be maintained in a separate binder or volume with the official finish and price paid per ticket by denomination.

(c) **Certifications.** (1) It shall be the responsibility of each association to see that the following certificate(s) is entered in the rear of each "outsbook" it maintains and is signed by the proper track employee(s).

The undersigned hereby certifies that all the (deduction) (addition) entries on the pages covering the dates of through were made from valid tickets and/or documents and are, to the best of my knowledge and belief, correct.

.....
Signature

(2) If two or more track employees have the duty of making entries in the outsbook(s), the above certification shall be required of each, striking out the appropriate word in parenthesis.

(3) A new certification shall be required upon change of an employee's duties which concerns the outsbook(s).

(d) **Cashing tickets.** When cashing pari-mutuel tickets which have previously been entered in the "outsbook," each association shall be responsible to see that on the back of each ticket there is clearly stamped the number of the cashier and the words "out ticket." All tickets so cashed shall be retained for a period of eighteen (18) months from the date they were cashed unless prior written permission to destroy has been granted by the commission.

(c) **Copies to commission.** A copy of the money room report showing the daily "outs" and a copy of the outstanding tickets report prepared by the calculating room showing the daily accumulation of the "outs" totals shall be delivered to the commission by the association within forty-eight (48) hours after the close of each program.

(f) **Records to be retained.** No records pertaining to pari-mutuel operations or cashed winning pari-mutuel tickets shall be destroyed without permission of the commission.

(g) **Limitations.** No tickets are to be honored for payment unless presented for payment not later than one year from the last day of the meet in which the ticket was purchased. The value of all such tickets shall be paid over to the state upon expiration of this limitation period.

(b) **Money retained in regular operating account.** All money representing the amount due on outstanding unredeemed mutual tickets shall be retained in the regular operating account of the association during the period of its licensed meeting. Within forty-eight (48) hours from the finish of the last race of the last day of the meeting, all amounts due on outstanding unredeemed mutuel tickets shall be placed in a special account specifically for this purpose from which payments shall be made pursuant to these rules and regulations.

Sec. 12-574-A13. Remittance of monies accrued from underpayment in the mutuels, and collection of fines

(a) All monies accruing from underpayment to the public in the mutuels, by reason of error or mechanical mishaps to tote machines, from day to day, shall be paid over to the state of Connecticut by the close of the next banking day.

(b) All monies collected as fines or penalties by the stewards upon jockeys, licensed participants, trainers or association employees shall be paid over to the state of Connecticut by the close of the next banking day.

Sec. 12-574-A14. Pari-mutuel operations

(a) **Mutuel manager.** The association shall appoint a mutuel manager who shall be licensed by the commission. The mutuel manager is held responsible for the correctness of all payoff prices posted on the board. Before the mutuel department of any racetrack posts the payoff prices of any pool for any race the mutuel manager shall require each of the calculating sheets of such race to be proved by the calculators, and winners verified. Such proof shall show pay-breaks-commission and added together show they equal total pool. All pay slips are to be checked with calculating sheets as to winners and prices before being issued to cashiers, and all board prices are to be rechecked with the calculator before they are released to the public.

(b) **Posting of rules.** Such rules for pari-mutuel betting as may be specified from time to time by the commission shall be reproduced in legible type and permanently displayed in locations within all betting areas of the premises of racing associations. The daily racing programs sold to the public by racing associations shall contain a statement indicating that such rules are posted in all betting areas.

(c) **Permitted sales.** Within tile enclosure of an association, but not elsewhere, the sale of pari-mutuel tickets under such regulations as the commission shall provide is hereby authorized and permitted.

(d) **Mutuel department.** The mutuel department at every race meeting must be conducted in a strict, dignified and proper manner. All pari-mutuel selling machines, in addition to those on the main betting lines in the clubhouse and grandstand, must be located only in places easily accessible and in plain view of the general public.

(e) **Every employee identified.** Every employee of the mutuel department shall be so designated by number and name, that easy identification may be made by the public. Every employee of the mutuel department must obtain a license from the commission and pay any fee required by the act.

(f) **Sales and exchange of tickets.** No pari-mutuel tickets shall be sold except through regular ticket windows properly designated by sign showing type of tickets sold at each particular window. All ticket sales shall be for cash. Any claim by a person that a wrong ticket has been delivered to him must be made before leaving the mutual ticket window. The prevailing provisions of the act are to be enforced in all matters pertaining to tax, breakage, and track commission on pari-mutuel wagering. The method and manner of selling pari-mutuel tickets shall be approved by the commission. The commission's approval shall include the number of windows, the distribution of windows, and the manner and denominations in which parimutuel tickets shall be sold.

(g) **Presentation for payment.** Payment of winning pari-mutuel tickets shall be made only upon presentation and surrender of such tickets. No claims shall be allowed for lost or destroyed winning tickets.

(h) **Presentation deadline.** All winning pari-mutuel tickets must be presented for payment before one year from the date of close of the meeting when said tickets were purchased, and failure to present any such ticket within the prescribed period of time shall constitute a wader of the right to participate in the award or dividend. All monies not redeemed by the failure of presenting winning pari-mutuel tickets within this deadline shall revert to the state, pursuant to the act. An association shall print in its daily program an address to which all holders of unclaimed tickets

may forward their tickets to the association for payment during the period of time that the association is not conducting a meet up until the expiration of the time limit for presenting claims.

(i) **Mutilated tickets.** Mutilated pari-mutuel tickets or those whose validity is questioned shall be submitted to the commission, or its designated staff representative, for inspection and the ruling of said commission, or represented, shall be final and conclusive.

(j) **Notification of entries.** The manager of the parimutuel department shall be properly and timely advised by the racing secretary prior to the beginning of the wagering on each race of the entries that will compete in the race.

(k) **Payments; minimum payments.** Payments due on all wagers shall be made in conformity with the well-established practice of the pari-mutuel system. The practice is to work in dollars and not in number of tickets. The "break" permitted by law is deducted in all of the calculations arriving at the payoff prizes; i.e., the odd cents (¢) of any multiple of ten (10) cents (¢) of winnings per dollar wagered are deducted and retained by the licensee, half of which is to be remitted to the state. The minimum pari-mutuel payoff by any association conducting parimutuel wagering shall be \$2.10 on each winning \$2.00 wager. In the event a minus occurs in either the win, place, or show pool, the expense of said minus pool shall be borne by the association and the state shall receive its share including half the breaks of the remaining pool.

(l) **Minors barred.** No association shall permit any minor to purchase or cash pari-mutuel tickets, nor shall any minor be permitted at a mutuel window at any time.

(m) **Pari-mutuel employees prohibition.** No employee of the pari-mutuel department of an association shall be permitted to wager at the mutuel windows of an association at which he is employed. However, pari-mutuel employees shall be responsible for tickets punched out in error. In such instances, the pari-mutuel employee shall pay for such tickets punched out in error and shall be the owner thereof. Any pari-mutuel employee who continuously punches out tickets in error may be subject to dismissal.

(n) **When sellers' windows open.** Mutuel sellers' windows shall open at least thirty (30) minutes before the first race and at least twenty (20) minutes before each other race.

(o) **Selected by numbers.** Selections are to be made by program numbers and not necessarily by post position numbers. Large numbers appearing on the tickets are program numbers of the horses.

(p) **Sales not completed.** No association shall be responsible for ticket sales not completed when the machines are locked.

(q) **Hold tickets.** Tickets should be retained until the results have been declared official.

(r) **Cashiers' windows.** Mutuel cashiers' windows shall open as soon as possible after the official notice has been posted. After the last race of a program mutuel cashiers' windows shall remain open until all patrons in line have been afforded the opportunity to cash in their winning tickets.

(v) **Win-place-show pool requirement.** At horse tracks, in all races, except sweepstakes, with five (5) or more separate entries which start, racing associations shall provide win, place and show pools. In all races with four (4) separate entries which start, they shall provide win and place pools only. In races of three (3) or two (2) separate entries which start, they shall provide a win pool only; and pari-mutuel tickets shall be sold accordingly; provided, however, that in sweepstakes

with less than four (4) separate entries which start, racing associations may, at their option, provide that there shall be no betting; and in such cases an additional race with betting shall be added to the program.

(w) **Failure of starting gate.** (1) Every horse shall be considered a starter when the stall gates open on the signal of the starter.

(2) If it be determined by the stewards that a horse has been prevented from racing because of the failure of the stall door of the starting gate to open, the money bet on that horse shall be refunded; except that when the horse is part of an entry or the "field," there shall be no refund, if the entry of the "field," as the case may be, has at least one actual starter.

(3) In any race, if less than five (5) horses in different interests leave the stalls, the whole amount wagered in the show pools shall be promptly refunded.

(4) In any race, if less than four (4) horses in different interests leave the stalls, the whole amount wagered in the place and show pool and in quinella, exacta, trifecta, and superfecta pools, if there be any, shall be promptly refunded.

(5) In any race, if less than two (2) horses leave the stalls, the whole amount wagered in the win, place and show pool, and in quinella, exacts, trifecta, and superfecta pools, if there be any, shall be promptly refunded.

(x) **Scratches.** (1) If a horse be excused from racing for any reason whatsoever, after the betting thereon has begun, the money bet on that horse shall be refunded; except that when the horse is part of an entry or the "field," as the case may be, and the entry or field has at least one actual starter.

(2) If, in such a case, the number of starters in separate interests become less than five, the show pool shall be entirely cancelled and refund made, or if less than four starters in separate interests, the place pool shall be entirely cancelled and refund made.

(y) **Refunds.** (1) No winner—If no horse finishes in a race, all money wagered on that race shall be refunded.

(2) If a race is declared off by the stewards after wagering begins on that race, all money wagered on that race shall be refunded.

(3) If a horse race is marred by jams or spills while a race is being run, and three (3) or more horses finish, the stewards shall declare the race finished, but if less than three (3) horses finish, the stewards shall declare it "no race" and monies shall be refunded. In the event the starting gate cannot be removed from the track so as to impose a peril on the horses running, the stewards shall declare that the race be "no race" and monies shall be refunded.

(z) **Machines locked.** All pari-mutuel machines shall be locked by electrical control. Each association shall provide and maintain in the stewards' stand an electrical device which shall directly control the locking of all parimutuel machines. The machines shall be locked by the commission steward. The machines shall be locked prior to the opening of the starting gate. The machines shall be unlocked at least twenty (20) minutes before the next race by the mutuel manager. Unless permission is granted from the commission steward and as a result of delays arising from an inquiry, pari-mutuel machines shall not be unlocked until after a race has been declared "official."

(aa) **Use of totalisator.** (1) Associations are required to install and maintain continuously during each meeting an electric totalisator, which shall automatically register the wagers made on each horse, for win, place or show, and other approved forms of wagering, and print and issue a ticket representing each such wager.

(2) Such totalisator shall be so designed that it will aggregate the total amounts and the amounts on each horse, entry or field, so wagered from time to time as the wagering progresses. There shall be operated in connection with such totalisator, one or more boards on which shall be prominently displayed within view of the public, winning odds on each horse as indicated from time to time during the progress of such wagering, and at intervals of not more than ninety (90) seconds between each complete change. The posting of the winning odds shall begin immediately after there is \$1,000.00 (more or less, depending on the circumstances) in the straight pool. These "odds," however, are approximate, and not the exact figures used in the payoff. The odds to be posted shall be the winning odds on each horse to win in each race. The odds on each combination in the daily double and the odds on each combination in quinella and exacta wagering, if any, shall be posted on television screens throughout the grandstand and club house.

(3) The association shall test the totalisator equipment at the opening of each racing day, said test to be made under the supervision and direction of the commission or such agents as the commission may appoint.

(4) Before the wagering starts on each race, the morning line showing "odds" on each horse shall be posted on the public board.

(b) **Pool discrepancy on tote board.** Whenever there is a difference in any pool or pools, i.e., a difference between the sum total of the wagers on the individual entries as compared with the grand total as shown by the tote boards or whenever the tote boards fail mechanically and are obviously unreliable as to the amounts wagered, the payoff shall be computed on the sums wagered in each pool as shown by the recapitulation of the sales registered by each ticket issuing machine.

(c) **Overpayment.** In the event that an association overpays to the public in a given race, the association shall bear the expense of such overpayment and the percentage to be given to the state pursuant to the act shall be derived from the actual handle of the specific pool in which an overpayment occurs.

(d) **Payoff errors on tote board.** If any error is made in posting the payoff figures on the public board, it shall be corrected promptly and only the correct amounts shall be used in the payoff, irrespective of the error on the public board. If because of a mechanical failure it is impossible to promptly correct the posted payoff, a statement shall be made over the public address system stating the facts and corrections.

(e) **Adjustment of underpayment caused by error.**

(1) Each licensee shall pay to the state of Connecticut on the day following each day of a racing meeting all monies accruing from underpayment to the public in the mutuels whether caused by an error of any official, by a refund ordered by the officials contrary to the rules and regulations as adopted by the commission, by an error made by a calculator or the calculators, by an error made by any employee of the association, or by reasons of errors or mechanical mishaps of totalisator machines.

(2) Immediately upon the discovery of such an error, the commission shall be furnished a detailed statement thereof in writing, signed by the manager of the mutual department.

(f) **Last change in approximate odds.** The last change on approximate odds boards shall be made at once after the close of the mutuels by flashing the total amount wagered in each pool, and the total wagered on each horse, entry or field. Immediately thereafter the approximate odds on the win pool shall be figured and shown without delay.

(1) The take-off on each pool, showing total amount wagered, and the amounts wagered on each horse, entry or field, shall immediately be posted for the inspection

of the public on a bulletin board at, or adjacent to, the mutual department, such posting to be made as soon as possible after the completion of the race. Such copies shall be left on the bulletin board until the close of the day's program. Copies of said take-off from the totalisator shall be delivered at once to the manager of the mutuels.

(2) If any additional method of calculation or checkup is used or undertaken, exact carbon copies of all such records and sheets shall be handed to the manager of mutuels as soon as possible after each race.

(3) The manager of mutuels shall retain all of said records and shall place them in the office of the commission at the end of each day or the next morning, if night racing is held.

(gg) **Breakdown of totalisator.** In the event of an irreparable breakdown of the totalisator or the ticket issuing machines, or both, during the wagering on a race, the wagering for that race shall be declared closed. The mutuel manager shall determine whether a refund shall be made on the tickets purchased for that race, or whether the payoff for that race shall be computed on the sums wagered in each pool up to the time of the breakdown. The mutuel manager, in conjunction with the stewards shall determine whether the remaining races shall be cancelled or whether there shall just be a suspension of wagering until the defective machinery has been put in order. In the event of such a suspension, races may be run without betting at the discretion of the mutuel manager and the stewards.

(hh) Calculations end records. (1) A complete detailed record of each race containing each change of readings of approximate odds of the win pool, and the actual "payoff" on each horse shall be filed with the commission at the end of each racing day of the meeting along with a print out of the total amounts wagered in each pool and the actual "payoff" on each horse in each such pool.

(2) All payments due the state for each day of a meeting, pursuant to the act, shall be paid by the association to the commission no later than the close of the next banking day.

(ii) **Reporting of irregularities.** The mutuel manager and any employee of the totalisator company shall report the discovery of any irregularities or wrongdoings by any person involving pari-mutuel wagering immediately to the commission.

(jj) **Bettor information requested.** All associations shall refuse payment to any ticket holders of any type pool payoff of \$600.00 or more for each \$2.00 wager, who refuse to furnish their signature and the proper paper identification as to their name and address.

(kk) **Pools - calculation and distribution.** The parimutuel pools shall be calculated and distributed as follows:

(1) Win, place, show, daily double or other wagers form separate wagering pools with payoffs calculated independently of each other.

(2) From each pool there shall be deducted the amount specified by the act for the state and the association, the remainder being the net pool for distribution.

(3) Win pool.

(A) The net pool divided by the amount wagered on the horse finishing first determines the payoff per dollar, including profit and wager.

(B) When two horses finish first in a dead heat, the money in the win pool is divided the same as in a place pool calculation.

(4) Place pool.

(A) The amounts wagered on horses finishing first and second are deducted from the net pool to determine the profit. This profit is divided in half, and the halves,

in turn, divided by the two amounts mentioned above. This determines the profit per dollar, to which is added the wager.

(B) When two horses finish second in a dead heat one-half of the profit is allocated to the tickets representing wagers on the horse finishing first, and the remaining half is allocated equally to the wagers on horses finishing in the dead heat for second.

(C) When two horses in the field or coupled as an entry run first and second, the place pool shall be distributed the same as in a win pool.

(5) Show pool.

(A) The amounts wagered on the horses finishing first, second and third are deducted from the net pool to determine the profit. This profit is divided into three equal parts, and each part, in turn, divided by the three amounts mentioned above. This determines the profit per dollar, to which is added the wager.

(B) When two horses finish third in a dead heat, one-third of the profit is allocated to the tickets representing wagers on the horse finishing first, one-third to the wagers on the horse finishing second, and the remaining third equally to the wagers on the horses finishing in the dead heat for third.

(C) When two horses in the field or coupled as an entry finish first and second, first and third, or second and third, two-thirds of the profit is allocated to the tickets representing wagers on the field or entry, and the remaining one-third to the wagers on the other horse.

(D) When one horse in the field or coupled as an entry finishes first or second, and the other part of the entry or field finishes third in a dead heat with another horse one-half of the profit is allocated to the tickets representing wagers on the field or entry, one-third to the horse finishing first or second, and the remaining one-sixth to the wagers on the horse finishing third in the dead heat with the field or entry.

(E) When three horses in the field or coupled as an entry run first, second and third, the place and show pools shall be distributed the same as a win pool.

(6) Payment where no wagering on a horse in the win, place or show pools.

(A) In the event that there is no money wagered to win on a horse which has finished first, the net win pool shall be distributed to holders of win tickets on the horse finishing second.

(B) In the event that there is no money wagered to place on a horse which has finished first or second, then, the horse which finished third shall replace that horse in the distribution of wagers in the place pool.

(C) In the event that there is no money wagered to show on a horse which has finished first, second or third, then, the horse which finished fourth shall replace that horse in the distribution of wagers in the show pool.

(II) **Official results.** (1) At the end of each race, the stewards shall advise the manager of the pari-mutuel department by the use of tote equipment or telephone of the official placement of the horses, and no payoffs shall be made until the receipt of such notice and the declaration that the result is "official" by flashing the word "official" on the result board.

(2) The posting on the result of the order of winning, place and show horses, or the prices to be paid, shall not be deemed to signify that such result and prices are official until the "official" signal has been shown on the result board or announced by the public address system.

(3) Any ruling of the stewards with regard to the award of purse money made after the sign "official" has been purposely displayed shall have no bearing on the mutuel payoff.

(mm) **Emergencies.** Should any emergency arise in connection with the operation of the pari-mutuel department not covered by these rules and an immediate decision is necessary, the manager of the pari-mutuel department shall make the decision, and shall make an explanation in detail in a written report to the commission representative in the pari-mutuel department, and said report shall be forthwith forwarded to the commission.

Sec. 12-574-A15. Daily double

(a) **Rules governing.** At tracks which have the daily double pool, the rules of this section will govern the system used.

(b) **Permitted.** Daily double wagering is permitted during any single racing program. An association may not hold more than one daily double on a single racing program unless express written consent shall be given thereto by the commission upon written application therefor.

(c) **Rules printed in program.** The rules for daily double shall be printed in the daily racing programs sold to the public within the premises of racing associations.

(d) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(e) **Not a parlay.** The daily double is not a "parlay" and has no connection with or relation to any other pool, and is no part of the win, place and show pools, quinella, exacts, trifecta, superfecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(f) **Prerequisites.** In order to win a daily double, it is necessary for the purchaser of a daily double ticket to select the winners of each of the two (2) races specified for the daily double. If either of his selections fails to win, he receives no payment, except as hereinafter provided.

(g) **Hurdle races, steeplechase not included.** No hurdle race or steeplechase shall be included in the races comprising the daily double unless express written consent shall be given thereto by the commission upon written application therefor.

(h) **Selected by numbers.** Selections are to be made of one horse for each of two (2) races in the daily double by program number, and not necessarily by post position number. Large numbers appearing on the tickets are program numbers of the horses.

(i) **Posting the payoff.** The possible payoff of each combination coupled with the winner of the first half of the daily double shall be posted in a prominent place easily visible from the grandstand club house and bleachers after the result of the first race is declared "official" and before second race is run, except in the event of a dead heat in the first race, when the posting of the payoff may be deferred until the second race has been run. However, announcement of this fact must be made over the loud speaker and notice to this effect be posted on the board at the conclusion of the first half of the daily double.

(j) **Calculation, distribution of pools.** The daily double pool shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet.

(k) **Failure to select a winner and race cancellations.** (1) If no daily double ticket is sold designating the winner of the first race, or the first race is cancelled or declared "no race," the daily double shall be declared off and the gross pool refunded.

(2) If no daily double ticket is sold combining the winners of the first and second races, or the second race is cancelled or declared "no race," the net pool shall be

distributed to holders of tickets designating the winner of the first race, as in a win pool and the daily double shall terminate.

(l) **Dead heats.** (1) In the event of a dead heat either in the first race or second race of the daily double, two winning combinations result. The amounts wagered on both winning combinations are deducted from the net pool to determine the profit. This profit is divided in half, and the halves, in turn, divided by the two amounts mentioned above. This determines the profit per dollar, to which is added the amount of the wager.

(2) In the event of a dead heat in both races of the daily double, four winning combinations result. The amounts wagered on these four winning combinations are deducted from the net pool to determine the profit. This profit is divided into four equal parts, and each part, in turn, divided by the four amounts mentioned above. This determines the profit per dollar, to which is added the amount of the wager.

(m) **Effect - horse scratched, excused.** (1) Should any horse in the first or the second race of the daily double be scratched or excused by the stewards before the running of the first race, or be prevented from starting in the first race because of the failure of the starting gate door to open, all money wagered on combinations including such horse shall be deducted from the daily double pool and shall be refunded upon presentation and surrender of pari-mutuel tickets sold thereon.

(2) Should any horse in the second race of the daily double be scratched or excused by the stewards after the running of the first race of the daily double, or be prevented from starting because of the failure of the starting gate door to open, a consolation pool will result. In such a case, all tickets combining the scratched or excused horse with the actual winner of the first race shall become consolation tickets and shall be paid a price per dollar bet determined as follows: the net daily double pool shall be divided by the total purchase price of all daily double tickets designating the winner of the first race of the daily double and the result obtained shall constitute the consolation price per dollar bet. The amount set aside for these consolation payoffs will be deducted from the net daily double pool.

(3) If the holder of a ticket loses the first race of the daily double, and the horse is scratched, excused or prevented from racing in the second race, no money shall be refunded.

(n) **Permitted sales.** Sale of daily double tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

(o) **Hold tickets.** Tickets should be retained until the results have been declared official.

(p) **Denomination of tickets.** Daily double tickets shall be sold only in denominations approved by the commission.

Sec. 12-574-A16. Application for quinella, exacta, trifecta, superfecta wagering

Any association desiring to implement quinella and/or exacta and/or trifecta and/or superfecta wagering shall request permission from the commission in writing at least ninety (90) days prior to the beginning of its licensed meet. Said request shall contain the type of wagering/wagering desired, the specific races in which each of these types of wagering is desired, the denomination of tickets the association wishes to utilize, a copy of the ticket design to be utilized, the number of ticket selling windows the association plans to allocate to these forms of wagering, and any plans the association has to inform the bettors of the running odds on these types of wagers. The commission shall inform the association no later than thirty

(30) days prior to its licensed meet of its decision which shall be final. The commission shall have the discretion to not allow any type of wagering specified in this section to be undertaken by an association. If the commission grants approval of any type of wagering specified in this section, the regulations governing that type of wagering as set forth in sections 12-574-A17 to 12-574-A20 shall govern. No other form of multiple wagering shall be permitted.

Sec. 12-574-A17. Quinella

(a) **Rules governing.** At tracks which have the quinella pool, the rules of this section will govern the system used.

(b) **Permitted.** Quinella wagering shall be permitted only in accordance with section 12-574-A16 of these regulations.

(c) **Rules printed in program.** The rules for quinella shall be printed in the daily racing programs sold to the public within the premises of racing associations.

(d) **Definition.** The quinella is a contract by the purchaser of a ticket combining two (2) horses in a single race, selecting the first two finishers as officially posted in either order such as 1-2 or 2-1. All quinella tickets will be for the win and place combination only.

(e) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the seller's window.

(f) **Not a parlay.** The quinella is not a "parlay" and has no connection with or relation to any other pool, and is no part of the win, place and show pools, daily double, exacta, trifecta, superfecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(g) **Selected by numbers.** Selections are to be made by program numbers and not necessarily by post position numbers. Large numbers appearing on the tickets are program numbers of the horses.

(h) **Winning quinella combination.** The winning quinella combination shall be the first two horses to finish the race. The order in which the horses finish is immaterial.

(i) **Calculation and distribution of pools.** The quinella shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet, including profit and wager.

(j) **Entries, fields.** Coupled entries and fields are prohibited in quinella races.

(k) **Scratched or excused horses.** Should any horse entered in a quinella race be scratched or excused by the stewards after wagering has commenced or should any horse be prevented from racing because of the failure of the stall doors or the starting gate to open, all tickets including such horse shall be deducted from the quinella pool and money refunded to the purchasers of tickets on the horse so excused or prevented from racing, upon surrender of said tickets.

(l) **Determination of winners.** In the event no ticket is sold on the combination of the first two horses in the official placing, then the next horse or horses, in case of dead heats, in the order of official placing shall be included in the winning combination. In the event of a dead heat for second position and no ticket is sold on one of the horses involved, in the dead heat combined with the winner, the entire pool shall be paid to holders of tickets which combine the winner with the other horse in the dead heat.

(m) **Refund.** If no ticket is sold that would require distribution of the net quinella pool to winners as above defined, the association shall make a complete and full refund of the quinella pool upon surrender of the quinella tickets so purchased.

(n) **Dead heats.** In the event of a dead heat for first position, the pool shall be paid to holders of tickets which combine the two horses involved in the dead heat. In the event of a dead heat for second position, two winning combinations result and the pool shall be divided equally between the holders of tickets which combine the winner with the horses involved in the dead heat for second position. In like manner, in the event of a triple dead heat for second position, three winning combinations would result. In the event of a triple dead heat for first position, three winning combinations would result.

(o) **Permitted sales.** Sale of quinella tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

(p) **Hold tickets.** Tickets should be retained until the results have been declared official.

(q) **Denomination of tickets.** Quinella tickets shall be sold only in denominations approved by the commission.

Sec. 12-574-A18. Exacta

(a) **Rules governing.** At tracks which have the exacta pool, the rules of this section will govern the system used.

(b) **Permitted.** Exacta wagering shall be permitted only in accordance with section 12-574-A16 of these regulations.

(c) **Rules printed in program.** The rules for exacta shall be printed in the daily racing programs sold to the public within the premises of racing associations.

(d) **Definition.** The exacta is a contract by the purchaser of a ticket combining two (2) horses in a single race, selecting the first two (2) finishers in the exact order of finish as officially posted. All exacta tickets will be for the win and place combination only.

(e) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(f) **Not a parlay.** The exacta is not a "parlay" and has no connection with or relation to any other pool, and is no part of the win, place and show pools, daily double, quinella, trifecta, superfecta, or other wagering pool. All tickets will be calculated in an entirely separate pool

(g) **Selected by numbers.** Selections are to be made by program numbers and not necessarily by post position numbers. LARGE numbers appearing on the tickets are program numbers of the horses.

(h) **Calculation and distribution of pools.** The exacta shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet, including profit and wager.

(i) **Determination of winners.** If no ticket is sold on the winning combination of an exacta pool, the net pool shall be distributed as a place pool between holders of tickets selecting the winning horse to finish first, and/or holders of the tickets selecting the second place horse to finish second.

(j) **Refund.** If no ticket is sold that would require distribution of the net exacta pool to winners as defined in this section, the association shall make a complete and full refund of the exacta pool upon surrender of the exacta tickets so purchased.

(k) **Dead heat.** (1) In the event of a dead heat for win, the net pool shall be distributed to each combination of winners separately as in a win pool dead heat, e.g., in a dead heat of two horses there are two winning combinations, in a dead heat of three horses there are six winning combinations.

(2) In the event of a dead heat for second the net pool shall be divided as in a win pool dead heat among holders of tickets combining the winner with each second place horse.

(l) **Entries, fields.** Coupled entries and fields are prohibited in exacta races.

(m) **Scratched or excused horse.** Should any horse entered in an exacta race be scratched or excused by the stewards after wagering has commenced, or should any horse be prevented from racing because of the failure of the starting gate to open, all tickets including such horse shall be deducted from the exacta pool and money refunded to the purchasers of tickets on the horse so excused or prevented from racing.

(n) **Permitted sales.** Sale of exacta tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

(o) **Hold tickets.** Tickets should be retained until the results have been declared official.

(p) **Denominations of tickets.** Exacta tickets shall be sold only in denominations approved by the commission.

Sec. 12-574-A19. Trifecta

(a) **Rules governing.** At tracks which have the trifecta pool, the rules of this section will govern the system used.

(b) **Permitted.** Trifecta wagering shall be permitted only in accordance with section 12-574-A16 of these regulations.

(c) **Rules printed in program.** The rules for trifecta shall be printed in the daily racing programs sold to the public within the premises of the racing association.

(d) **Definition.** The trifecta is a contract by the purchaser of a ticket combining three (3) horses in a single race, selecting the first three (3) finishers in the exact order of finish as officially posted.

(e) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(f) **Not a parlay.** The trifecta is not a “parlay” and has no connection with or relation to any other pool, and is no part of the win, place and show pools, daily double, exacta, quinella, superfecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(g) **Selected by numbers.** Selections are to be made by program numbers and not necessarily by post position numbers. Image numbers appearing on the tickets are program numbers of the horses.

(h) **Calculation and distribution of pools.** The trifecta shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet, including profit and wager.

(i) **Entries, fields.** Coupled entries and fields are prohibited in trifecta races.

(j) **Determination of winner, refund.** If no ticket is sold on a winning combination of a trifecta pool, the net pool shall then be apportioned equally between those having tickets selecting the first and second place horses. If no ticket is sold selecting the first and second horse in the trifecta pool, the net pool shall then be apportioned equally between those having tickets selecting the horse or horses that finished first in the trifecta race. Failure to select the winner to win shall cause a refund to all trifecta ticket holders.

(k) **Scratched or excused horse.** Should any horse entered in an trifecta race be scratched or excused by the stewards after wagering has commenced, or should any horse be prevented from racing because of the failure of the starting gate to open, all tickets including such horse shall be deducted from the trifecta pool and money

refunded to the purchasers of tickets on the horse so excused or prevented from racing.

(l) **Dead heat.** In the event of a dead heat or dead heats, all trifecta tickets selecting the correct order of finish, counting a horse in a dead heat as finishing in either position dead heated, shall be winning tickets and contrary to the show pool practice the aggregate number of winning tickets shall divide the net pool and be paid the same payoff price.

(m) **Design of tickets.** The design of trifecta tickets shall be clearly and immediately distinguishable from other pari-mutuel tickets.

(n) **Denominations and machines.** Trifecta tickets shall be sold only in denominations approved by the commission and only from machines capable of issuing three numbers.

(o) **Hold tickets.** Tickets should be retained until the results have been declared official.

(p) **Permitted sales.** Sale of trifecta tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

Sec. 12-574-A20. Superfecta

(a) **Rules governing.** At tracks which have the superfecta pool, the rules of this section will govern the system used.

(b) **Permitted.** Superfecta wagering shall be permitted only in accordance with section 12-574-A16 of these regulations.

(c) **Rules printed in program.** The rules for Superfecta shall be printed in the daily racing programs sold to the public within the premises of the racing association.

(d) **Definition.** The Superfecta is a contract by the purchaser of a ticket combining four (4) horses in a single race, selecting the first four (4) finishers in the exact order of finish as officially posted.

(e) **Selected by numbers.** Selections are to be made by program numbers and not necessarily by post position numbers. Image numbers appearing on the tickets are program numbers of the horses.

(f) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(g) **Not a parlay.** The superfecta is not a “parlay” and has no connection with or relation to any other pool, and is no part of the win, place and show pools; daily double, exacta, quinella, trifecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(h) **Calculation and distribution of pools.** The superfecta shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet, including profit and wager.

(i) **Entries, fields.** Coupled entries and fields are prohibited in superfecta races.

(j) **If less than four horses finish.** If only three horses finish, payoff shall be made on tickets selecting the actual finishing horses in order, ignoring the balance of the selection.

(k) **Determination of winner, refund.** If there is a failure to select, in order, the first four horses, payoff shall be made on superfecta tickets selecting the first three horses, in order; failure to select the first three horses, payoff to superfecta tickets selecting the first two horses, in order, failure to select the first two horses, payoff to superfecta tickets selecting the winner to win, failure to select the winner to win shall cause a refund of all superfecta tickets.

(l) **Scratched or excused horse.** Should any horse entered in a superfecta race be scratched or excused by the stewards after wagering has commenced, or should any horse be prevented from racing because of the failure of the starting gate to open, all tickets including such horse shall be deducted from the superfecta pool and money refunded to the purchasers of tickets on the horse so excused or prevented from racing.

(m) **Dead heat.** In the event of a dead heat or dead heats, all superfecta tickets selecting the correct order of finish, counting a horse in a dead heat as finishing in either position dead heated, shall be winning tickets, and, contrary to the usual practice, the aggregate number of winning tickets shall divide the net pool and be paid the same payoff price.

(n) **Design of tickets.** The design of superfecta tickets shall be clearly and immediately distinguishable from other pari-mutuel tickets.

(o) **Denomination and machines.** Superfecta tickets shall be sold only in denominations approved by the commission and only from machines capable of issuing four numbers.

(p) **Hold tickets.** Tickets should be retained until the results have been declared official.

(q) **Permitted sales.** Sale of superfecta tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

Sec. 12-574-A21. Violations of rules and regulations

(a) **Liability.** Any person or association licensed by the commission violating any of these rules or regulations shall be penalties herein provided, unless otherwise limited in and by the rules and regulations of the commission. It is the duty and responsibility of all such persons and associations to know these rules.

(b) **Penalties.** The penalties for violation of the act or the rules of the commission shall be as follows:

(1) Denial, revocation or suspension of license.

(2) Monetary fines not exceeding \$5,000 for each violation and/or forfeiture of purse.

(3) Suspension from one or more activities at one or more tracks.

(4) Expulsion from racing in Connecticut.

(5) Any combination of the above.

(c) **Right to hearing.** (1) Any person who claims to be aggrieved by a decision of the stewards may appeal said decision to the commission in accordance with these rules and the commission rules concerning "Rules of Practice and Hearing Procedures".

(2) Whenever a matter has been referred to the commission by the stewards or whenever the commission, on its own initiative, shall determine to take cognizance of any alleged violation or any other matter within its jurisdiction, or whenever a license granted by the commission is to be suspended or revoked, an opportunity for a hearing in accordance with the commission rules concerning "Rules of Practice and Hearing Procedures" shall be afforded.

Sec. 12-574-A22. Officials of meeting

(a) **Designation of officials.** In addition to the stewards, officials of a race meeting shall include the following:

(1) Three placing judges.

(2) Three or more patrol judges.

(3) Clerk of the scales.

- (4) Starter.
- (5) Jockey room custodian.
- (6) Racing secretary.
- (7) Timer (or timers).
- (8) Paddock judge.
- (9) Handicapper (or handicappers).
- (10) Horse identifier.
- (11) Director of security.
- (12) Association veterinarians.
- (13) Pari-mutuel manager.

(b) **Approval by commission.** (1) At least thirty (30) days prior to the first day of a race meeting, the association shall submit in writing to the commission the names of all racing officials engaged for the meeting, and no racing official shall be qualified to act until he shall have been licensed by the commission and pay the fee, if any, required by the act. It shall be the duty of the commission to ascertain that the persons submitted are fully qualified to perform the duties required of them. In the event of incapacitation of any such approved racing official, the association may, with the approval of the commission, appoint a substitute who must, within seven (7) days of his appointment, obtain a license from the commission and pay the required fee.

(2) All officials in rule (a) of this section shall be appointed by the association holding the meeting with such exceptions as may be hereinafter noted. All the appointments are subject to being licensed by the commission, which reserves the right to demand a change of personnel for what it deems good and sufficient reason, the successors to officials so replaced to be subject to being licensed by the commission.

(c) **Compensation.** All officials enumerated in this section, excepting the commission steward, shall be compensated by the association conducting the meeting.

(d) **Dual jobs.** With the exceptions specified in these rules, no operating official may hold more than one position at a track unless written permission is obtained from the commission at least ten (10) days prior to the beginning of a meet. After the beginning of a meet, if an operating official is required to fill more than one position pursuant to these rules, a full written report of the circumstances must be filed with the commission.

(e) **Conflict of interest.** A licensed racing official shall not, directly or indirectly, for a commission or gratuity, or otherwise, sell or buy at private sale for himself or another, any thoroughbred horse; nor shall he directly or indirectly buy or sell any contract upon any jockey or apprentice for himself or another; nor shall he write or solicit horse insurance.

(f) **Wagering prohibited.** No thoroughbred racing official may wager money or any other thing of value on the result of a thoroughbred race conducted in Connecticut.

(g) **Reports to stewards.** Each racing official and his assistants shall report to the stewards all observed violations of the rules.

(h) **Prohibition.** (1) No person employed or appointed by the commission nor any licensed racing official shall have or maintain any interest, direct or indirect, in the ownership or leasing of a thoroughbred participating at any licensed meeting where he works or officiates.

(2) Any licensed person acting in any official capacity at an unrecognized meeting may be disqualified.

(i) **Respect accorded officials.** If any owner, trainer, jockey or any other person licensed by the commission uses profane or indecent language to a racing official or otherwise disturbs the peace of any track enclosure, he shall be liable for a fine, suspension or both, or may be ruled off, and such action shall be immediately reported to the commission by the stewards.

Sec. 12-574-A23. Stewards

(a) **Number, appointment, compensation, license.** There shall be three (3) stewards to supervise each race meeting: The commission steward appointed by the commission, who shall be the presiding steward, and two (2) stewards appointed by the association conducting the meeting. The compensation paid to the steward appointed by the commission shall be paid by the commission. All stewards and deputy stewards must be licensed by the commission and pay the fee, if any, required by the act.

(b) **Deputy and temporary stewards.** The association shall appoint two (2) deputy stewards to serve in the absence of the association stewards. In the event of an emergency, where a deputy steward who is called to duty is absent or cannot be present in time, the association may appoint a temporary steward from the licensed officials employed by the association. The association shall make a full written report of the absence of a steward or deputy steward to the commission immediately including therein the names of the replacements. Appointments of temporary stewards and utilization of deputy stewards shall be made only with the full knowledge and consent of the duly authorized representative of the commission at the track. Appointments of temporary stewards are valid only for the day of their appointment. Likewise, the commission shall appoint a deputy steward to act in the absence of the commission steward. In the event the commission steward or his deputy is absent, the rules governing temporary stewards appointed by the association shall govern. Deputy stewards may also be licensed as an official who is employed by the association but must have a license to act as a deputy steward.

(c) **Emergency substitute.** (1) When vacancies occur among the officials, other than the stewards, and the association has not notified the stewards prior to the time fixed for the first race of the day that it has been filled, the stewards shall fill such vacancy immediately, said appointment to stand for the day only.

(2) Should the vacancy occur after the racing for the day has started, the stewards shall fill the vacancy at once, the appointment standing for the day only; unless the association shall fail to fill the vacancy on the following day and notify the stewards of their action one hour before the time fixed for the first race.

(3) Emergency substitutes shall be persons holding a license from the commission as an official.

(d) **Power of stewards.** The stewards have power to regulate and control the conduct of all officials and of all owners, trainers, jockeys, grooms and other persons attendant on horses. Such stewards shall exercise such powers and perform such duties at each race as may be prescribed by these rules and regulations. The stewards have power, as they think proper, to make and, if necessary, to vary all arrangements for the conduct of the meeting and to determine all questions, within a reasonable time, arising in reference to racing at the meeting, subject to appeal to the commission. They shall compile a "stewards' list" upon which they shall enter the names of all horses at the track prohibited from starting.

(e) **Accept decision of stewards.** Persons entering horses to run on licensed Connecticut tracks agree in so doing to accept the decision of the stewards on any questions relating to a race or to racing.

(f) **Majority rule.** A majority vote of the stewards will decide all questions.

(g) **Complaints against officials.** Every complaint against an official shall be made to the stewards in writing, and signed by the complainant.

(h) **Locking machines.** The commission steward shall lock all pari-mutuel ticket issuing machines and sound the off-bell not later than the advertised post time, except that the commission steward may delay the locking of the ticket selling machines in unusual circumstances. It shall be the duty of the stewards to see to it that the horses arrive at the starting gate as near to post time as possible.

(i) **Protests.** (1) A protest, except a protest involving fraud, may be filed only by the owner (or his authorized agent), trainer or jockey of a horse engaged in the race over which the protest is made or by a racing official of the meeting.

(2) A protest involving fraud may be made by any person.

(3) A protest, except a claim growing out of happenings in the running of the race, must be made in writing, signed by the complainant and filed with the stewards before post time of the race in question.

(4) To merit consideration, a protest against the programmed distance of a race must be made at least thirty (30) minutes before post time for that race.

(5) To merit consideration, a protest against a horse based on a happening in a race must be made to the stewards before the placing of the horses for that race has been officially confirmed.

(6) If a jockey wishes to protest a happening in a race, he must so notify the clerk of the scales, immediately upon his arrival at the scales for weighing in, and the clerk of the scales shall immediately notify the stewards that a protest has been made.

(7) Before the consideration for a protest, the stewards may demand a deposit of \$50 to be made with the horsemen's accountant. This deposit shall be applied to the costs and expenses. Any excess shall be refunded unless the protest is found to be frivolous, in which case the deposit may be assessed as a fine, and remitted to the state of Connecticut.

(8) A person or persons lodging a protest must pay all costs and expenses incurred. If the objection is upheld, the cost shall be paid by the offender.

(9) Pending the determination of a protest, any money or prize won by a protested horse or any other money affected by the outcome of the protest, other than parimutuel wagers, shall be paid to and held by the horsemen's accountant until the protest is determined.

(10) A protest may not be withdrawn without permission of the stewards. No person shall make frivolous protests.

(11) The stewards shall keep a record of all protests and complaints and of any action taken thereon; and shall report both daily to the commission.

(j) **Access to all facilities.** The stewards have control over, and they and the members of the commission and their duly appointed representatives have access to all stands, weighing rooms, enclosures and all other places within the grounds of the association.

(k) **Supervision of entries, declarations.** The stewards have supervision over all entries and declarations.

(l) **Questionable conduct.** The stewards shall take notice of any questionable conduct with or without complaint thereof.

(m) **Prompt investigation.** The stewards must investigate promptly, and render a decision in every protest and in every complaint properly made to them.

(n) **Power to exclude, suspend.** If the stewards shall find that any person has violated any of the sections of these rules to which their jurisdiction extends or has been involved in any improper turf practice, they may exclude such person from the grounds or any portion of such grounds of the association conducting the meeting for a period not exceeding the remainder of the meeting or 60 days; or they may suspend such person from acting or riding for a period not exceeding the remainder of the meeting or 60 days, or both such exclusion and suspension, and if they consider necessary any further punishment, they shall promptly refer the matter to the commission. The stewards shall exclude from all places under their control persons who are warned or ruled off. They shall also exclude any person declared guilty of any corrupt or fraudulent turf practices by turf authorities of any country, or stewards of any recognized meeting, and the names of all persons penalized shall be promptly reported to the commission.

(o) **Imposition of fines.** (1) In place and stead of or in addition to the punishments recited in rule (n) of this section, the steward is hereby authorized to impose a fine in an amount not to exceed \$250 for each violation of any of the sections of these rules to which their jurisdiction extends or for any improper turf practice, and each day upon which such violation continues may be considered by the commission steward as a separate violation in assessing the amount of such civil penalty. Before imposing such civil penalty, the commission steward shall give the other two stewards of the meeting a reasonable opportunity to submit recommendations relative to such penalty.

(2) All fines shall be paid to the horsemen's accountant with forty-eight (48) hours after imposition.

(3) Fines collected lay the horsemen's accountant shall be paid to the state of Connecticut.

(p) **Violations other than for rule of the race-procedure.** When the stewards feel that a rule, other than a rule of the race, has been violated by any person, the procedure shall be as follows:

(1) The person involved shall be summoned to a meeting before the stewards, called for that purpose, which meeting shall be called for as soon as practical after notice of the fact that a violation may have occurred.

(2) Adequate notice of said meeting shall be given the summoned party. The stewards' decision as to what is adequate notice shall be final.

(3) No penalty shall be imposed until such hearing.

(4) Non-appearance of the summoned party after adequate notice shall be construed as a waiver of right to hearing before the stewards.

(5) No special announcement of the hearing or of the alleged infraction of rules shall be made until after said hearing. Immediately after a hearing, provided the matter is settled, the stewards shall transmit their findings in the signed written statement to the commission and to the party in question.

(q) **Appeal from penalty.** Any person penalized by action of rules (n) or (o) of this section shall have the right to appeal to the commission by filing with the commission within ten (10) days after the imposition of such penalty, a written notice of such appeal; and the commission in determining the appeal may increase or decrease the amount of such penalty, or it may suspend or revoke or otherwise act with respect to the license of the appellant; and the determination of the commission on such appeal shall be final.

(r) **Stay of execution.** The commission may grant a stay to any person licensor by it, pending appeal, who is affected by any decision of, or penalty, imposed by an official or officials at a race meeting.

(1) The appeal will be filed on form called a “notice of appeal and request for a stay” provided by the commission or upon presentation of a similar request in writing. The stay, if granted, will be at such a time or for such a duration designated by the commission. The commission may require the posting of security, which may be withheld in whole or in part if the appeal was frivolous or without foundation.

(2) The appeal must be filed within ten (10) days after the decision or penalty from which the appeal is taken. It shall be filed at the office of the commission steward. The commission steward shall present a copy of the notice of appeal and request for a stay to the commission on the day received. The commission shall convene a committee of three commissioners to act on the request for a stay as soon as practical after receipt of the request. In no event shall the commission act later than seven (7) days from the receipt of the stay.

(3) The reasons stated in the appeal must be specific.

(s) **Persons under suspension.** No one under suspension by the commission or the stewards shall be allowed on the grounds of any association unless authorized to be there by the commission or the stewards.

(t) **Action by the commission.** Whenever under this section a matter has been referred to the commission, the commission shall take such action as it shall deem proper and appropriate.

(u) **Permission to exercise.** (1) Permission must be obtained from a steward to exercise a horse between races unless the horse is being warmed up on the way to and just prior to entering the paddock for the next race to be run.

(2) When a horse is being so warmed up before entering the paddock, his official program number shall be displayed by the rider.

(v) **Number.** In a race, each horse shall carry a conspicuous saddlecloth number and a head number corresponding to his number on the official program. In cases of a fractious horse and with the permission of the paddock judge, the head number may be removed. In the case of an entry, each horse making up the entry shall carry the same number (head and saddlecloth) with a distinguishing letter. For example, 1-1A, 1X. In the case of a field, the horses comprising the field shall carry an individual number, i.e., 12, 13, 14, 15 and so on.

(w) **Consent for dismounting.** After the horses enter the track, no jockey shall dismount and no horse shall be entitled to the care of an attendant without consent of the stewards or the starter and the horse must be free of all hands other than those of the jockey or assistant starter before the starter releases the barrier.

(x) **Accidents.** (1) In case of accident to a jockey, his mount or equipment, the stewards or the starter may permit the jockey to dismount and the horse to be cared for during the delay, and may permit all jockeys to dismount and all horses to be attended during the delay.

(2) In case of accident or casualty to a horse before off-time, the stewards may excuse said horse.

(3) If the jockey is so injured on the way to the post as to require another jockey, the horse shall be taken to the paddock and another jockey obtained.

(y) **Parade.** (1) All horses shall parade and, under penalty of disqualification, shall carry their weight from the paddock to the starting post, such parade to pass the steward’s stand.

(2) After entering the track not more than nine (9) minutes shall be consumed in the parade of the horses to the post except in cases of unavoidable delay. After passing the stand once, horses will be allowed to break formation and canter, warm

up or go as they please to the post. When horses have reached the post, they shall be started without unnecessary delay.

(z) **Blinker.** Permission for a horse to add blinkers to his equipment or to discontinue the use of them must be approved by the starter before being granted by the stewards.

(aa) **Wilful delay.** No person shall wilfully delay the arrival of a horse at the post.

(bb) **Striking horse.** No person other than the rider, starter, or assistant starter shall be permitted to strike a horse, or attempt, by shouting or otherwise to assist it in getting a start.

(cc) **Crossing and weaving.** (1) When clear, a horse may be taken to any part of the course provided that crossing or weaving in front of contenders may constitute interference or intimidation for which the offender may be disciplined.

(2) A horse crossing another so as actually to impede him is disqualified, unless the impeded horse was partly in fault or the crossing was wholly caused by the fault of some other horse or jockey.

(dd) **Jostling.** If a horse or jockey jostle another horse, the aggressor may be disqualified, unless the jostled horse or his jockey was partly in fault or the jostle was wholly caused by the fault of some other horse or jockey.

(ee) **Striking other horse, careless riding.** If a jockey wilfully strikes another horse or jockey, or rides wilfully or carelessly so as to injure another horse which is in no way in fault, or so as to cause other horses to do so, his horse is disqualified.

(ff) **Disqualification of entry.** When a horse is disqualified under rules (cc), (dd) and (ee) of this section, the other horse or horses in the same race coupled as an entry under these regulations may be disqualified by the stewards.

(gg) **Complaints made by.** (1) Complaints under rules (cc), (dd) and (ee) of this section can only be received from the owner (or his authorized representative), trainer or jockey of the horse alleged to be aggrieved, and must be made to the clerk of the scales or to the stewards before his jockey has passed the scales. But nothing in this section shall prevent the stewards taking cognizance of foul riding.

(2) A jockey whose horse has been disqualified or who unnecessarily causes his horse to shorten his stride with a view to complaint, or an owner, trainer or jockey who complains frivolously that his horse was crossed or jostled, may be punished.

(hh) **Jockey hearing.** Any jockey against whom a foul is claimed shall be given the opportunity to present his case to the stewards before any decision is made by them.

(ii) **Corrupt instructions.** All horses are expected to give their best efforts in races in which they run, and any instructions or advice to jockeys to ride or handle their mounts otherwise than for the purpose of winning are forbidden and will subject all persons giving or following such instructions or advice to disciplinary action by the stewards and the commission.

(jj) **Disqualification of horses.** The stewards have power to call for proof that a horse is neither itself disqualified in any respect, nor nominated by nor the property, wholly or in part, of a disqualified person, and in default of such proof being given to their satisfaction, they may declare the horse disqualified.

(kk) **Examination of horses.** The stewards have power at any time to order an examination, by such person or persons as they think fit, of any horse entered for a race or which has run in a race.

(ll) **Using photographic records.** Photographic records shall be taken of every race from start to finish and may be used to aid the stewards in determining any question within their jurisdiction.

(mm) **Discretionary powers.** If any case occurs which is not or which is alleged not to be provided for by these rules and regulations, it shall be determined by the stewards in such manner as serves the best interests of thoroughbred racing; and the stewards may impose such punishment and take such other action in the matter as they may deem to be within the intent of this section, including reference to the commission.

(nn) **Minute book and reports.** Action by the stewards in performing their duties shall be reported to the commission. The stewards shall, within twenty-four (24) hours after the close of each day, file with the commission a signed report of any and all infractions of the rules coming under their observance that day; and shall file with the commission any and all rulings on infractions or otherwise as soon as said rulings are made. Where one steward disagrees with the majority, that fact shall be noted in the report and the dissenting steward shall have the right to file with the commission a written report setting forth the reason or reasons for the disagreement. The stewards shall keep a minute book, recording therein all complaints made to them and the disposition and all investigations by the stewards and their findings thereon and all rulings made by the stewards.

(oo) **In paddock.** One of the stewards or his duly appointed representative and the paddock judge shall be in the paddock twenty (20) minutes before each race and until the horses go to the post.

(pp) **Starting time.** During the racing day, at least one of the stewards shall be present at the office building on the grounds of the association where the race meeting is being held, not later than scratch time of the racing program of the day, to exercise the authority and perform the duties imposed on them by the rules and regulations. At least one of the stewards must be on duty within call of the racing secretary from the scratch time of the racing program of the day until after the drawing of post positions.

(qq) **Stewards in stand.** There shall be three (3) stewards (no more, no less) in the steward's stand when a race is being run.

(rr) **Disqualification.** It shall be left to the discretion of the stewards to rule on the disqualification of a horse or horses in a race, and the placing of such horse or horses as a result of the disqualification.

(ss) **Substitute riders, trainers.** In their discretion, the stewards shall have the right to put upon a horse, a rider selected by them and to place the horse in the charge of a trainer they may select.

(tt) **Consult veterinarian.** The stewards shall consult with the association veterinarian in each case where there is a question of a horse's physical fitness to race.

(uu) **Unruly horse.** The stewards may scratch an unruly horse or place an unruly horse outside the starting gate pursuant to rule (b) of section 12-574-A24.

(vv) **Final odds, testing horses.** Stewards shall observe the final odds, the respective finish, and the performance of each horse in each race to determine which horses shall be sent to the detention area for the taking of specimens, pursuant to rule (d) of section 12-574-A34 of these rules.

(ww) **Final report.** At the close of each meeting, the stewards shall make a written report to the commission of the condition of the meeting and any recommendations they deem advisable.

(xx) **Stewards supersede other officials.** The laws of Connecticut, and the rules and regulations of the commission, supersede the conditions of a race, or the regulations of a race meeting, when there is a conflict, and in matters pertaining to

racing, the orders of the stewards supersede the orders of the officials of the association.

Sec. 12-574-A24. Starter

(a) **Duties.** (1) Horses are in the hands of the starter from the moment they enter the track until the start is made.

(2) He shall give all orders necessary to secure a fair start.

(3) He shall report to the stewards by whom and by what cause any delay was occasioned, and any cases of misconduct by assistant starters or by jockeys when under his orders.

(4) He, or his assistants, shall keep records of horses handled, by which assistant, and equipment used if other than the ordinary lead strap.

(b) **Bad-mannered horses.** The start must not be delayed on account of bad-mannered horses. After reasonable efforts, if a horse cannot be led or backed into position, the starter shall do the following:

(1) In non-stake races the starter shall consult with the stewards and the stewards shall have the discretion to scratch a horse that is unruly.

(2) In stake races the starter shall consult with the stewards and the stewards, in their discretion, may scratch the unruly horse, or may order the starter to place the horse on the outside and one length behind the starting gate or in a position outside the starting gate.

(c) **Run away horse, reloading gate.** Should a horse break through the gate, or unseat his rider after part or all of the field is loaded in the gate for the start, and such horse is not immediately taken in hand by the out rider and brought back for reloading, the starter shall unload the horses in the gate and reload in their proper order when the run away horse is brought back in position for loading.

(d) **Post positions.** The starter is required to load horses in the starting gate in order of post position. Any exception to this must receive the approval of the stewards.

(e) **Starting signal.** The horses shall be started by a machine or bell, or by both and there shall be no start until, and no recall after the starter has signaled for the start.

(f) **Prohibited behavior.** The starter or his assistants shall not strike or use abusive language toward a jockey.

(g) **Assistant starters, location.** The starter shall daily change the position on the track of each of his assistant starters. The starter shall not notify the assistant starters of their positions until after the horses shall have left the paddock for the first race.

(h) **Schooling.** Horses shall be schooled under the supervision of the starter or his assistants, and the starter shall designate the horses to be placed on the schooling list, a copy of which shall be posted in the office of the racing secretary. Except in stakes, a horse will not be eligible to start until the starter orders the name stricken from the schooling list.

(i) **Approval of certain entries.** The starter shall certify that all entries of two-year-olds, and older horses which have never started at a recognized track, are schooled in the starting gate before they are allowed to start.

(j) **Power to recommend penalties.** The starter shall have authority to recommend to the stewards that a jockey be fined or suspended for disobedience of his orders or for attempting to take any unfair advantage. Should the stewards find that such jockey has disobeyed the orders of the starter or attempted to take unfair advantage, he shall be subjected to the penalties prescribed in these rules.

Sec. 12-574-A25. Placing judges

(a) **Responsibility of association.** Each association shall appoint at least three (3) placing judges who shall be licensed by the commission, and whose stations shall be designated by the stewards.

(b) **Duties.** The placing judges must occupy the judges' box at the time the horses pass the winning post, and their sole duty shall be to place the horses. When the judges differ, the majority shall govern. They must announce their decisions promptly, and such decisions shall be final, unless objection to the winner or any placed horse is made and sustained. Provided, that this section shall not prevent the placing judges from correcting any mistake, such correction being subject to confirmation by the stewards.

(c) **Determining the placing.** In determining the places of horses at the finish of a race, the placing judges shall consider only the respective noses of such horses.

(d) **Camera.** On all tracks a proper camera shall be installed as an aid to the placing judges, however, in all cases, the camera is merely an aid and the decision of the judges shall be final. The type of equipment shall be approved by the commission. The photograph of each finish shall be posted in at least one conspicuous place as promptly as possible after each race.

(e) **Number of finishers.** The placing judge or judges shall determine the order of finishing of as many horses as they may think proper.

(f) **Correcting errors on the tote.** Nothing in these rules shall be construed to prevent the placing judges, with the approval of the stewards, from correcting an error before the display of the sign "official" or from recalling the sign "official" in case it has been displayed through error.

(g) **Reports.** The placing judges shall at the close of each day's racing sign and send a report of the result of each race to the office of the commission, and shall supply to other officials such information in respect to the races as the association may require.

(h) **Posting order of finish.** When a result is official, that word shall be flashed on the result board and shall signify that the placing of the horses is final insofar as the payoff is concerned. If any change be made in the order of finish of a race after the result is so declared official, it shall not affect the payoff. The posting on the result board of the order of winning, place and show horses or the prices to be paid shall not be deemed to signify that such result and prices are official until the official signal has been shown on the result board and announced by the public address system.

(i) **When inquiry or objection is claimed.** In the event of an inquiry or objection being claimed, the word "inquiry" shall be flashed if it is an inquiry, and the word "objection" shall be flashed if it is an objection, forthwith on the result board and announcement thereof made on the public address system.

(j) **Rulings after race declared official.** Rulings of the stewards with regard to the award of purse money, made after the result has been declared official, shall in no way affect the mutuel payoff.

Sec. 12-574-A26. Racing secretary, handicapper

(a) **Racing secretary.** A person appointed by the association and licensed by the commission shall be the racing secretary. He also shall be clerk of the course, and unless it is otherwise specified, he shall act as handicapper.

(b) **Duties of racing secretary.** The racing secretary shall discharge all duties required by these rules, and report to the stewards as the case demands, all violations

of these rules, or of the regulations of the course, coming under his notice; he or his designated representative shall keep a complete record of all stakes, entrance money, and arrears and pay over all monies so collected by him to such officers or persons as may be entitled to receive the same. The racing secretary, or designated representative, must record all winning races on proper forms attached to the jockey club registration certificate not later than the day following the race having been won. He shall assign the post positions of all starters in a race by lot.

(c) **Records of performance.** The racing secretary's office shall keep up-to-date performance files on all horses registered to race with the association.

(d) **Maintain records.** The racing secretary shall maintain all ownership records in accordance with the rules and regulations and directions of the commission. Charts or records of every horse stabled at tracks during meetings thereat shall be kept by or under the direction of the racing secretary. Said charts shall show the breeding, name, registration, age and sex of the horse; and such charts and records shall be available to the members and the steward of the commission.

(e) **Program.** The racing secretary shall compile an official program for each racing day, which shall state the time fixed if or the first race and give the names of the horses which are to run in each of the races of the day.

(f) **Details of program.** The program shall indicate the order in which each race is to be run; the purse, conditions, distance of each race; the owner, trainer, and jockey of each horse; each owner's racing colors; the weight assigned to each horse; his number and post position, color, sex, age and breeding. The program may show other pertinent data.

(g) **Record all races.** The racing secretary shall keep a complete record of all races.

(h) **Assigns stable.** It shall be the duty of the racing secretary or designated track representative to assign to applicants such stabling as he or they may deem proper to be occupied by horses in preparation for racing, and he or they shall determine all conflicting claims of stable privileges.

(i) **List of entries to be posted.** The racing secretary shall each morning, as soon as the entries have been closed and compiled, and the declarations have been made, post in a conspicuous place in his office a list thereof. Any newspaper desiring the same shall also be furnished a copy.

(j) **Payments and arrears.** Within fourteen (14) days, exclusive of Sundays, from the close of the meeting, he shall pay to the persons entitled to it all the money collected by him; and at the expiration of the same period he shall notify the association of all arrears then remaining unpaid, and all arrears shall be regarded as having been assumed by the association.

(k) **Submit entries and transfers of engagements.** Before acceptance, he shall submit to the association, all entries and transfers of engagements and all races except those opened and decided during the meeting.

(l) **Handicapper, duties.** The handicapper shall append to the weights for every handicap the day and hour from which winners will be liable to a penalty and no alteration shall be made after publication except in case of omission, through error, of the name or weight of a horse duly entered, in which cases by permission of the stewards the omission may be rectified by the handicapper.

Sec. 12-574-A27. Clerk of the scales

(a) **Duties.** (1) The clerk of the scales shall exhibit the number (as allotted on the official card of each horse for which a jockey has been weighed out and shall forthwith furnish the starter with a list of such numbers.

(2) He shall in all cases weigh in the riders of the horses and report to the stewards any jockey not presenting himself to be weighed in.

(3) The clerk of the scales or assistant shall weigh out and weigh in the riders of all horses participating in a race, and he shall record and publish any overweight or variation from the weight appearing on the program.

(4) The clerk of the scales shall cause to be recorded and have disseminated for public information immediately, upon notice thereof any overweight or any change of jockey, weight, or racing colors, as compared with these stated on the official program and shall promptly supply all proper racing officials with all pertinent changes.

(5) The clerk of the scales shall promptly report to the stewards any infraction of the rules with respect to weight, weighing, or riding equipment.

(6) The clerk of the scales shall confirm to the stewards, after each race, the weights carried by each horse in each race, together with the name of each horse's jockey and the overweight carried by any jockey. He shall also report any other data which may from time to time be required.

(7) The clerk of the scales shall weigh in all jockeys after each race, and after the weighing, shall notify the stewards if the weights are correct. The stewards may then declare the race official.

(8) Any subsequent change of jockey must be noted by the clerk of the scales and sanctioned by the stewards who, if no satisfactory reason is given for the change, may fine or suspend any person they may think culpable in the matter.

Sec. 12-574-A28. Paddock judge

(a) **Duties.** The paddock judge shall be in charge of the paddock and inspect all race horses and their equipment prior to each race, and shall observe and report forthwith to any steward any violation observed in such inspection.

(b) **Horse identification, equipment inspection.** The paddock judge shall be in charge of the paddock and shall have general jurisdiction over the saddling equipment and changes thereof and his duties shall be determined from time to time by the stewards. The identification of said horses shall be made by the horse identifier who shall report any irregularities to the paddock judge and stewards.

(c) **Farrier, notices to be posted.** The paddock judge shall, in each race, require the farrier in attendance in the paddock to see to it that all horses are properly shod, and a notice forthwith posted in a conspicuous place close to the paddock, easily visible to the public, stating the type of shoes with which the horse is shod and whether with or without caulks and on which feet, or is shoeless as to any of its feet. The said judge shall report immediately to the stewards the findings of the farrier.

(d) **Irregularities.** The paddock judge shall report any irregularities to the stewards.

(e) **Equipment changes.** Permission for any change of equipment from that which a horse carried in his last previous race must be obtained from the paddock judge.

(f) **Horses to be saddled in paddock.** All horses must be saddled in the paddock, except by permission of the stewards.

(g) **Horse in paddock not to be touched.** No one not actually connected with its stable shall touch a horse while in the paddock preparatory to starting in a race, except for authorized inspection as provided in these rules.

(h) **Exclusions from paddock.** The commission, its duly authorized representatives, officials, and licensed personnel required to be in the paddock shall be allowed admittance thereto subject to such limitations as the paddock judge may require.

No other personnel shall be allowed into the paddock unless permission therefor is received from the paddock judge or the commission. Licensed personnel shall be allowed in the paddock only while the horse they own or service is in the paddock.

Sec. 12-574-A29. Patrol judges

(a) **Appointed by the association.** Each association shall appoint at least three (3) patrol judges, licensed by the commission, who shall be on duty during the running of each and every race.

(b) **Duties.** The patrol judges shall have their station at a place designated by the stewards where they may have a commanding view of the race. The patrol judges shall report their observations to the stewards and the association shall provide communications between each station of the patrol judges and stewards for this purpose.

Sec. 12-574-A30. Timer

(a) **Duties of timer.** There shall be one timer who shall occupy the timer's stand and declare the official time of the race. The association may utilize electronic timers which, however, shall not be official. The official time shall be the time recorded on the hand timer.

(b) **Official time to be recorded.** The time recorded when the first horse crosses the finish line shall be the official time of the race.

Sec. 12-574-A31. Veterinarians

(a) **License.** All veterinarians referred to in this section shall be licensed to practice in the state of Connecticut by the state board of veterinary registration and examination, and shall be licensed by the commission.

(b) **Commission veterinarian.** The commission shall appoint at least one veterinarian who shall be designated commission veterinarian and who shall carry out such duties as may be imposed upon him by the commission. The commission veterinarian and his assistants shall be responsible for all testing of horses. They shall make reports to the commission at such time and in such manner as the commission may prescribe.

(c) **Association veterinarian.** Each association shall employ a veterinarian to carry out the duties hereafter enumerated in this section. The association veterinarians shall be employed and paid by the association at whose track the services are rendered.

(d) **Treating veterinarian.** (1) Only veterinarians who have obtained a license from the commission to practice veterinary medicine at an association plant may treat horses at such plant. No veterinarian will receive such a license unless approved by the state veterinarian of the Connecticut department of agriculture.

(2) No veterinarian licensed to practice on the grounds of any association shall furnish sell or loan any hypodermic syringe, hypodermic needle or other device which could be used for injection or other infusion into a horse or a narcotic stimulant, or narcotic to any person within the grounds of a racing association where race horses are lodged or kept without first securing written permission from the stewards. Only one-time disposable syringes and infusion tubes are authorized for use in the treatment of race horses on the grounds of the association.

(3) The association and commission veterinarians shall not prescribe or treat or otherwise administer medication of any form to horses stabled on the association grounds except in cases deemed by the association officials to be emergencies.

(4) No owner or trainer shall employ any veterinarian who has not been duly licensed in accordance with these rules and regulations. The association shall warn off all unlicensed veterinarians. The veterinarians shall make daily reports to the commission veterinarian and to the stewards of all horses under treatment by them and the medication given. Any violation of this rule shall be immediately reported to the commission and the stewards.

(5) Every veterinarian who shall prescribe or use any medication or treatment which contains a drug or drugs, which he has reason to believe are of such character as could affect the racing condition of a horse in a race, shall at the time of such prescribing or use deliver to the steward of the commission and the trainer of the horse under treatment a written statement setting forth the name of the horse and of the trainer and the fact that such medication or treatment, as the case may be, contains a drug, stimulant or narcotic which, in the opinion of the veterinarian is of such a character as could affect the racing condition of the horse in a race.

(e) **State veterinarian.** All veterinarians enumerated in this section shall abide by the regulations and inquiries of the state veterinarian of the Connecticut department of agriculture.

(f) **Requirements of association veterinarian.** (1) He shall be present in the paddock to inspect all horses, and shall inspect or observe all horses after the finish of a race, and shall perform such other duties as shall be prescribed from time to time by the stewards. If a horse is in ice or has a freeze on his legs at the time of the pre-race examination, he is subject to being scratched from the race.

(2) Each entry shall be given a pre-race examination on the day of the race for which entered, reasonably in advance of post time. The pre-race examination shall be made by an association veterinarian who shall make such examination as is necessary to determine the entry's fitness to race, and who shall report to the stewards any horse that is not in fit condition to race.

(3) All bandages shall be removed by the groom and the entry exercised outside the stall sufficiently for the association veterinarian to determine the condition of the entry's legs, feet and general condition. He shall report any findings of unsoundness of a horse to the stewards.

(4) The association veterinarian shall maintain a list to be known as the "veterinarians list" upon which he shall enter the name of any horse which he considers unfit, unsound or not ready for racing. Any horse, the name of which is on the veterinarians list, shall be refused entry until the association veterinarian removes its name from the list. A trainer may appeal to the stewards any decision to place a horse's name on the "veterinarians list." This list shall be posted on a bulletin board in or near the racing secretary's office.

(5) A known bleeder is a horse which bleeds twice within six (6) consecutive calendar months in any racing jurisdiction. A known bleeder shall be barred from racing in Connecticut unless the bleeding incidents arose from injury or minor afflictions which, in the opinion of the association veterinarian, will not reoccur.

(6) A horse placed on the veterinarian's list for bleeding must remain on the list for a minimum of fourteen (14) calendar days.

(7) The veterinarian's list as defined herein shall be binding on the tracks under the jurisdiction of the commission.

(8) The association veterinarian shall inspect bandages just prior to the participation in a race of the horse on which they are used. He may order their removal and replacement if he sees fit to do so. Should there be any circumstances in their use that indicates fraud, it shall be reported to the stewards, who after an investigation, shall report all the facts to the commission for such action as it deems appropriate.

(9) Shoeing. Every horse entering the paddock to race shall be inspected as to its shoeing, and a notice forthwith posted in a conspicuous place close to the paddock and in another conspicuous location in the grandstand, easily visible to the stating the type of shoes with which the horse is shod and whether with or without caulks and on which feet, or is shoeless as to any of its feet.

Sec. 12-574-A32. Horse identifier

(a) **Duties.** (1) Each association shall appoint a horse identifier licensed by the commission who shall be responsible for the implementation and administration of the identification of horses at the association plant as required by these rules and regulations.

(2) The horse identifier shall inspect the physical markings and night eyes of all entries in the paddock area prior to each race for the purpose of establishing the true identity of each entry.

(b) **Records.** The horse identifier and his assistants shall keep such records as may be requested by the commission. The commission shall have access to these records at all times.

Sec. 12-574-A33. Drugs and medication

(a) **Action taken by stewards—prohibited medication and drugs.** (1) If the stewards shall find that any drug has been administered or attempted to be administered, internally or externally, to a horse before a race, which is of such a character as could affect the racing condition of the horse in such race, such stewards shall impose such punishment and take such other action as they may deem proper, including reference to the commission, against every person found by them to have administered or to have attempted to administer or to have caused to be administered or to have caused an attempt to administer or to have conspired with another person to administer such drug.

(2) A positive identification of any medication, other than those specifically accepted by the commission veterinarian, shall constitute prima facie evidence that the horse raced with prohibited medication in its system.

(3) The stewards shall notify the commission of all positive pre and post race test results.

(b) **Identification before action taken.** Excepting the scratching of a horse upon the receipt of a positive report of a pre-race test, no action shall be taken on any report of the commission laboratory unless and until the drug has been properly identified.

(c) **Positive pre-race test result.** Whenever there is a positive result of a pre-race test, the commission veterinarian shall immediately notify the presiding steward. The presiding steward shall thereupon scratch the horse from the race.

(d) **Purses pending analysis.** No prize money for any race shall be awarded until after the result of analysis of saliva, urine or other sample to be taken from the horse designated to give such samples, has been determined. In the event that the sample taken from said horse is returned as “positive,” no part of the purse shall be paid to the owner of said horse, or any entry of said horse as a part, until the stewards have made a report of their investigation to the commission and the commission has determined the matter at a meeting. The commission may deny the purse to said owner of such horse as in the case of disqualification, or it may distribute the purse as it deems just and equitable. If a horse shall be disqualified in a race because of the infraction of this section, the eligibility of other horses which ran in such race and which have starting in a subsequent race before announcement of such disqualification shall not in any way be affected.

(e) **Report use of drugs.** Whenever or any medication of a prohibitive nature is administered orally, hypodermically, or externally to a horse by a veterinarian or other person, a written report of such administration signed by the veterinarian and the trainer shall be filed within twenty-four (24) hours on forms provided by the commission with the commission veterinarian.

(1) No medication or transfusion of blood or blood derivatives shall be administered to a horse during the period of forty-eight (48) hours before his start in a race.

(f) **Report use of narcotics.** The commission shall promptly report to the bureau of narcotics of the department of the treasury of the United States all cases in which it is reported by the commission laboratory that narcotics have been detected in a specimen from any horse; and if any veterinarian or physician has been involved therein, the commission shall make a similar report to the state health department of the state of Connecticut.

(g) **Track record void.** In the event that a horse established a track record in a race, and if it later develops by chemical analysis or investigation that any drug specified in rule (a) (1) of this section or any appliance specified in rule (a) (5) of section 12-574-A55 was used or employed, then such track record shall be null and void.

(h) **Responsibility of association.** Every association and all officials and employees thereof shall give every possible aid and assistance to any department, bureau, division, officer, agent or inspector, or any other person connected with the United States government or with the state of Connecticut, who may be investigating or prosecuting any such person they may suspect of being guilty of possession of any drug, stimulant, medicine, hypodermic syringes or hypodermic needles, batteries used to stimulate horses or other similar appliances.

(i) **Responsibility for horse's condition.** Trainers and assistant trainers are responsible for the condition of horses in their care and are presumed to know this section.

(j) **Proper protection to be provided for horse.** The trainer, groom, and any other person having charge, custody or care of the horse, are obligated to properly protect the horse from the administration of illegal drugs and guard it against such administration or attempted administration and, if the stewards shall find that any such person has failed to show proper protection and guarding of the horse, they shall impose such punishment and take such other action as they may deem proper under any of the rules, including reference to the commission.

(k) **Bottles, containers to be labeled.** All bottles and other containers kept in or about any tack room or elsewhere in any barn on the grounds of a racing association shall bear a label stating plainly the contents thereof, including the name of each active ingredient provided, however, that this rule shall not apply if the containers bear regular prescription labels with pharmacists' numbers, names and addresses and the names of the prescribing veterinarians.

(l) **Right to search for, seize drugs, injection devices.** No person within the grounds of an association shall have in or upon the premises which he occupies or controls or has the right to occupy or control or in his personal property or effects, any hypodermic syringe, hypodermic needle or other device which could be used for the injection or other infusion into a horse of a drug without first securing written permission from the stewards. Every association is required to use all reasonable efforts to prevent the violation of this rule. Every association, the commission and the stewards, or any of them, shall have the right to permit a person or persons authorized by any of them to enter into or upon the buildings, stables, rooms or

other places within the grounds of such an association and to examine the same and to inspect and examine the personal property and effects of any person within such places, and every person who has been granted a license by the commission, by accepting his license, does consent to such search and to the seizure of any hypodermic syringes, hypodermic needles or other devices and any drugs apparently intended to be or which could be used in connection therewith so found. If the stewards shall find that any person has violated this rule, they shall impose such punishment and take such other action as they may deem proper under this section, including reference to the commission. The written permission of the stewards for the possession of a hypodermic syringe, hypodermic needle or other device as herein described shall be limited in duration as the stewards may determine, but in no case shall its duration extend beyond the racing season in which it is granted; and no such or similar permission granted by stewards of a meeting in any other state or country shall have any validity in the state of Connecticut.

Sec. 12-574-A34. Testing

(a) **Admittance to enclosure for making tests.** No person other than those authorized by rule (f) of this section shall be admitted at any time to the building or part thereof utilized by the commission for making medication, drug or other tests of horses except the staff immediately in charge of such work, the commissioners, the stewards, and such other persons as may be authorized in writing by the chairman or vice-chairman of the commission or the commission veterinarian.

(b) **Guard.** A guard approved by the commission must be in attendance during the hours designated by the commission.

(c) **Pre-race testing.** At association tracks, a pre-race testing program shall be conducted by the duly authorized representatives of the commission, and shall entail the operation of a field laboratory at the track.

(1) Blood samples shall be taken by a licensed veterinarian of every horse programmed to race, prior to the race in which it is programmed, for the purpose of determining the presence of any drug, stimulant, sedative, depressant or medicine.

(2) The blood samples shall be taken under the supervision of the commission veterinarian and by him and other persons appointed by the commission. The times at which the horses in each race shall be delivered to the enclosure for the taking of the samples, as well as related procedures, shall be prescribed by the commission veterinarian.

(3) Submission to the taking of pre-race blood samples is mandatory and no horse shall be allowed to race if the person who has charge or custody of it refuses to submit it for the taking of such sample unless the commission veterinarian, for good cause in his judgment, excuses the taking of the sample.

(4) Urine and saliva samples may be taken of any horse whenever the pre-race test is positive or when a blood sample has not been taken, or whenever, in the judgment of the commission veterinarian, a urine and/or saliva sample is required for further analysis.

(d) **Post-race testing.** The winner and second place finisher in every race and such other horses as the stewards may designate shall be sent immediately after the race to the detention area for examination by the commission veterinarian or his assistants, and the taking of such specimens of body fluids and eliminations as shall be directed. Blood specimens shall be taken only by a licensed veterinarian. All horses that participate in the winning combination in any daily double, perfecta, quinella, trifecta and superfecta race shall be tested pursuant to this section.

(e) **General testing.** The commission veterinarian or his assistants may also, when so directed by the stewards, require the taking of any or all of the specimens specified in this section from any horse stabled at a track during a meeting.

(f) **Presence of owner.** The owner, trainer or authorized agent of an owner shall be present in the detention area when saliva, urine or other specimen is taken from their horse, and must remain until such forms are signed by the owner, trainer or their representative as witness to the taking of the specimen. Wilful failure to be present at, or refusal to allow the taking of any such specimen, or any act or threat to impede or prevent or otherwise interfere therewith shall subject the persons found guilty by the stewards to immediate suspension and the matter shall be referred to the commission for appropriate action.

(g) **Handling of specimen.** (1) All specimens taken by or under direction of the commission veterinarian or other authorized representative of the commission shall be delivered to the chief chemist at the laboratory designated by the commission for official analysis. Each specimen shall be marked by number and date and may also bear such information as may be essential to its proper analysis; but the identity of the horse from which the specimen was taken or the identity of its owner, trainer, jockey, or stable shall not be revealed to the chief chemist. The container of each specimen shall be sealed as soon as the specimen is placed therein, and each such seal shall bear the stamp of the commission.

(2) All containers used for specimens shall be single service disposable containers, sealed and stamped before use. Seals on the new containers shall not be broken except in the presence of owners or trainers or their representatives, if present at the collection of the sample. Only distilled water, with or without acetic acid, shall be used to moisten gauze used in the collection of saliva.

(h) **Samples of medicines on grounds.** The commission veterinarian, or any of his assistants, may take samples of any medicines or other materials suspected of containing improper medication or drugs which would affect the racing condition of a horse which may be found on the grounds of an association.

Sec. 12-574-A35. Security

(a) **Director of security.** Every association shall employ a full-time director of security who shall be licensed and who shall pay the fee, if any, required by the act. The duties of the director of security are as follows:

(1) Supervise the entrance to and exit from every gate within the grounds of the association at all times during the scheduled meet of said association.

(2) Supervise all security personnel in the constant search for undesirables and expulsion of same from the grounds during a meet.

(3) Investigate and report to both the commission and the association any action on the part of any party or parties which is, in his opinion, endangering the honest operation of any phase of the meet.

(4) Enforce all commission and association rules whether violator is patron or employee and assist in the apprehension of guilty party or parties and expulsion of same if requested by either the association or the commission or its duly appointed representatives.

(b) **Daily police report.** The track security police and any other law enforcement agency acting in, or on or about the licensed premises of any racetrack, shall furnish two copies of their daily police report, together with any additional pertinent information available to the said police agency, obtained either orally or in writing. The two copies shall be mailed to the commission at the close of each racing day.

(c) **Responsibility of association.** (1) Each racing association shall police its grounds at all times in such a manner as to preclude the admission of any person in and around the stables and paddock, excepting those being duly licensed by the commission, or authorized by the association. If the commission finds that the stables of an association are not being properly policed and unauthorized persons are found in and around the stables, the association may be fined an amount not exceeding \$200.00 in the discretion of the commission for each day in which the infraction was found to occur.

(2) Each association shall furnish complete police and watchmen service night and day in and about all stable enclosures and furnish to the commission upon request a complete list showing name, duty, place stationed and portions of enclosures supervised by such policemen and watchmen.

(d) **Written report of arrests and misdemeanors.** It shall be the duty of each association, through its director of security, to notify the commission of all ejections, disorderly conduct, and arrests, giving names, addresses and offenses.

(e) **Nightly log, recording disturbances.** A nightly log shall be maintained by the officer in charge of the night force stating in detail any disturbances, drunkenness, or disorderly conduct in and about the backstretch and stable area, giving in detail the names, badge numbers, and license numbers of any persons committing any offenses whatsoever.

(f) **Stable security.** (1) All incidents relating to improper activities or suspicious occurrences in stables must be immediately reported by owners, trainers, or other stable employees to the director of security as well as to a duly authorized representative of the commission.

(2) A copy of the full security rule as outlined herein must be posted inside every stable and furnished to every owner or trainer.

(3) No one shall be permitted to enter in or about the stable enclosures who does not have in his possession a license issued by the commission as owner, trainer, jockey, apprentice jockey, stable employee, farrier, valet or veterinarian, or proper credentials issued by the association or commission. A full record of these credentials shall be compiled and open to inspection at all times.

(4) Feed deliveries will be made directly to stable personnel and will be properly secured upon delivery. Feed purveyor personnel must secure a signed delivery receipt from a licensed stable employee at the time of each delivery.

(5) All stable areas shall be fenced.

(g) **Minors prohibited.** No person under the age of eighteen (18) shall be permitted to wager or in any manner participate in any pari-mutuel pool or system.

(h) **Trespassers to be ejected.** Any person going upon the racing strip or any part thereof or into the winner's enclosure without the permission of the stewards, shall be ejected promptly from the premises of the association.

Sec. 12-574-A36. Jockeys

(a) **License.** (1) Each jockey must obtain a license from the commission.

(2) A person who has never ridden in a race before may be allowed to ride in two races before applying for his first jockey or apprentice jockey license pending approval by the stewards. Before an applicant can be granted his first license as a jockey, the starter shall inform the stewards of the applicant's ability to control a horse while breaking from the starting gate.

(3) The stewards may permit a jockey to ride pending action on his application.

(b) **Restriction on jockeys.** (1) No licensed jockey shall be the owner or trainer of any race horse.

(2) A jockey shall not ride or agree to ride in any race without the consent of the owner or trainer to whom he is under contract.

(3) A jockey may not ride in any race against a starter of his contract employer unless his mount and contract employer's starter are both in the hands of the same trainer.

(4) No jockey shall bet on any race except through the owner of and on the horse which he rides. Any jockey violating this section shall have his license revoked.

(5) Interrogation by stewards—all owners, trainers, jockeys, employees, agents or other persons in any way connected with said association may be, at any time, interrogated by the stewards in reference to the making or placing of any bets anywhere on any race run at said course.

(6) A jockey under temporary suspension shall not ride in a race for anyone during the period of his suspension.

(7) The suspension of a jockey for an offense not involving fraud shall begin on the second day after the ruling, unless otherwise ordered by the stewards. A suspension for fraud shall begin immediately after the ruling.

(8) A forfeiture must be paid by the jockey himself and any other person paying it shall be subject to such penalties as may be prescribed by the stewards.

(9) A jockey shall not ride and a trainer shall not train for anyone during the period of his suspension. Any person who shall employ a jockey or trainer in contravention of this section may be suspended or fined by the stewards pursuant to these rules.

(c) **To fill engagements.** All jockeys shall faithfully fulfill all engagements in respect to racing.

(d) **Appearance.** In riding a race, a jockey must be neat in appearance. All riders must be dressed in clean jockey costumes, caps, jackets of silk, white breeches, and top boots.

(e) **Safety helmet.** It shall be mandatory that every jockey, apprentice jockey, and other rider wear a protective helmet of a type approved by the stewards when riding in races, when exercising horses, or when ponying a thoroughbred horse.

(f) **Colors worn by riders.** A jockey must wear the colors of the owner or owners of the horse he is riding except by special permission of the stewards, which permission shall be posted on the bulletin board, together with notice of the colors the jockey shall wear, and the number of the horse as is exhibited after weighing out. When the horse is being warmed up, the same number must be exhibited upon the right arm of its rider.

(g) **Report to scale room.** Every jockey who is engaged to ride in a race shall report to the scale room on the day of the race at the time required by the officials. He shall then report his engagements and overweight, if any, to the clerk of the scales, and thereafter, except with the permission of the stewards, shall not leave the jockey room, except to view the races from a point approved by the stewards or to ride in a race, until all of his engagements of the day have been fulfilled.

(h) **Examination by physician.** Before the commencement of a racing season all jockeys must be examined by a licensed physician, designated by the board of stewards in order to establish their physical condition and freedom from disabling defects or contagious disease. During the conduct of a meeting, the board of stewards may require that any jockey be reexamined and may refuse to allow said jockey to ride until he successfully passes such examination.

(i) **Spouses riding against each other.** Jockeys who are spouses may not ride against his or her spouse, unless their mounts are coupled in the betting and run as an entry.

(j) **Racing against agent's horse.** A jockey shall not ride in any race against a horse owned and/or trained by his agent.

(k) **Priority of retainers.** Employers retaining the same jockey have precedence according to priority of the retainers as specified in the contracts.

(l) **Conflicting claims on jockeys.** Conflicting claims for the services of a jockey shall be decided by the stewards.

(m) **Whips, length and kind.** Jockey whips shall be no longer than twenty-eight (28) inches with one popper. No stingers (projections extending through a hole of the popper) are permitted.

(n) **Illegal whipping.** No jockey shall hit or clip a horse across or between the ears.

(o) **Use of spurs.** The use of spurs by a jockey is prohibited.

(p) **Contracts to be filed.** The terms of all contracts between jockeys and their employers shall be filed with the commission after approval by the stewards. The contracts shall contain a provision that in case a jockey's license is revoked, the salary of the jockey shall cease.

(q) **The jockey room custodian.** The jockey room custodian shall have charge of the jockey's quarters. He shall take custody of the clothing and personal effects of the jockeys and provide for their safekeeping. He shall uphold the rules of the commission and he shall not make any wager for himself or place a wager for any other person upon a race.

(r) **Fees.** Any apprentice or contract rider shall be entitled to the regular jockey fees, except when riding a horse owned in part or solely by his contract holder. An interest in the winnings only (such as trainer's percent) shall not constitute ownership.

Sec. 12-574-A37. Apprentice jockeys

(a) **Contracts.** (1) Apprentice jockeys shall be bound by all the rules for jockeys, except insofar as said rules may be in conflict with the following specific regulations for apprentices.

(2) Apprentice contracts entered into in the state of Connecticut must be made on forms supplied by the commission, and a copy shall be filed with the commission.

(3) A copy of all apprentice contracts, wherever entered into, must be filed with the commission.

(4) If an apprentice contract is transferred, said transfer must be approved by the stewards and registered with the commission by both the transferor and the transferee.

(5) No person shall be allowed to hold a contract on a jockey or apprentice jockey unless he be in control or possession of such a stable of horses as would, in the opinion of the stewards of the meeting, where the jockey or apprentice jockey makes application for license, warrant the employment of a contract jockey or apprentice jockey.

(6) An application for a license as apprentice jockey shall be accompanied by:

(A) An original, a notarized or photostatic copy of his agreement with his contract employer, and

(B) written proof of at least one year of service with a racing stable, and

(C) birth certificate or satisfactory evidence of the date of birth, and

(D) the fee required by the act.

(7) An apprentice jockey shall not be permitted to ride for any other than his contract employer, without said employer's consent.

(b) **Age limit; agreements; allowances.** (1) Any person between the ages of sixteen (16) and twenty-five (25) years, who has never previously been licensed as a jockey in any country, and who has of his own free will and if underage, with

the written consent of his parents or guardian, bound himself to an owner or trainer for a term of not less than three (3) nor more than five (5) years (subject to written extension if made for less than five (5) years) by written contract approved by and filed with the commission, and after at least one (1) year service with a racing stable, may claim in all overnight races except handicaps, the following allowances:

(A) Ten (10) pounds until he has ridden five (5) winners and seven (7) pounds until he has ridden an additional thirty (30) winners; if he has ridden thirty-five (35) winners prior to the end of one (1) year from the date of riding his fifth (5) winner, he shall have an allowance of five (5) pounds until the end of that year.

(B) After the completion of conditions above, for one (1) year he may claim three (3) pounds when riding horses owned or trained by his original contract employer provided his contract has not been permanently transferred or sold since his first winner.

(2) Qualifications of contract employers. All holders of apprentice contracts shall be subject to investigation as to character, ability, facilities and financial responsibility and shall, at the time of making the contract, own in good faith a minimum of three (3) horses in training or, if a trainer, shall operate in good faith a stable of at least three (3) horses.

(3) Specifications for contracts. Contracts for apprentice jockeys shall provide for fair remuneration, adequate medical attention and suitable board and lodging for the apprentice.

(4) Under exceptional circumstances, such as inability of an apprentice to ride because of services in the armed forces of the United States, personal injuries in the conduct of his duty, restrictions on racing, or other valid reasons which interfere with the allowance of one (1) year from riding his fifth winner or the three (3) year period in riding thirty-five (35) winners, the commission may extend the terms of the contract and the allowances provided by the rules of racing.

(5) The commission shall take jurisdiction on applications for extension in cases where personal injuries in the conduct of his duty and restrictions on racing occurred at tracks licensed by the commission.

(6) All other extensions must be acted on by the commission with which the original contract was filed.

(A) Any applicant for an apprentice jockey license, who has served in the armed forces of the United States while between the ages of sixteen (16) and twenty-five (25) years of age, and previous to having been licensed as an apprentice jockey, shall have the twenty-five (25) year maximum extended for the length of time he served in the armed forces of the United States.

(7) A licensed apprentice who loses his apprentice allowance for any reason shall obtain a jockey license before being permitted to ride again. Jockey or apprentice jockey must continue with his jockey agent until he notifies the board of stewards, in writing, of change of his agent.

(8) An owner or trainer shall be in control of at least three (3) horses in order to hold an apprentice jockey's contract.

(c) **Fees.** Any apprentice or contract rider shall be entitled to the regular jockey fees, except when riding a horse owned in part or solely by his contract holder. An interest in the winnings only (such as trainer's percent) shall not constitute ownership.

Sec. 12-574-A38. Jockey agent

(a) **One agent.** (1) Every jockey may have one agent and no more. All engagements to ride, other than those for his contract employer, shall be made by his agent.

(2) Change of agent. A jockey or apprentice must continue with his jockey agent until notifying the stewards, in writing, of change of agent.

(b) **License.** Each jockey agent shall be licensed by the commission and shall be permitted to make the riding engagements of three (3) riders only: two (2) jockeys and one (1) apprentice. No jockey agent shall make or assist in making of any engagement for any rider other than those he is licensed to represent.

(c) **Forms.** Each jockey agent shall keep, on a form provided by the association, a record by races of all engagements made by him of the riders he is representing. This record must be kept up to date held ready at all times for the inspection of the stewards.

(d) **Dropping jockey.** If any jockey agent gives up the making of engagements for any rider, he shall immediately notify the stewards, and he shall also turn over to the stewards a list of any unfilled engagements he may have made for the rider. A jockey agent may not drop a rider without notifying the board of stewards in writing.

(e) **Restrictions.** (1) A jockey agent shall not give to anyone, directly or indirectly any information or advice, pertaining to a race or engage in the practice commonly known as "touting," for the purpose of influencing any person, or that would tend to do so, in the making of a wager on the result of any race.

(2) Agent barred from paddock and track. Except by special permission of the stewards, jockey agents shall not be permitted within the saddling enclosure during the period of racing hours; nor shall said agents be allowed on the racetrack proper or in the unsaddling enclosure or winners' circle at the conclusion of any race run.

(3) Falsifying engagement records. Any agent who falsified his records may be, in the discretion of the stewards, suspended, and they may refer his case to the commission for further action and the commission may revoke the license of any agent who falsifies his records. Jockey agents will be called upon to explain rival claims for any mount or for any rider and inability to satisfy the stewards that the rival claim arose through an honest and bona fide error shall be considered a falsification of records.

(f) **Engagements made through agent.** Within the period in which an agent represents a jockey or apprentice, such jockey or apprentice shall make riding engagements or commitments only through said agent, and engagements shall be fulfilled as made, unless excused by the stewards.

(g) **Agent fees.** Recommended agent fees are as follows:

<i>Purses</i>	<i>Agent's Fees</i>
\$2,000.00 or more	\$4.00 losing mount \$7.00 winning mount (20 percent of stakes or gratuities)
Less than \$2,000.00	\$3.00 losing mount \$5.00 winning mount (20 percent of stakes or gratuities)

Sec. 12-574-A39. Valet

(a) **Association provides valet-attendant.** No jockey shall have a valet-attendant other than those provided by the association.

(b) **Jockey's valet.** Any jockey's valet who shall make a bet for himself or place for another a bet upon a race shall be suspended and his case referred to the commission for appropriate action.

(c) **Valet's fees.**

<i>Purses</i>	<i>Valet's Fees</i>
\$2,000.00 or more	\$3.00 losing mount \$5.00 winning mount
Less shall \$2,000.00	\$2.00 losing mount \$3.00 winning mount

Sec. 12-574-A40. Owners and trainers

(a) **Registration.** (1) Each owner and/or trainer shall register with the racing secretary at each track all of his horses, giving the name, color, sex, age and breeding of each, and present the foal certificates at the time the horses arrive on the grounds to the racing secretary.

(2) The personnel of every stable and changes thereof shall be registered by the owner and/or trainer with the association on whose track their horses are racing or stabled, and shall be available at all times to representatives of the commission.

(b) **Absence of trainer.** (1) In the absence of a trainer, due to sickness or any other cause, he shall, with the approval of the stewards, appoint another trainer licensed by the commission, to fulfill his duties. In this event, his responsibility will rest with both parties.

(2) Should a trainer be absent from his stable more than two (2) consecutive days, the second or alternate trainer shall then become the trainer of record, and his name shall appear on the program pending return of the trainer.

(c) **Prohibition in entries.** (1) An owner or trainer shall not enter or start a horse that:

- (A) Is not in serviceably sold racing condition.
- (B) Is a known bleeder.
- (C) Has been trachea-tubed.
- (D) Has impaired eyesight in both eyes.

(2) Horses that have been nerved, blocked with alcohol or any other medical drug that desensitizes the nerves will not be permitted to race.

(d) **Change of trainer.** If an owner changes trainers, he must notify the stewards who will advise the racing secretary and require the new trainer to sign his name on said owner's registration.

(e) **Leasing horses.** Any licensee wishing to lease horses for the purpose of racing at Connecticut tracks must have the prior approval of the stewards acting for the commission. Said licensee must submit a copy of the lease setting forth all conditions and the names of all parties and horses involved. The license of anyone submitting a lease which contains false or incomplete information shall be subject to suspension or revocation.

(f) **Stables.** (1) A trainer shall see to it that the stables and immediate surrounding area assigned to him are sanitary at all times and that the humane laws of the state of Connecticut be observed, also that the fire prevention rules (especially no smoking in the stable areas) be strictly observed at all times.

(2) All horses stabled within the confines of an association or in another locations approved by the commission must be accompanied by a health certificate, subject to the exception specified in rule (l) (1) (E) of section 12-574-A7.

(g) **Furnish name of jockey.** Every owner or trainer shall upon making an entry, be required to furnish the name of the jockey who rides his horse, or if this is not possible, he shall in any event be required to furnish it not later than scratch time the day of the race. If no jockey has been named by that hour, the stewards shall name the best available rider to ride the horse.

(h) **Trainer representation of owner.** A trainer may represent the owner in the matter of entries, declarations, and the employment of jockeys.

(i) **Ownership of horses.** (1) No licensed or authorized trainer shall have any ownership interest in a horse of which he is not the trainer at any race track at which said trainer is in charge of a stable.

(2) An association including any individual owner, corporate owner and officers, directors and stockholders thereof shall not be permitted to race any horse owned directly or indirectly by them at the track operated by that association.

(j) **Report sick horses.** (1) A trainer shall see to it that a report is made promptly to the stewards and association veterinarian of any and all sicknesses of his horse or horses.

(2) Trainers of horses entered in the daily double races shall inspect the condition of their horses two hours before post time. If any horse is found sick or disabled, the trainer shall report the fact to the stewards immediately.

(3) A horse excused through sickness or disability shall be placed on the veterinarian's list.

(k) **Report death of horses.** A trainer shall report the death of any horse to the association veterinarian at once. Castrations and other operations shall be reported to the association veterinarian at once.

(l) **Fillies and mares bred.** Fillies and mares that have been bred shall be reported to the racing secretary as having been bred, prior to being entered in a race. The secretary shall post on the bulletin board the names of all fillies or mares that have been bred and to what stallion or stallions.

(m) **Corrupt practices.** (1) A trainer shall be responsible for and be the insurer of the condition of his horses and for the protection of his horses against fraudulent practices, including administration of prohibited drugs by any person. Trainers are presumed to know the rules of the commission.

(2) No trainer shall accept, directly or indirectly, any bribe, gift or gratuity in any form which might influence the result of a race or which would tend to do so.

(3) A trainer shall not have in charge or under his supervision any horse owned, in whole or in part, by a disqualified person.

(4) No trainer shall employ a jockey for the purpose of preventing him from riding in any race.

(5) Any trainer, owner or stable foreman or others who harbor anyone not provided with credentials shall be immediately reported to the stewards of the meeting so they may make investigation thereof, take appropriate action and report the facts to the commission.

(6) Any trainer making an ineligible entry may be fined or suspended.

(n) **Alteration in sex.** Any alteration in the sex of a horse must be reported in writing by its owner or trainer to the racing secretary or horse identification office on a form provided for that purpose. The completed form shall be attached to the foal certificate. Notwithstanding any designation of sex appearing on the racing program or in any racing publication, the claimant of a horse shall be solely responsible for determining the sex of the horse claimed.

(o) **Trainer responsible for employees.** Each trainer shall register with track security every person in his employ and he shall be responsible for all his employees securing occupational licenses.

(p) **Safety helmets.** Each trainer shall be responsible for every jockey and exercise boy wearing a safety helmet when exercising horses for him. The safety helmet

shall be of a type approved by the commission and any changes in the helmet must be approved by the stewards.

(q) **Horses in paddock.** (1) A trainer shall have his horse in the paddock at the time appointed. For failure to bring his horse to the paddock when directed by the stewards the trainer may be fined or suspended or both.

(2) A trainer shall attend his horse in the paddock, and shall be present to supervise his saddling, unless he had obtained the permission of a steward to send another licensed trainer as a substitute pursuant to these rules.

(r) **Responsibility for weight.** The owner, trainer and/or authorized agent is responsible for the weight carried by his horses.

(s) **Additional rules.** Regulations herein set forth pertaining to owners and trainers are in addition to those rules otherwise applying to them in relation to licenses, entries, employment and other phases of their racing activities.

Sec. 12-574-A41. Partnerships

(a) **Limitation on partnership.** A horse may be owned by an individual or by a partnership provided such partnership complies with rule (k) of section 12-574-A9 but no horse shall be entered and run by an owning partnership if it contains more than four members or if the proportionate interest of any member is less than twenty-five (25) percent.

(b) **Limitations on lessee of partnership.** A horse owned by a partnership in which the number of members or proportionate interest of any member does not meet the requirements of rule (a) of this section may be entered and run only by a lessee of its racing qualities, which lessee shall be an individual or a partnership in which the number of members and the proportionate interest of every member meets the requirements of rule (a) of this section. In such a case, the lessee may be a member of or may include one or more members of the owning partnership.

(c) **Annual report to the commission.** All partnerships having any property, ownership or racing interest in a horse, and the name and address of every individual having any such interest in a horse, the relative proportions of such interest and the terms of any sale with contingencies, of any lease or of any arrangement must be signed by all the parties or by their authorized agents and be lodged annually at the office of the commission and must be approved by the commission and the fee required by the act paid before any horse which is a joint property or which is sold with contingencies or is leased can start in any race.

(d) **Liability of partners.** In the case of a partnership which, by ownership or lease, controls the racing qualities of a horse, all of the partners and each of them shall be jointly and severally liable for all stakes and obligations.

(e) **Data to be declared.** All statements of partnerships, of sales with contingencies, of leases or of arrangements shall declare to whom winnings are payable (which must be the name of the nominator), in whose name the horse will run and with whom rests the power of entry.

(f) **The commission may disapprove.** The commission shall have the right to disapprove any partnership, sale with contingencies, lease or other arrangement required to be lodged with and approved by it when, in the opinion of the commission, the effect of the partnership, sale, lease or other arrangement would be to deceive or improperly mislead the public as to the identity of the persons holding an interest in a horse.

(g) **Emergency authority.** In cases of emergency, authority to sign declarations of partnerships may be given to the commission by a telegram promptly confirmed in writing.

(h) **Assignments restricted.** No member of a partnership which owns a horse or leases the racing qualities of a horse shall assign his share or any part of or interest in it without the written consent of the other partners lodged and approved as provided by rule (c) of this section. No assignment of an interest in a partnership, which, by ownership or lease, controls the racing qualities of a horse, will be accepted if the effect of the assignment would be to create a partnership which would not be accepted under the terms of rule (c) of this section.

Sec. 12-574-A42. Stable names

(a) **Registration of stable name.** An individual may adopt a stable name under which to race horses by registering it with the jockey club of New York and by registering it annually with the commission and paying an annual registration fee as provided by the act. Such a registration shall be effective only during the calendar year for which it is made, and all such names shall be subject to the approval or disapproval of the commission.

(b) **Stable name, restriction on individual.** An individual cannot have registered more than one (1) stable name at the same time and, so long as such individual has a stable name registered, he shall not use or permit the use of his real name to identify his ownership interest in the racing qualities of any horse.

(c) **Stable name, restriction on partnership.** A partnership which, by ownership or lease, controls the racing qualities of a horse shall race such horse under the name, real or stable, of a member of the partnership whose proportionate interest in the horse meets the requirements. All horses, the racing qualities of which are controlled by a given partnership, shall be raced under the same name.

(d) **Changing stable name.** A stable name may be changed at any time by registering a new stable name pursuant to this section.

(e) **Limitations on use of stable names.** An individual cannot register as a stable name one which has been already registered or one which is the name of a race horse or one which is the real name of an owner of race horses.

(f) **Abandoning stable name.** Any individual who has registered a stable name may at any time abandon it by giving written notice at the office of the commission; after which all entries which have been made in such stable name shall be altered as may lie approved by the commission.

(g) **Trainer not eligible for stable name.** No licensed trainer of race horses shall register a stable name; but a partnership of which such a trainer is a member may use the stable name of another member, provided that the use of such other member's stable name is authorized by this section.

(h) **Incorrect descriptions in entry.** Provided the identity of the horse is satisfactorily established, incorrect or imperfect description in the entry of a horse or failure to register a partnership may be corrected at any time before the horse is announced as a starter and his number exhibited for the race concerned, or in a handicap before the weights are announced; but this rule shall not be construed so as to allow any horse to start in any race for which he is not otherwise completely qualified under this section.

Sec. 12-574-A43. Rules of the race

(a) **Foul riding penalized.** (1) When clear, a horse may be taken to any part of the course, provided that crossing or weaving in front of contender may result in disqualification.

(2) A horse may be disqualified if the horse crosses another so as to impede the other horse, or the horse or his jockey jostles another horse, unless the impeded

horse was partly in fault or the crossing or jostle was wholly caused by the fault of some other horse and jockey.

(3) A horse shall be disqualified if a jockey wilfully strikes another horse or rides carelessly so as to injure another horse or cause other horses to injure a horse.

(4) When a horse is disqualified under this section every horse in the same race belonging wholly or partly to the same owner, may be disqualified in the discretion of the stewards.

(5) Complaints under this section can only be received from the owner, trainer or jockey of the horse alleged to be aggrieved and must be made to the clerk of the scales or to the stewards before or immediately after his jockey has passed the scales. Nothing in this section shall prevent the stewards taking cognizance of foul riding.

(6) Any jockey against whom a foul is claimed shall be given the opportunity to appear before the stewards before any decision is made by them.

(7) A jockey whose horse has been disqualified or who unnecessarily causes his horse to shorten his stride with a view to complaining or an owner, trainer or jockey who complains frivolously that his horse was crossed or jostled, may be punished.

(8) The extent of disqualification shall be determined by the stewards.

(b) **Results of intentional foul.** If the stewards at any time are satisfied that the riding of any race was intentionally foul or that any jockey was instructed or induced so to ride, all persons found guilty of complicity, by the stewards, shall be suspended and the case shall be reported to the commission for such additional action as it may consider necessary.

(e) **Leaving course.** If a horse leaves the course he must turn back and run the course from the point at which he left it.

(d) **Instructions to jockeys.** All horses are expected to give their best efforts in races in which they run, and any instructions or advice to jockeys to ride or handle their mounts otherwise than for the purpose of winning are forbidden and will subject all persons giving or following such instructions or advice to disciplinary action by the stewards and the commission.

(e) **Stewards may declare race void, order refund.** The stewards shall have the authority to declare a race void and to order all wagers made thereon refunded if they shall determine that any occurrence before or during the running of such race calls for such action by them.

(f) **Walkover.** (1) If only one horse shall have weighed out, that horse shall be ridden past the judge's stand and go to the post, and shall then be deemed the winner.

(A) In sweepstakes, even if all the horses but one have declared forfeit, that horse must walkover except by the written consent of all the persons who pay forfeit.

(B) In case of a walkover, one-half of the money offered to the winner is given.

(C) When a walkover is the result of arrangements by owners of horses engaged, no portion of the added money nor any other prize need be given.

(2) Stewards may dispense with walkover. In a sweepstakes, if only one horse remains to start, the stewards may dispense with a walkover.

(g) **Run to win.** Every horse in every race must be ridden so as to finish as near as possible to first, and show the best and fastest race it is capable of at that time and shall not be eased up or coasted, even if it has no apparent chance to win first, second, third or fourth prize, so that the record of that race may, as truly as possible, show its real ability.

Sec. 12-574-A44. Colors and numbers

(a) **Registration.** (1) Racing colors are required and shall be registered annually with the commission upon issuance of an owner's license, and payment of the fee

required by the act, and registered with the racing secretary. In case of partnership, one color registration is required and will suffice.

(2) Colors registered with any racing commission or with the jockey club of New York shall be respected in Connecticut and only the registrant shall be permitted to use them.

(3) No person shall start a horse in racing colors other than those registered in his own or stable name, but a temporary change from the recorded racing colors may be approved by the stewards, and posted by the clerk of the scales on the notice board.

(b) **Disputes.** Any disputes between claimants to the right of particular racing colors shall be decided by the stewards.

(c) **Post notice of deviations.** Any deviation from the recorded colors of the owner that may be granted by the stewards is to be immediately posted on the notice board.

(d) **Saddlecloth numbers.** Jockeys must wear a number on the saddlecloths corresponding to the numbers of the horses as exhibited after weighing out.

Sec. 12-574-A45. Starting

(a) **Qualifications to start.** A horse shall not be qualified to start unless the provisions of this rule and any other applicable rules are complied with.

(1) His presence on the grounds of the association is reported to the paddock judge at least thirty (30) minutes before the post time set for the race.

(2) He is announced as a starter to the clerk of the scales.

(3) The name of his jockey is reported to the clerk of the scales.

(4) The horse's jockey club registration certificate is on file with the racing secretary.

(5) He is tattooed on his lip with his identification number.

(6) His night eyes have been photographed.

(7) He has passed such examinations to insure the security of his identification as the commission may establish.

(8) He shall have a negative result of a pre-race blood test.

(9) He is in the hands of a licensed trainer.

(10) He is not on the veterinarian's list.

(11) He is not on the steward's list.

(12) He has complied with all provisions of this section.

(13) Horses shipped in to race must be in the receiving barn by 10:00 A.M. on the day of the race in order to start.

(b) **Identification of horse.** No horse shall be permitted to start that has not been fully identified. The responsibility in the matter of establishing the identity of a horse, of his complete and actual ownership, shall be as binding on the persons so identifying or undertaking to establish identification as it is on the person having the horse requiring identification. And the same penalty shall apply to them in case of fraud or attempt at fraud. The paddock judge in such instances shall keep a written record of such identification and by whom made.

(c) **Jockey fees paid.** No horse shall be allowed to start for any race and no jockey shall be weighed out for any horse until there has been paid or guaranteed the jockey fee or any stake or entrance money due, by the owner in respect to that race, which information shall be supplied by the racing secretary.

(d) **Change of jockey.** There shall be no change of jockey unless approved by the stewards. The stewards may suspend any person involved in an unauthorized substitution of jockey.

(e) **Horses to be saddled in paddock.** All horses must be saddled in the paddock except by permission of the stewards.

(f) **Horses in paddock not to be touched.** No one not actually connected with its stable shall touch a horse while in the paddock preparatory to starting in a race, except for authorized inspection as provided in these rules.

(g) **Inspection of plating.** A representative of the association conducting a meeting shall inspect the plating of each horse as it enters the paddock before the race and record the type of shoes worn on a board provided for that purpose in the paddock and keep a written record for the stewards. Any deficiency in shoeing shall be reported immediately by said inspector to the paddock judge.

(h) **Withdrawal of horse.** (1) The stewards may permit or direct the withdrawing of a horse after weighing out.

(2) Scratches and refunds. The stewards may excuse any horse and order it scratched from a race at any time before the race is actually started. The operator shall also refund to the owner of such horse the starting fee, if any is required under the conditions of the race.

(i) **Post time.** The post time for all but the first race shall be designated by the stewards and post times for all races shall be shown on the infield tote board.

(j) **Number of starters.** The number of starters in overnight races shall be limited by the width of the track at the starting post, the maximum number to be determined by the stewards. The number of starters in such overnight races, except handicaps, shall be reduced to the proper number by lot, or by division (also by lot) of the race, at the option of the association. The division of overnight handicaps shall be made by the racing secretary in his discretion.

(k) **Persons excluded from course.** After the horses are ordered to the starting post and until the stewards direct the gates to be reopened, all persons except the racing officials shall be excluded from the course to be run over.

(l) **Twitches and war bridles.** No twitches or war bridles are to be used.

(m) **Parade to post.** (1) All horses shall parade and, under penalty of disqualification, shall carry their weights from the paddock to the starting post, such parade to pass the steward's stand.

(2) A rider thrown on the way to the post must remount at the point at which he was thrown.

(n) **Horses led to the post.** When, by permission of the paddock judge and upon payment to the association of \$10.00, a horse is led to the post, he is excused from parading with the other horses, but nevertheless he must, on his way to the post, pass the steward's stand.

(o) **Jockeys to dismount.** In the case of delay at the post, the starter may permit the jockeys to dismount and the horses be cared for during the delay; otherwise, no jockeys shall dismount.

(p) **Accident at the post.** A horse in the hands of the starter shall receive no further care from anyone at the starting post except the assistant starters, provided that if any accident happens to a jockey, his horse or his equipment, the starter may permit any jockey or jockeys to dismount and the horses to be cared for during the delay; otherwise no jockey shall dismount.

(q) **Starting gate.** (1) Except in cases provided for in rule (q) (2) of this section, all races shall be started in a starting gate selected by the association conducting the meeting and approved by the commission.

(2) By permission of the stewards a race may be started without a gate.

(3) The stewards may scratch an unruly horse or put an unruly horse in a position outside the starting gate pursuant to rule (b) of section 12-574-A24.

(r) **Starting in front of the post.** A start in front of the post is void, and the horses must be started again.

(s) **Horses to be schooled before starting.** All horses shall be schooled in the starting gate under the supervision of the starter or his assistants before starting and the starter shall designate the horses to be placed on the schooling list, a copy of which shall be posted in the office of the racing secretary. Upon request of the starter, the stewards may suspend any trainer who after being notified by the starter that his horse is unruly and should not start, nevertheless, proceeds to start the unruly horse.

(t) **Workout.** A horse which has not started for a period of sixty (60) days or more shall be ineligible to race until it has completed a timed workout satisfactory to the stewards prior to the day of the race in which he is entered.

(u) **Horses from licensed tracks, approved farms.** No horse shall be allowed to race in Connecticut unless the horse has come to Connecticut from a stable at a licensed track in the United States or a licensed track in another country or unless the horse has come from an approved farm. The stewards must approve all farms from which horses can be shipped for racing.

(v) **Position at starting post.** Horses shall take their positions at the post in order in which their names have been drawn, beginning from the inside rail unless otherwise ordered by the starter with the approval of the stewards.

(w) **Horse, when a starter.** Where a starting gate is used, no horse entered in any race is classed as a starter unless the starting gate opens in front of him simultaneously with the opening of the gates in front of the other horses at the start of the race. Refusal of a horse to break with other horses shall not deem him a nonstarter.

(x) **Matters to be referred to stewards.** For disobedience of his orders at the starting post or attempting any unfair advantage, the starter may refer the matter to the stewards for action; but any penalty shall not take effect until after the last race of the day.

(y) **Statements by starter conclusive.** The concurrent statements of the starter and his assistant as to incidents of the start are conclusive.

(z) **Failure of starting gate to open.** When a door of the starting gate fails to open as the starter dispatches the field (because of faulty action or other cause), it shall be reported immediately to the stewards by the starter. The stewards shall post the inquiry sign and have the announcer alert the public to hold all mutuel tickets. The stewards shall then view the films to determine if the gate or gates failed to open when the starter dispatched the field and rule accordingly.

(aa) **Change in course.** By permission of the commission, races may be run over a race course other than the one over which they have been announced to be run.

Sec. 12-574-A46. Weighing out

(a) **Time for weighing out.** The specified jockeys shall be weighed out for their respective mounts in each race by the clerk of the scales not less than twenty (20) minutes before the time fixed for the race. In case of a substitution of riders after the original rider has been weighed out, the substitute rider shall be weighed as promptly as possible and the name of the substitute and his weight publicly announced and posted.

(b) **Equipment weighed with jockey.** If a horse runs in muzzle, martingale, breastplate, or clothing, it must be put on the scale and included in the jockey's weight.

(c) **Jockey's equipment weighed with jockey.** A jockey's weight shall include his clothing, boots, goggles, saddle and its attachments, saddlecloth or any other equipment required by the stewards.

(d) **Equipment not weighed.** No whip or substitute for a whip, blinkers, safety helmet or number cloth shall be allowed on the scales nor shall any bridle approved by the stewards be weighed.

(e) **Safety helmet.** Any person who rides a horse on a track of an association shall wear a safety helmet of a type approved by the stewards.

(f) **Declaration of overweight.** If a jockey intends to carry overweight, he must declare the amount thereof at the time of weighing out, or if in doubt as to his proper weight, he may declare the weight he intends to carry.

(g) **Time for declaration of overweight.** If a jockey intends to carry overweight exceeding by more than two (2) pounds the weight which his horse is to carry, the owner or trainer consenting, he must declare the amount of overweight to the clerk of the scales at least forty-five (45) minutes before the time appointed for the race, and the clerk shall cause the overweight to be stated on the notice board immediately. For failure on the part of a jockey to comply with this rule he may be punished as provided by rules (n) and (o) of section 12-574-A23.

(h) **Five pounds overweight limit.** No horse shall carry more than five (5) pounds overweight.

(i) **Owner responsible for weight.** The owner is responsible for the weight carried by his horse.

(j) **Equipment regulated.** Only equipment specifically approved by the stewards shall be worn or carried by a jockey or a horse in a race.

(k) **Deposit of jockey fees.** No jockey, except when riding for his contract employer, shall be weighed out for any race unless there has been deposited for him or guaranteed to him with the racing secretary his fee for a losing mount in the race, and the failure to deposit for guarantee said fee for the engaged jockey may be cause for declaring the horse out of the race.

(l) **Association to provide attendants.** The association shall provide the only attendants who will be permitted to assist jockeys in weighing out. Such attendants shall be paid for their services by the association. A system of rotation of attendants shall be maintained.

(m) **Bridles, whips.** No bridle shall exceed two (2) pounds in weight, and no whip shall exceed one (1) pound in weight, unless approved by the stewards. No whip shall be longer than twenty-eight (28) inches.

Sec. 12-574-A47. Weighing in

(a) **Time, manner of weighing in.** Every jockey must immediately, after pulling up, ride his horse to the place of weighing, dismount only after obtaining permission from the official in charge and present himself to be weighed by the clerk of the scales; provided that if a jockey be prevented from riding to the place of weighing by reason of accident or illness by which he or his horse is disabled, he may walk or be carried to the scales.

(b) **No one to touch horse, equipment before weighing in.** Except by special permission of the official in charge, every jockey must upon pulling up unsaddle his own horse, and no attendant shall touch the horse, except by his bridle. Upon

the returning of a jockey to the winner's circle to dismount after a race has been run, no one may touch the equipment of the jockey until he has been weighed in, except upon the approval of the official in charge.

(c) **Jockey penalized for misconduct.** It a jockey shall not present himself to weigh in or if he be more than one (1) pound short of his weight or if he be guilty of any fraudulent practice with respect to the rules regarding weighing in or weighing out or except as provided in rule (a) of this section, if he dismount before reaching the scales or dismount without permission or if he touch (except accidentally) before weighing in any person or thing other than his own equipment, his horse may be disqualified and he himself may be punished as provided by these rules and regulations.

(d) **Excess weight after race.** If a horse carries more than two (2) pounds over his proper or declared weight, the fact shall be reported by the clerk of the scales to the stewards, and the jockey shall be fined or suspended unless the stewards are satisfied that such excess weight has been caused by rain or mud.

(e) **Jockey to carry equipment.** Each jockey shall, in weighing in, carry over the scales all pieces of equipment with which he weighed out.

(f) **Association to provide attendants.** The association shall provide the only attendants who will be permitted to assist jockeys in weighing in. Such attendants shall be paid for their services by the association. A system of rotation of attendants shall be maintained.

Sec. 12-574-A48. Scale of weights

(a) **Scale of weights for age.** The following weights are carried when they are not stated in the conditions of the race:

<i>Distance</i>	<i>Age</i>	<i>January and February</i>	<i>March and April</i>	<i>May</i>	<i>June</i>	<i>July</i>	<i>August</i>	<i>September</i>	<i>October</i>	<i>November and December</i>
Half mile	2 years	...	...	...	...	...	105	108	111	114
	3 years	117	119	121	123	125	126	127	128	129
	4 years	130	130	130	130	130	130	130	130	130
	5 years	...	...	...	...	...	...	...	...	...
	and over	130	130	130	130	130	130	130	130	130
Six furlongs	2 years	...	...	...	...	...	102	105	108	111
	3 years	114	117	119	121	123	125	126	127	128
	4 years	129	130	130	130	130	130	130	130	130
	5 years	...	...	...	...	...	...	...	...	...
	and over	130	130	130	130	130	130	130	130	130
One mile	2 years	...	...	...	...	...	...	96	99	102
	3 years	107	111	113	115	117	119	121	122	123
	4 years	127	128	127	126	126	126	126	126	126
	5 years	...	...	...	...	...	...	...	...	...
	and over	128	128	127	126	126	126	126	126	126
One mile and a quarter	2 years	...	...	...	...	...	...	...	...	...
	3 years	101	107	111	113	116	118	120	121	122
	4 years	125	127	127	126	126	126	126	126	126
	5 years	...	...	...	...	...	...	...	...	...
	and over	127	127	127	126	126	126	126	126	126
One and a half miles	2 years	...	...	...	...	...	...	...	...	...
	3 years	98	104	108	111	114	117	119	121	122
	4 years	124	126	126	126	126	126	126	126	126
	5 years	...	...	...	...	...	...	...	...	...
	and over	126	126	126	126	126	126	126	126	126
Two miles	3 years	96	102	106	109	112	114	117	119	120
	4 years	124	126	126	126	126	125	125	124	124
	5 years	...	...	...	...	...	...	...	...	...
	and over	126	126	126	126	126	125	125	124	124

(b) **Races of intermediate distance.** In races of intermediate distances, the weights for the shorter distance are carried.

(c) **Races for two, three and four-year-olds.** In races exclusively for three-year-olds or four-year-olds, the weight is 126 pounds, and in races exclusively for two-year-olds, it is 122 pounds.

(d) **Weights for fillies, mares.** In all races except handicaps and races where the conditions expressly state to the contrary, the scale of weights is less by the following: for fillies two years old, three pounds; for mares three years old and upwards, five pounds before September 1 and three pounds thereafter.

(e) **Overnight races except handicaps.** In all overnight races, except handicaps not more than six pounds may be deducted from the scale of weights for age, except for allowances.

(f) **Top weight for handicaps.** In all handicaps which close more than seventy-two (72) hours prior to the race, the top weight shall not be less than 126 pounds, except that in handicaps for fillies and mares, the top weight shall not be less than 126 pounds less the sex allowance at the time the race is run; and scale weights

for fillies and mares or three-year olds may be used for open handicaps as a minimum top weight in place of 126 pounds.

(g) **Top weight for overnight, claiming handicaps.** In all overnight handicaps and in all claiming handicaps, the top weight shall not be less than 122 pounds.

(h) **Minimum weight for overnight races; exceptions.** In all overnight races for two-year-olds, for three-year-olds, or for four-year-olds and upward the minimum weight shall be 112 pounds, subject to sex and apprentice allowances. This rule shall not apply to handicaps.

Sec. 12-574-A49. Entries, subscriptions, declarations and acceptances for races

(a) **Stewards ruling accepted.** Every person subscribing to a sweepstake or entering a horse in a race to be run under this section accepts the decision of the stewards or the decision of the commission, as the case may be, on any question relating to a race or to racing.

(b) **Entries may be cancelled, revoked.** The nominations or entries of any person or the transfer of any nomination or entry may be cancelled or revoked without notice by the racing association or in the discretion of the commission or of the stewards.

(c) **Horse must be entered.** A horse is not qualified to run in any race unless he is duly entered for that race.

(d) **Disqualification, ownership.** No horse is qualified to be entered or run which is wholly or partly the property of or leased to or from, or in any way under the care or superintendence of, a disqualified person. Disqualification of a husband or wife from racing horses applies equally to both.

(e) **Disqualification, improper practice.** Any horse which has been the subject of improper practice may be disqualified for such time and for such races as the stewards shall determine.

(f) **Procedure for making entries.** Entries and declarations shall be made in writing signed by the owner of the horse or of the engagement or by his authorized agent; and in order to secure privacy all entries to overnight races must be made at a specially designated booth.

(g) **Entries made by telegraph, telephone.** Entries and declarations by telegraph or by telephone, if the telephone conversation is recorded, are binding if promptly confirmed in writing.

(h) **Entrance money not returned.** Entrance money is not returned on the death of a horse nor on his failure to start, whatever be the cause of the failure.

(i) **Entries to be posted.** Entries to all races, excepting those races which are opened and decided during the meeting, shall be posted on the bulletin boards at the track where meeting is being held.

(j) **Limitations on entries.** (1) A horse of a partnership cannot be entered or run in the name, whether real or stable, of an individual partner unless that individual's interest or property in the racing qualities of that horse is equal to at least twenty-five (25) percent.

(2) All horses owned wholly or in part by the same person or the spouse of any such person or trained by the same trainer must be coupled and run as an entry.

(3) Not more than two horses trained by the same person shall be drawn into any overnight race, or on the also-eligible list, to the exclusion of another horse.

(4) For the purposes of rule (j) (2) of this section, a horse shall be deemed owned wholly or in part by a particular person or owned by a particular person if that person holds the entire property interest in the horse or if, by lease or ownership,

he controls the racing qualities of the horse or if he holds a proportionate interest of twenty-five (25) percent or more in a partnership which either holds the property interest in the horse or, by lease or ownership controls the racing qualities of the horse.

(k) **Maidens over five years old.** Maidens five (5) years old or older shall not be entered to race.

(l) **Restrictions on ownership by trainer.** No licensed trainer shall have any interest, either by ownership of the horse or by lease of its racing qualities, in a horse of which he is not the trainer and which may be racing at the same racetrack where the trainer is licensed and currently racing.

(m) **Name in which horse is run.** The name in which any horse is run must be the real or the stable name of the individual owner or the name of the partnership owner (being its stable name or the name of the individual in whose name the horse is run) of the entire interest in the horse.

(n) **Closing time, overnight races.** The list of entries for overnight races shall be closed at the advertised time and no entry shall be admitted after that time, except that, in case of an emergency, the racing secretary may, with the consent of a steward, grant an extension of time.

(o) **Delayed entries.** The list of entries for all other races shall be closed at the advertised time and no entry shall be admitted after that time unless the nominator can prove to the stewards that the entry was mailed before the advertised time of closing; and starters must be named through the entry box by the usual time of closing on the day preceding the race.

(p) **Information required for entry.** Except as provided in rule (q) of this section, entries shall be in the name of one person or a stable name and shall state the name, or the stable name, of the owner, the name or description of the horse if unnamed, and if the race be for horses of different ages, the age of the horse entered.

(q) **Name of entry.** Entries may be made in the name of a corporation or a partnership, but no horse may race in such a name and in order to remain eligible, such entries must be transferred to an individual or a stable name on or before January 1 of the horse's two-year-old year.

(r) **Information for initial entry.** (1) In entering a horse for the first time, it shall be identified by stating its name (if it has any), its color and sex and the name or description of its sire and dam as recorded in the stud book. If the dam was covered by more than one stallion, the names or description of all must be stated.

(2) Except as provided in subdivision (4) of this rule, this description must be repeated in every entry until a description of the horse with his name has been published in the racing calendar or in the program or the list of entries of an association, or in such other publication as the commission may designate.

(3) In every entry after such publication, his name and age will be sufficient.

(4) If a horse be entered with a name for the first time, in several races for the same meeting, closing at the same place on the same day, the description need not be added in more than one of the entries.

(s) **Change of name.** Upon any change of name of a horse which has run in any country, his old name as well as his new name must be given in every entry until he has run three (3) times under his new name over the course of an association.

(t) **Closing time, entries, declarations.** Except in overnight races, if the hour for closing of entries or for declarations be not stated, it is understood to be midnight of the day specified.

(u) **Where entries made.** In the absence of notice to the contrary, entries due on the eve of and during a meeting, are due at the office of the racing secretary where the race is to be run.

(v) **Subscription defined.** An entry of a horse in a sweepstakes is a subscription to the sweepstakes. An entry or subscription may, before the time of closing, be altered or withdrawn.

(w) **Transfer of subscription.** A person who subscribes to a sweepstakes may, before the time fixed for naming, transfer his subscription.

(x) **Death of owner of subscription.** Subscriptions and all entries or rights of entry under them shall not become void on the death of the person in whose name they were made or taken. All rights, privileges and obligations shall attach to the continuing owners including the legal representatives of the decedent.

(y) **Striking out of engagement.** No person shall be considered as struck out of any of his engagements until the owner or his authorized agent shall have given notice, in writing or by telegram, promptly confirmed in writing, to the racing secretary where the horse is engaged.

(z) **Striking out is irrevocable.** The striking of a horse out of an engagement is irrevocable.

(aa) **Proof to transfer with engagements.** Whenever the ownership of a horse is transferred in any manner, all racing engagements of the said horse shall automatically accompany the transfer.

(bb) **Restrictions on acceptance of nominations.** No nominations shall be accepted for a sweepstakes or other race from any person whose license has been revoked and who has not been subsequently licensed by the commission; nor during the period of suspension from any person whose license has been suspended; nor from any person who is otherwise disqualified.

(cc) **Connecticut bred horses.** To be eligible to start in races exclusively for horses foaled in Connecticut, each horse must be registered with the thoroughbred breeders' association of Connecticut. To qualify for such registration, the said horse must have been dropped by a mare in the state of Connecticut. A horse is bred where it is foaled. The breeder is the owner of the dam at the time of foaling. The thoroughbred breeders' association of Connecticut shall make rules for the registration of horses foaled in Connecticut. Said rules shall be approved by the commission on special revenue. Any owner or breeder may appeal from the refusal of the thoroughbred breeders' association of Connecticut to register a horse under this rule to the commission on special revenue, and the decision of the commission shall be final.

Sec. 12-574-A50. Produce races

(a) **Entry for produce race.** In making an entry for a produce race, the produce is entered by specifying the dam and the sire or sires.

(b) **When entry is void.** If the produce of a mare is dropped before the first of January, or if there is no produce, or if the produce is dead when dropped, or if twins are dropped, the entry of such mare is void.

(c) **Allowance.** In produce races, allowances for the produce of untried horses must be claimed before the time of closing and are not lost by subsequent winnings.

Sec. 12-574-A51. Claiming races

(a) **Who may make claim.** (1) In claiming races any horse may be claimed for its entered price by any owner licensed for racing at that meeting, who has nominated a starter up to or including the race in which the claim is made or by his authorized agent, but for the account only of the owner making the claim, or for whom the claim was made by the agent; provided, however, that no person shall claim his own horse or cause his horse to be claimed directly or indirectly for his own account.

(2) Where the owner is a partnership, all members of the partnership shall be bound by this section.

(b) **Minimum price for claim.** The minimum price for which a horse may be entered in a claiming race shall be \$3,000.00 but in no case shall it be entered for less than the value of the purse to the winner.

(c) **Conditions for starting claimed horse.** (1) For a period of thirty (30) days after the claim, a claimed horse shall not start in a race in which the determining eligibility price is less than twenty-five (25) percent more than the price at which it was claimed. The day claimed shall not count, but the following calendar day shall be the first day and the horse shall be entitled to enter whenever necessary so the horse may start on the thirty-first (31st) calendar day following the claim for any claiming price. This provision shall not apply to starter handicaps in which the weight to be carried is assigned by the handicapper.

(2) If a horse is claimed, it shall not be sold or transferred to anyone wholly or in part, except in a claiming race, for a period of thirty (30) days from date of claim, nor shall it, unless reclaimed, remain in the same stable or under the control or management of its former owner or trainer for a like period, nor shall it race elsewhere until after the close of the meeting at which it was claimed, except by special permission of the stewards at said meeting.

(d) **Requirements for claim, determination by stewards.** All claims shall be in writing and filed at least fifteen (15) minutes before post time. All claims shall be on a form supplied by the association and shall be properly signed and enclosed in an envelope provided for the purpose by the racing secretary. The envelope shall have no identification mark on it, but it shall be marked with the number of the race. It shall be sealed and stamped by a time clock and deposited in a locked box provided for this purpose by the racing secretary. No money shall accompany the claim. Each person desiring to make a claim, unless he shall have such amount to his credit with the association, must first deposit with the association the whole amount of the claim in cash, and any prevailing Connecticut taxes, for which a receipt will be given. All claims shall be passed upon by the stewards, and the person determined at the closing time for claiming to have the right of claim shall become the owner of the horse when the start is effected, whether it be alive or dead, sound or unsound or injured before or during the race or after it. If more than one person should enter a claim for the same horse, the disposition of the horse shall be decided by lot by the stewards. An owner shall not be informed that a claim has been made until after the race has been run, and any horse so claimed shall then be taken to the paddock for delivery to the claimant.

(e) **Limitations on claims.** (1) No person shall claim more than one horse in a race.

(2) No authorized agent, although representing more than one owner, shall submit more than one claim in any one race.

(3) When a stable consists of horses owned by more than one person, trained by the same trainer, not more than one claim may be entered on behalf of such stable in any one race.

(f) **Person for whom horse runs.** Each horse shall run for the account of the person in whose name it starts.

(g) **Claim irrevocable when lodged.** When a claim has been lodged with the racing secretary, it is irrevocable, and is at the risk of the claimant.

(h) **In case of dead heat.** In case of a dead heat, each of the dividing horses is the winner for the purpose of this part.

(i) **Collusive claiming punished.** (1) Should the stewards be of the opinion that any person is claiming a horse collusively for the benefit of another interest or in

order to evade the provision of any sections of this chapter, they may require him to make an affidavit that he is not so doing, and if upon proof it is ascertained that he made a false affidavit, he shall be referred to the commission for further action.

(2) Should the stewards within twenty-four (24) hours after the running of a race be of the opinion that the lease or the entry of a horse was not made in good faith but was made for the purpose of obtaining the privilege of entering a claim, then in each case they may disallow or cancel any such claim and order the return of a horse that may have been delivered and refer the case to the commission for further action.

(j) **Delivery on written order.** No horse shall be delivered except on a written order from the racing secretary.

(k) **Refusal to deliver.** Any person refusing to deliver a claimed horse shall be suspended and his case referred to the commission. The horse is disqualified until he is delivered to the purchaser.

(l) **Intimidation, collusion.** Any person who shall attempt to prevent another person from claiming any horse in a claiming race, or any owners running in claiming races who may make any agreement for the claiming of each other's horses, may be punished by the stewards or they may refer the matter to the commission for further action.

(m) **Steward's certificate to claim.** When a stable has been eliminated by claiming, the owner so affected, if he has not replenished his stable before the close of the meeting, may obtain a certificate from the stewards of the meeting; and on presentation thereof the owner shall be entitled to claim during the next thirty (30) racing days at any recognized meeting in this state, until he has claimed a horse. Stables eliminated by fire or other hazards may also be permitted to claim under this rule in the discretion of the stewards.

(n) **Program.** The claiming price of each horse in a claiming race shall be printed in the official program, and all claims for said horse shall be for the amount so designated.

Sec. 12-574-A52. Estimated winnings

(a) **Estimating the winnings.** (1) In estimating the value of a race to the winner, there shall be deducted only the amount of money payable to the owners of the other horses and to other persons out of the stakes and out of the added money.

(2) In estimating foreign winnings, the current rate of exchange at the time of such winnings shall be adopted.

(3) The value of prizes not in money will not be estimated in value of the race to the winner.

(4) In estimating the value of a series of races in which an extra sum of money or prize is won by winning two or more races, the extra sum or prize shall be estimated in the last race by which it was finally won.

(b) **Surplus to winner.** In all races, should there be any surplus from entries or subscriptions over the advertised value, it shall be paid the winner, unless stated by the conditions to go to other horses in the race.

(c) **Winnings defined.** (1) Winnings during the year shall include all prizes from first of January preceding to the time appointed for the start and shall apply to all races in any country; and winning shall include dividing or walking over.

(2) Winning of a fixed sum is understood to be winning it in one race, unless specified to the contrary.

(d) **In a walkover.** (1) In case of a walkover, one-half of the money offered to the winner is given.

(2) When a walkover is the result of arrangement by owners of horses engaged, no portion of the added money nor any other prize shall be given.

(e) **Disposition of money or prize.** Any money or prize which, by the conditions of the race is to go to the horse placed second or in any lower place in the race, shall, if the winner has walked over or no horse has been so placed, be dealt with as follows:

(1) If part of the stake, it shall go to the winner.

(2) If a separate donation from the association or any other source, it shall not be given at all.

(3) If entrance money for the race, it shall go to the association.

(f) **Race not run or void.** If a race never be run or void, all moneys paid by an owner in respect to that race shall be returned.

(g) **When race declared void.** A race may be declared void if no qualified horse covers the course according to rules.

Sec. 12-574-A53. Dead heats, purses

(a) **Dead heat not run off.** When a race results in a dead heat, the dead heat shall not be run off.

(b) **Dead heat for first place.** When two horses run a dead heat for first place, all prizes to which first and second horses would have been entitled shall be divided equally between them; and this applies in dividing prizes whatever the member of horses running a dead heat and whatever places for which the dead heat is run. Each horse shall be deemed a winner and liable to penalty for the amount he shall receive.

(c) **Objection made to winner.** When a dead heat is run for second place and an objection is made to the winner of the race and sustained, the horses which ran the dead heat shall be deemed to have run a dead heat for first place.

(d) **Stewards to settle disputes.** If the dividing owners cannot agree as to which of them is to have a cup or other prize which cannot be divided, the question shall be determined by lot by the stewards.

(e) **Dead heat for a match.** On a dead heat for a match, the match is off.

Sec. 12-574-A54. Penalties and allowances

(a) **Readjustments, when claimed.** Allowances must be claimed at the time of entry and these allowances shall not be abandoned except by the consent of the stewards, who may, before scratch time, make readjustments to the proper weights and allowances in conformity with the conditions of the race. Sex allowances shall not be waived. The stewards may, in their discretion, impose sanctions upon persons who negligently claim improper allowances.

(b) **Extra weight; running second.** No horse shall carry extra weight nor be barred from any race for having run second or in any lower place in a race.

(c) **Exemption from penalties.** When winners of claiming races are exempted from penalties, the exemption does not apply to races in which any of the horses running are not to be claimed.

(d) **Penalties, allowances, not cumulative.** Penalties and allowances are not cumulative unless so declared by the conditions of the race.

(e) **No allowance for beaten horse.** No horse shall receive allowance of weight or be relieved from extra weight for having been beaten in one or more races; provided that this section shall not prohibit maiden allowances or allowances to horses that have not won within a specified time or that have not won races of a specified value.

(f) **Handicaps.** The handicapper shall append to the weights for every handicap, the day and hour from which winners will be liable to a penalty, and no alteration shall be made after publication except in case of omission through error of the name or weight of a horse duly entered, in which case, by permission of the stewards the omission may be rectified by the handicapper.

Sec. 12-574-A55. Corrupt practices and disqualification of persons

(a) **Corrupt practices.** The following are deemed to be corrupt practices:

(1) Giving, offering or promising, directly or indirectly, a bribe in any form to any person licensed by the commission.

(2) Soliciting, accepting or offering to accept a bribe in any form by a person licensed by the commission.

(3) Failure of a licensee to notify the stewards immediately of an offer, promise, request or suggestion for a bribe or improper or fraudulent practice made to the licensee.

(4) Wilfully entering or causing or permitting to be entered, or to start in a race, a horse which he knows or has reason to believe to be disqualified.

(5) Having any electrical or mechanical device or other appliance designed to increase or decrease the speed of a horse, other than the ordinary whip, on the grounds of an association, whether on the person or in the premises occupied by a person on the grounds.

(6) Offering or receiving money or any other benefit for declaring an entry from a race.

(7) Conspiring or influencing the committing of an intentional foul in a race.

(8) Instructing a jockey to ride so as to commit an intentional foul.

(9) Soliciting bets from the public by any method by any occupational licensee.

(10) Tampering or attempting to tamper with any horse in such a way as to affect its speed in a race, or counselling or aiding such tampering in any way.

(11) Committing or conspiring to commit or assisting in the commission of any improper, corrupt or fraudulent act or practice in relation to racing.

Any violator of this section shall be punished as the stewards may deem proper, including reference to the commission.

(b) **Results of disqualification.** (1) Persons denied admission to tracks. Anyone who has been ruled off or who has been suspended, whether temporarily for investigation or otherwise, and anyone penalized as in this section provided, by the commission, the stewards or by the highest official regulatory racing body having jurisdiction where the offense occurred, shall be denied admission to all facilities licensed or operated by the commission until duly reinstated, unless otherwise determined by the commission.

(2) Persons barred from racing. A person whose license has been revoked or has been suspended, whether temporarily for investigation or otherwise, and so long as his exclusion or suspension continues shall not be qualified, whether acting as agent or otherwise, to subscribe for or to enter or to run any horse for any race either in his own name or in that of any other person.

(3) Horses suspended. All horses in the charge of a trainer whose license has been revoked or has been suspended, whether temporarily for investigation or otherwise, shall be automatically suspended from racing during the period of the trainer's exclusion or suspension. Permission may be given by the stewards for the transfer of such horses to another trainer during such period, and upon such approval such horses shall again be eligible to race.

(c) **Horses entered under different name.** (1) No horse shall be allowed to enter or start if the highest official regulatory racing body having jurisdiction of the offense previously has determined that the horse was knowingly entered or raced under a name other than its own by a person having lawful custody or control of the animal at the time it was so entered or raced.

(2) No horse shall be allowed to enter or start if it has been previously determined by the highest official regulatory racing body having jurisdiction of the offense that a person having lawful custody or control of the animal participated in or assisted in the entry of racing of some other horse under the name of the horse in question.

(3) For the purposes of rule (c) (1) and (2) of this section, the "name" of a horse means the name reflected in the registration certificate or racing permit issued with respect to the horse in question by the jockey club.

Sec. 12-574-A56. Disputes, objections, appeals

(a) **Penalties attach until dispute decided.** When a race is in dispute both the horse that finished first and any horse claiming the race shall be liable to all the penalties attaching to the winner of that race until the matter is decided.

(b) **Appeal from steward's decision.** Every objection shall be decided by the stewards, but their decision shall be subject to appeal in writing to the commission.

(c) **Notice of appeal.** Notice of appeal must be given in writing to the commission within forty-eight (48) hours of the decision being made.

(d) **Who may make objection.** Every objection must be made by the owner, trainer or jockey of some horse engaged in the race or by the officials of the course to the clerk of the scales or to one of the stewards, or an objection may be made by any one of the stewards.

(e) **Objections to be in writing.** All objections except claims of interference during a race must be in writing signed by the objector.

(f) **Leave required to withdraw objection.** An objection cannot be withdrawn without leave of the stewards.

(g) **Liability for costs of inquiry.** All costs and expenses in relation to determining an objection or conducting an inquiry shall be paid by such person or persons and in such proportions as the stewards shall direct.

(h) **Deposit may be forfeited.** Before considering an objection, the stewards may require a deposit of \$50.00, which shall be forfeited, if the objection is decided to be frivolous or vexatious, and in such case, it shall be remitted to the state of Connecticut.

(i) **Disqualification of horse before race.** If an objection to a horse engaged in a race be made not less than fifteen (15) minutes before the time set for the race, the stewards may require the qualification to be proved before the race, and in default of such proof being given to their satisfaction, they must declare the horse disqualified.

(j) **Objection to decision of clerk of scales.** An objection to any decision of the clerk of the scales must be made at once.

(k) **Objection to distance of course.** An objection to the distance of a course officially designated must be made not less than fifteen (15) minutes before the race.

(l) **Objection to matters occurring in race.** An objection to a horse on the ground of his not having run the proper course or of the race having been run on a wrong course or of any other matter occurring in the race must be made before the numbers of the horses placed in the race are confirmed officially.

(m) **Time for making other objections.** (1) An objection on any of the following grounds may be received up to forty-eight (48) hours exclusive of Sunday after the last race of the last day of the meeting:

(A) Of misstatement, omission or error in the entry under which a horse has run; or

(B) That the horse which ran was not the horse nor of the age which he was represented to be at the time of entry; or

(C) That he was not qualified under the conditions of the race or by reason of default; or

(D) That he has run in contravention of the sections relating to partnership or registration.

(2) In any other case an objection must be made within forty-eight (48) hours of the race being run, exclusive of Sunday, save in the case of any fraud or wilful misstatement, where there shall be no limit to the time of objection provided the stewards are satisfied that there has been no unnecessary delay on the part of the objector.

(n) **Stewards determine extent of disqualification.** The stewards are vested with the power to determine the extent of disqualification in case of fouls. They may place the offending horse behind such horses as, in their judgment, it interfered with, or they may place it last, and they may disqualify it from participation in any part of the purse.

(o) **Money held pending determination.** Pending the determination of an objection, any prize which the horse objected to may have won or may win in the race, or any money held by the association holding the meeting, as the price of a horse claimed (if affected by the determination of the objection), shall be withheld until the objection is finally determined.

(p) **Recovery of money distributed.** If by reason of an objection to a horse a race or place is awarded to another horse, the money for such race shall be distributed in accordance with the final placing, and the owner of a horse to which the race or place is finally awarded can recover the money from those who wrongfully received it.

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The Operation of Harness Racing

(Effective June 27, 1973, except as noted)

Sec. 12-574-B1. General provisions

(a) **Application.** The rules and regulations contained herein shall apply to all associations, as defined herein, conducting a harness horse meeting for any purse, stake or reward, and where pari-mutuel wagering shall be permitted.

(b) **Licenses subject to rules.** All licenses granted by the commission are subject to these rules and regulations.

(c) **Amendments.** These rules and regulations are subject to amendment from time to time and shall be amended in accord with Public Act 854 of the 1971 session of the general assembly. All licensees shall abide by any such amendments.

(d) **Registration.** Any horse that is to be eligible to race in Connecticut under these rules must be registered in accordance with the rules of the United States Trotting Association.

(e) **Waiver.** The commission in its discretion may waive any rule contained herein when such waiver shall be in the best interests of the state of Connecticut and the sport of harness racing.

Sec. 12-574-B2. Definitions, constructions, interpretations

(a) In applying the rules and regulations as contained herein, including all amendments thereto, the following definitions, interpretations shall apply:

(1) Act. Public Act 865 of the 1971 session of the general assembly together with any and all amendments thereto.

(2) Added money-early closing event. An event closing in the same year in which it is to be contested in which all entrance and declaration fees received are added to the purse.

(3) Age. The age of a horse shall be determined from the first day of January of the year of foaling, except that for foals born in November and December of any year in which case the age shall be determined from January 1 of the succeeding year.

(4) Appeal. A request for the commission to investigate, consider, and review any decisions or rulings of judges or officials of a meeting. The appeal may deal with placings, penalties, interpretations of the rules or other questions dealing with the conduct of races.

(5) Applicant. Applicant shall mean, according to the requirement of the text:

(A) A person seeking to obtain an occupational license from the commission or

(B) An individual, partnership or corporation seeking to obtain a license to conduct a harness race meeting pursuant to the act.

(6) Arrears. Arrears include all moneys due for entrance forfeits, fees (including drivers' fees), forfeitures, subscriptions, stake, purchase money in claiming races, and also any default in money incident to the rules.

(7) Association. An individual, partnership or corporation licensed to conduct a recognized harness meeting pursuant to the act.

(8) Authorized agent. A person appointed by a written instrument signed by the owner and filed in accordance with the rules.

(9) Claiming race. A claiming race is one in which every horse competing therein may be claimed in conformity to the rules.

(10) Classified race. A race regardless of the eligibility of horses with entries being selected on the basis of ability or performance.

(11) Commission. Commission shall mean the nine (9) commissioners of the commission on special revenue of the state of Connecticut, as established by the act and their duly authorized representatives.

(12) Conditioned race. An overnight event to which eligibility is determined according to specified qualifications. Such qualifications are provided for in rule (p) of Section 12-574-B29.

(13) Coupled entry. Two or more horses starting in a race when owned or trained by the same person, or trained in the same stable or by the same management. Such horses are coupled as an "entry," and a wager on one shall be a wager on all of them.

(14) Dash. A race decided in a single trial. Dashes may be given in a series of two or three governed by one entry fee for the series, in which event a horse must start in all dashes. Positions may be drawn for each dash. The number of premiums awarded shall not exceed the number of starters in the dash.

(15) Day. Shall mean, according to the requirement of the text:

(A) A period of twenty-four (24) hours, beginning at midnight.

(B) Any period of twenty-four (24) hours beginning at midnight and included in the period of a race meeting.

(16) Declaration. Means the naming of a particular horse to a particular race as a starter. Declarations shall be taken not more than three racing days in advance for all races except those for which qualifying dashes are provided.

(17) Disqualification. A person who is barred from acting as an official or from starting or driving a horse in a race, or in the case of a horse, it shall not be allowed to start.

(18) Drug. Drug shall be deemed to include substances intended for use in the diagnosis, treatment, mitigation, cure or prevention of disease in man or other animals and substances (other than foods) intended to affect the structure or any function of the body of man or other animals.

(19) Early closing race. A race for a definite amount to which entries close at least six weeks preceding the race. The entrance fee may be on the installment plan or otherwise, and all payments are to be non-refundable.

(20) Elimination heats or dashes. Heats or dashes of a race split according to these rules to qualify the contestants for a final heat or dash.

(21) Entry. A horse that has been entered in a race and accepted.

(22) Expulsion. The unconditional exclusion and disqualification from any participation, either directly or indirectly, in the privileges and uses of the course and grounds of the association of a licensee or patron.

(23) Extended pari-mutuel meetings. An extended parimutuel meeting is a meeting, or meetings, at which no agricultural fair is in progress with an annual total of more than ten (10) days duration with pari-mutuel wagering.

(24) Forfeit. Money due because of an error, fault, neglect of duty, breach of contract, or a penalty.

(25) Futurity. A stake in which the dam of the competing animal is nominated either when in foal or during the year of foaling.

(26) Gender. References in these rules to the male gender shall be deemed to include the female gender unless the circumstances preclude such inclusion.

(27) Green horse. One that has never trotted or paced in a race or against time.

(28) Guaranteed stake. A race for which an association guarantees by its conditions a specified purse, which shall be the limit of its liability. However, if in any such race there should be any surplus from entries and subscriptions over the sum

guaranteed, it shall also be paid to the winner, unless by the conditions it is to be paid to other horses in the race.

(29) Handicap. A race in which performance, or a sex allowance is made. Post positions for a handicap may be assigned by the racing secretary. Post positions in a handicap claiming race may be determined by the claiming price.

(30) Heat. One of the two or three installments of a race, the winner being decided by its performance in the several installments.

(31) Inquiry. When the judges suspect that a foul or any other misconduct during a race has occurred, they shall post an inquiry sign at the conclusion of the race and delay the "official" sign until they have reviewed the suspected infraction.

(32) Interference. Any act, which by design or otherwise, and regardless of actual contact, hampers or obstructs any competing horse or horses.

(33) International championship. A race advertised, promoted, or announced as competition among the best horses in the world of any gait or age and comprised of horses from three or more countries with no more than four horses from any one country.

(34) Invitation. A race to which only those horses named by the racing secretary and listed by him with the presiding judge, shall be eligible.

(35) Late closing race. A race for a fixed amount to which nominations or declarations close less than six (6) weeks and more than three (3) days before the race is to be contested.

(36) Length of race and number of heats. Races shall be given at a stated distance in units not shorter than a sixteenth of a mile. The length of a race and the number of heats shall be stated in the conditions. If no distance or number of heats are specified, all races shall be a single mile dash.

(37) Licensee. This shall mean, according to the requirement of the text:

(A) An association that has received a license from the commission to conduct harness racing with pari-mutuel wagering.

(B) A person who has an occupational license issued by the commission.

(38) Maiden. A stallion, mare or gelding that has never won a heat or race at the gait at which it is entered to start and for which a purse is offered. Races or purse money awarded to a horse after the "official" sign has been posted shall not be considered winning performance or affect status as a maiden.

(39) Match. A race between two horses the property of two different owners on terms agreed upon by them.

(40) Matinee. A program of races conducted upon a racetrack which concludes by 7:00 P.M. prevailing time.

(41) Matinee race. A race with no entrance fee and where the premiums, if any, are other than money.

(42) Minor. A minor shall be any person under the age of eighteen (18) years.

(43) Month. This shall mean a calendar month.

(44) Net pool. The total amount bet in a specific pool minus the deduction allowed by the act for the state and the association.

(45) Night performance. A program of races conducted upon a racetrack which begins at 7:00 P.M. prevailing time or later.

(46) Nomination. The naming of a horse or in the event of a futurity, the naming of foal in utero, to a certain race or series of races, eligibility of which is conditioned on the payment of a fee at the time of naming and the payment of subsequent sustaining fees and/or starting fees.

(47) Objection. A complaint by a driver of any foul drying or other misconduct during the race. The judges at the conclusion of the race shall post an "objection" sign and shall delay the "official" sign until they have considered the complaint.

(48) Overnight event. A race for which the entries close seventy-two (72) hours (exclusive of Sundays), or less, before 9:00 A.M. of the day on which such race is to be run.

(49) Owner. Includes part-owner or lessee.

(50) Paddock. An enclosure to which horses scheduled to compete in a race program are confined prior to racing under the supervision of a paddock judge.

(51) Place. In racing shall mean first, second or third, and in that order is called "win", "place", and "show".

(52) Post position. The position drawn by or assigned to the horse.

(53) Program. Shall mean according to the requirement of the text:

(A) A schedule of races of either a matinee or night performance.

(B) The schedule of races as prepared by the racing secretary and printed by the association for sale to the public. In no event shall the overnight sheet be construed to be the program.

(54) Protest. An objection, properly sworn to, charging that a horse is ineligible to race, alleging improper entry or declaration, or citing any act of an owner, driver, trainer or official.

(55) Purse. The money or other prize for which entries in a race are competing.

(56) Race. Race is a heat or a dash.

(57) Recognized meeting, or meeting. Any racing meeting given by an association in good standing, within the enclosure of any racetrack, licensed and conducted under the sanction of the act and the rules and regulations of the commission; and constituting the entire consecutive period of days (excluding Sundays only) that has been granted to the association by the commission to conduct harness racing.

(58) Record. The fastest time made by a horse in a race which he won, or in a performance against time.

(59) Rules. The rules herein prescribed and any amendments or additions thereto.

(60) Scoring. Preliminary practice starts taken by the horses in a race after the post parade and before they are called by the starter to line up for the start.

(61) Scratch. The act of withdrawing an entered horse from the race after the closing of overnight entries.

(62) Scratch time. The time set by the association for the closing of applications for permission to withdraw from races of that day.

(63) Stake. A race which will be contested in a year subsequent to its closing in which the money given by the association conducting the same is added to the money contributed by the nominators, all of which, except deductions for the cost of promotion, breeders or nominators awards, belongs to the winner or winners. In any event, all of the money contributed in nominating, sustaining, and starting payments must be paid to the winner or winners.

(64) Suspended. Suspended shall mean that any privilege granted to a licensee of the commission by the officials of a racing meeting or by the commission has been withdrawn.

(65) Tote or tote board. This shall mean the totalisator.

(66) Track or racetrack. This shall be deemed to mean any and all parts of the plant of a racing association, including, but not limited to, the racing strip, the approaches and entrances, the stands and all other accommodations and facilities afforded to the public, the stables, barns, paddocks, quarters of drivers, and others

employed in or about the track, judges' boxes, photo-finish and film patrol plants, pari-mutuel offices, facilities and equipment, totalisator and public address system.

(67) Two in three. In a two in three race, a horse must win two heats to be entitled to first money.

(68) Walk over. When only horses of the same interest start, it constitutes a walk over. In a "stake race", a walk over is entitled to all the stake money and forfeits unless otherwise provided in the published conditions. To claim the purse, the entry must start and go once over the course, unless this requirement is waived by the presiding judge.

(69) Winner. The winner shall be the horse whose nose reaches the wire first. If there is a dead heat for first, both horses shall be considered winners. Where two horses are tied in the summary, the winner of the longer dash or heat shall be entitled to the trophy. Where the dashes or heats are of the same distances and the horses are tied in the summary, the winner of the faster dash or heat shall be entitled to the trophy. Where the dashes or heats are of the same distance and the horses are tied in the summary and the time, both horses shall be considered winners.

(70) Year. Shall mean a calendar year.

(71) Publicly owned corporations. Any corporation whose stock is available for purchase by the general public.

(72) Stock. Shall include common and preferred shares.

(b) **Singular, plural.** Singular words include the plural, except where the context otherwise requires.

(Effective January 4, 1974)

Sec. 12-574-B3. Commission on special revenue

(a) **Composition.** The act established a commission on special revenue which appoints an executive secretary and an executive director for each of three separate divisions. The commission consists of nine members, five of whom are appointed by the governor and two by the opposite party leader in the house of representatives, speaker or minority leader, and two by the opposite party leader in the senate, president pro tempore or minority leader. No more than five may be of the same political party. The chairman is selected by the governor, initially, thereafter to be elected annually by the commission members. The commissioners shall be electors of the state, shall have resided in this state for at least seven years next preceding his appointment and qualification and shall be at least thirty years of age.

(b) **Powers.** The powers of the commission are vested in the commissioners thereof. The commission shall have the power and it shall be its duty to:

(1) Promulgate rules and regulations governing the establishment and operation of pari-mutuel wagering and harness horse racing in the state of Connecticut.

(2) Amend, repeal, or supplement any such rules and regulations from time to time as it deems necessary or desirable.

(3) Appoint an executive secretary to whom it may delegate such authority as it deems proper and appropriate for the efficient administration of the provisions of the act.

(4) Appoint an executive director of the racing division to administer and coordinate the racing division which includes harness racing.

(5) Hire such employees as may be necessary to carry out the provisions of the act.

(6) Do whatever is necessary to carry out the provisions of the act.

(7) Call upon other administrative departments of the state government and of municipal governments, state and municipal police departments and prosecuting

officers and state's attorneys for such information and assistance as it deems necessary to the performance of its duties.

(8) Report to the governor in writing on or before September first, annually, on the activities of the commission during the fiscal year ended the preceding June thirtieth including a statement of receipts and disbursements of the commission, a summary of its activities, and any additional information and recommendations which the commission may deem of value or which the governor may request.

(9) Provide books in which shall be kept a true, faithful and correct record of all its proceedings.

(10) At least annually, on or before December thirty-first of each calendar year, publish in convenient pamphlet form all regulations then in force and furnish copies of such pamphlets to such persons as desire them.

(11) Require, if it determines that it is necessary, that any of its employees give bond in such amount as said commission may determine pursuant to the act.

(c) **Qualification of powers.** The powers herein described shall only relate to the operation of the harness racing section of the racing division. They shall in no way infringe upon or limit the powers of the commission relative to other aspects of the act. The powers of the commission relative to these other endeavors will be covered by other rules and regulations.

(d) **Powers reserved.** All powers of the commission not specifically defined in these regulations are reserved to the commission under the act creating the commission, and the amendments thereto, and specifying its powers and duties.

(e) **General policy-declaration and administration.** General policies on racing matters are to be decided upon by the commission at their meetings. The administration thereof shall be in the hands of the executive secretary.

(f) **Names on daily racing program.** The commission may require that the names of the commissioners and of its specified employees with their titles, if any, and the address of the commission's offices appear in the daily racing programs.

(g) **Orders—form and execution.** Whenever the commission has adopted a rule or regulation or has rendered a decision, whether on appeal or otherwise the signature of the individual commissioners shall not be required on any written order or other form of determination, but the chairman or the vice-chairman of the commission shall certify to and promulgate the same, and his signature on such written order or other form of determination or on any promulgation thereof shall be valid and effective as evidencing the official action thus taken by the commission

Sec. 12-574-B4. Executive secretary

(a) **Appointment.** The commission shall appoint an executive secretary who shall be a resident of this state at the time of and during the full term of his employment.

(b) **Powers.** The executive secretary shall have the power and it shall be his duty to:

(1) Administer and coordinate the administrative functions of the commission.

(2) Have overall supervisory authority and responsibility over the racing division which includes the harness racing section.

(3) Have that authority which the commission delegates to him as it deems proper and appropriate for the efficient administration of the provisions of this act.

(4) Report to the commission on those functions assigned to him by the commission.

(c) **Qualification of powers.** The powers herein described shall only relate to the operation of the harness section. They shall in no way infringe upon or limit the powers of the executive secretary relative to other aspects of the act. The powers

of the executive secretary relative to these other endeavors will be covered by other rules and regulations.

Sec. 12-574-B5. Executive director

(a) **Appointment.** The commission shall appoint an executive director of the state racing division who shall be a resident of the state at the time of and during the full term of his employment.

(b) **Racing division.** The racing division of the commission shall encompass the thoroughbred racing, harness racing, greyhound racing and jai alai sections.

(c) **Powers.** The director shall have the power, and it shall be his duty to:

(1) Administer and coordinate the operation of the racing division in accordance with the provisions of the act and with the rules and regulations of the commission.

(2) Maintain full and complete records of the operation of the racing division. These records shall be open to the public as provided in section 1-19 of the 1969 supplement to the general statutes.

(3) Report on a regular basis to the executive secretary of the status of the racing division.

(4) Perform those functions assigned to him by the executive secretary.

Sec. 12-574-B6. Application for license to conduct meeting

(a) **License, form, date.** No individual, partnership or corporation shall hold, or conduct any meeting within Connecticut at which harness racing is permitted for any purse, stake or reward and where pari-mutuel wagering is conducted unless such individual, partnership or corporation is licensed by the commission as provided in these regulations.

(1) Applications for a license shall be made on forms supplied by the commission and shall be filed with the executive secretary of the commission on or before a day to be fixed by the commission.

(2) Each applicant shall file such forms as may from time to time be required by the commission.

(b) **Licensing new applicants.** In granting a license to any new applicants the commission will consider the following matters:

(1) Opportunity for the sport to develop properly.

(2) Extent of community support for the promotion and continuance of the track.

(3) The character and reputation of the men identified with the undertaking.

(4) Financial ability of the applicant to promote a facility.

(5) The type and quality of the facility proposed.

(6) Possible avoidance of competition with other established pari-mutuel facilities in Connecticut, if applicable.

The commission may reject any application for a license for any cause which it deems sufficient.

(c) **Corporations.** All corporate applicants shall be Connecticut corporations or corporations authorized to do business in Connecticut. It shall file with the commission along with its application, the names, addresses, dates and places of birth and social security numbers of the officers and directors, the date of incorporation, and a copy of the original certificate of incorporation and of any amendments; a statement giving the names, addresses, dates and places of birth and social security numbers of all its stockholders and the number of shares registered in the name of each and shall likewise file revised statements giving such information from time to time as changes occur; and if any shares be registered in the name of a corporation or in the name or names of one or more persons as trustees or otherwise for a corporation,

the applicant shall, at the same time and in the same manner, furnish a similar statement with respect to the stockholders of such corporation. In the case of publicly owned corporations, provisions of this rule may be waived at the discretion of the commission.

(d) **Partnerships.** If the applicant is a partnership it shall file with the commission along with its application, the names, addresses, dates and places of birth and social security numbers of all the partners, general or limited, and the percentage of ownership of each and shall likewise file revised statements giving such information from time to time as changes occur and if one or more of the partners be a corporation, shall comply with the provisions of rule (c) of this section.

(e) **Individuals.** If the applicant is an individual, he shall file with the commission, along with his application, his name, address, date and place of birth and social security number.

(f) **Change of ownership.** No change of ownership of an association shall be made without prior written approval of the commission except changes effected by a court of competent jurisdiction which shall be treated, for the purposes of this subsection, in the same manner as stock transfers of publicly owned corporations. In the case of publicly owned corporations, the provisions of this rule shall be waived by the commission upon the following conditions:

(1) The association shall inform the commission of all changes in stock ownership, including the names and addresses of the record owner of the stock, within a period of time from the date of said transaction as shall be determined by the commission.

(2) The association shall use its best efforts to provide the commission with such information pertaining to the new stockholders as the commission shall request.

(3) If the association is unable to provide the commission with any information requested pursuant to the above conditions, or if the commission determines, after a security check of the new stockholder, that the stockholder is a person whose character and reputation are such that the commission deems that person may be detrimental to the best interests of the State of Connecticut and/or harness racing in the State of Connecticut the association must take steps that effect a divestiture of the stock in question within a reasonable time after receipt of the commission's order to do so and shall inform the commission that a divestiture has occurred by such date as shall be determined by the commission.

(4) The association shall take such steps that may be necessary to insure that no transfers of stock take place which are not reported to the commission.

(5) Failure to adhere to any of the above conditions (1) (2) (3) (4) may be cause for revocation of the association's license.

(g) **Verification.** The application, if made by an individual, shall be signed and verified under oath by such individual, and, if made by two (2) or more individuals or a partnership, shall be signed and verified under oath by all of the individuals or by all of the members of the partnership, whether general or limited, as the case may be. If the application is made by a corporation, it shall be signed by an officer of the corporation duly authorized by the board of directors and shall affix to the application a certified copy of the minutes or resolution of the board of directors specifically authorizing that officer to sign the application for the corporation. The seal of the corporation shall be affixed to the application and to the certified copy of the minutes or resolution.

(h) **Leasing racing plant.** A license shall not be issued to an applicant if the applicant leases the land and/or buildings for its facility, and the lessor is an individual, partnership or corporation, who would be unable to secure a license to conduct

a meeting from the commission pursuant to rule (b) (3) of this section. If the applicant's racing plant or any part thereof, including land and/or buildings, is leased, the applicant shall furnish the name address, date and place of birth and social security number of the owner, or if the owner be a corporation, the names, addresses, dates and places of birth and social security numbers of the officers, directors and stockholders thereof. No license shall be granted to an applicant who fails to submit such information to the commission as the commission may request from time to time. Failure to report changes in the lessor's ownership, and failure to obtain commission approval thereof may be cause for revocation of license. All associations shall observe the requirements of this rule. In the case of lessors who are publicly owned corporations the provisions of this rule may be waived at the discretion of the commission.

(i) **Fingerprints, photographs.** Each applicant including partner, officer and director shall have their fingerprints and photograph taken by the commission before any license is issued. Every stockholder of an applicant shall comply with this rule. In the case of publicly owned corporations, the provisions of this rule may be waived at the discretion of the commission.

(j) **General information required.** All applicants for a license shall submit on, or as a part of their application:

(1) The number and actual period of days (Sundays excluded), the hours of each racing day, the number of races on a day's program and the post time for the first race which the applicant desires for a harness meeting.

(2) The estimated cost of the racing plant to be constructed and a general description of such plant.

(3) A description of the site of the proposed racing plant, including its acreage.

(4) A statement of the plan of financing of the racing plant and if arrangements have been made for the flotation of securities, the name and address of the person or firm with whom such arrangements and terms have been made.

(5) General specifications, surveys, studies and analyses by competent and qualified experts shall be furnished to the commission to ascertain such factors as proposed attendance, traffic flow, income, or any and all other matters necessary for the commission to make a determination with respect to the matter of the application. The commission reserves the right to reject inadequate or unsatisfactory specifications or to demand additional information and specifications from the applicant.

(6) The written verification of the building and zoning officer of the municipality where the racing plant is proposed to be built that the erection of a harness racing plant in that locality as to all particulars is not in violation of any local ordinance or zoning regulation.

(7) Such other information and requirements as the commission may deem proper.

(k) **Blueprints.** The granting of a license to an association by the commission for the first time shall be conditioned upon the association furnishing, at its expense, such data as the commission shall require to enable it to carry out fully and effectually all of the provisions and purposes of the act which may include, but shall not be limited to, the following: A map or plan of its racetrack and plant, drawn to such reasonable scale as may be required, showing all structures, piping, fire hydrants and other fixed equipment thereon, with dimensions and nature of construction duly noted thereon, and a plan of the racing strip; and when any material changes are made therein, a similar map or plan showing such changes and drawn to the same scale, shall be forthwith filed with the commission. The blueprints and specifications shall be subject to the approval of the commission, which, at the expense of the

applicant, may order such engineering examination thereof as the commission deems necessary. The erection and construction of the track, grandstand and buildings of any association shall be subject to the inspection of the commission. The commission may employ such inspectors, at the expense of the applicant, as it considers necessary for that purpose.

(l) **Minimum standards.** The plans and specifications of an applicant for a license must meet all the standards enumerated in the uniform building code and the uniform fire code of the state of Connecticut, any and all standards of the municipality in which the applicant proposes to build its racing plant, and any other standards that the commission, in its discretion, may prescribe.

(m) **Condition of license.** Any license granted to an association shall be subject to all rights, regulations and conditions from time to time prescribed by the commission.

(n) **Renewals.** A license granted shall be renewed from year to year pursuant to these regulations upon application by an association for racing dates and filing of any such forms requested by the commission with the executive secretary of the commission by such date as shall be determined by the commission. In acting on renewal applications, the commission shall consider the requirements specified in rules (b) (3) and (b) (4) of this section.

(o) **Revocations—suspensions.** The commission may revoke the license or fail to renew the license of an association after a hearing for any one of the following reasons:

(1) If it makes any false statement in any form it files with the commission.

(2) If a transfer in ownership is made which has not been approved by the commission, subject to the provisions of Section 12-574-B6 (f) of these rules.

(3) If the association fails to meet its financial obligations.

(4) If it materially violates the rules and regulations of the commission.

(5) If there has been a material change in the character and reputation of the men identified with the undertaking.

(6) If it fails to conduct racing with pari-mutuel betting during any day of its meeting without sufficient cause therefor.

(p) **Non-transferable.** No license shall be transferable or assignable in any manner or in any particular without the prior written approval of the commission.

(q) Any change in the information required to be reported to the commission under sections 12-574-B6 (c) and 12-574-B6 (d) shall be reported to the commission by an association as it occurs. In the case of publicly owned corporations, provisions of this rule may be waived at the discretion of the commission.

(Effective January 4, 1974)

Sec. 12-574-B7. Requirements of association

(a) **Purses.** (1) As a minimum standard, an association shall allocate the following percentages of the parimutuel handle at its track for each day of its meeting for the purpose of purse or prize money for the horses racing at its track:

<i>Daily handle</i>	<i>Percentage for purses</i>
0 to \$100,000	7% on the entire pool
\$100,001 to \$200,000	6.75% on the entire pool
\$200,001 to \$300,000	6.5% on the entire pool
\$300,001 to \$400,000	6.25% on the entire pool
\$400,001 to \$500,000	6% on the entire pool
\$500,001 to \$600,000	5.75% on the entire pool
\$600,001 to \$700,000	5.5% on the entire pool

\$700,001 to \$800,000	5.25%	on the entire pool
\$800,001 to \$900,000	5%	on the entire pool
\$900,001 to \$1,000,000	4.75%	on the entire pool
\$1,000,001 and over	4.25%	on the entire pool

Failure to strictly adhere to this rule shall be grounds for revocation of the association's license.

(2) Prize money shall be awarded the first five (5) finishers in each race, unless fewer than five (5) horses start, in which case each finisher shall be awarded prize money.

(3) Prize money shall be paid to the winners seventy-two (72) hours (Sunday excluded) following their winning. However, no purse money shall be paid to the winners until the reports of specimen samples have been received by the judges.

(4) Purses must be paid to the winner thereof unless an association is ordered by a court of competent jurisdiction to pay it to another. An association may withhold from purses any money due it by the winner thereof.

(b) **Payment for tests.** The association shall pay the state for the cost of testing horses at its track. This fee shall be determined by the commission at least fifteen (15) days prior to the start of a meeting and shall be based upon the actual cost of the testing. The fee shall be payable on a basis to be determined by the commission.

(c) **Offices for commission.** Each association shall provide within its grounds an office for the use of the commission. Members of the commission and its designated representatives shall have the right of full and complete entry to any and all parts of the grounds of the association.

(d) **Liability insurance.** Before any license shall be issued the association shall deposit with the commission an insurance policy against personal injury liability. The insurance shall be in an amount approved by the commission, with premium prepaid. The policy shall name the state of Connecticut as an additional insured.

(e) **Use of program.** In accepting a license from the commission, an association agrees to provide its program to the commission, for just and reasonable compensation, for the purpose of off-track betting pursuant to and consistent with the act and the commission rules and regulations concerning off-track betting.

(f) **Track size.** A license for a meeting will be granted by the commission only for racing grounds affording a track size approved by the commission.

(g) **Dates, time and number of races.** (1) The commission shall determine: the number of racing days to be awarded, which shall not be less than 120 days in a year's time unless waived by the commission for the association's initial year in operation; the actual days awarded; the post time of the first race; the number of races; and the time that races may be held during a given day of the meet.

(2) In case of emergencies when for good cause racing with pari-mutuel wagering cannot be conducted during a meeting, the commission may award make-up days to be utilized on such dates as the commission may determine.

(h) **Illumination.** An association shall have lighting facilities which must be approved by the commission.

(i) **Emergency lighting.** An association shall have emergency lighting ready to be operated in case of emergency for the protection of patrons.

(j) **Performance bond.** An association which is granted a license to conduct a meeting shall give to the state of Connecticut a performance bond in such amount as the commission shall determine before said license is issued.

(k) **Riot control.** At least fifteen (15) days before the start of a meeting the association shall provide the commission with a plan for riot control.

(l) **Requirements for admission of horses to association grounds.** (1) No horse shall be admitted to any part of the grounds of any association unless a health certificate signed by a licensed veterinarian is presented. The certificate must state the following:

(A) The horse was examined thoroughly within a seven (7) day period preceding the admission date.

(B) The horse was free of any evidence of infectious, contagious or transmissible disease and was afebrile at the time of the examination.

(C) The horse was free of ectoparasites at the time of the examination.

(D) Within the prior two weeks the horse has not been exposed to other horses with any known infectious, contagious or transmissible diseases.

(E) This rule may be waived at the discretion of the commission for horses stabled at commission approved facilities in this state.

(2) No horse shall be admitted to any association plant without a certificate that a negative coggins test has been completed within a period to be specified by the commission.

(3) Any horse not having the required health certificate will be unloaded in a quarantine area to be designated by the association. A health certificate meeting the requirements of this rule must be obtained within twenty-four (24) hours from the time of admission, or the horse must be removed from the grounds. An association veterinarian will be available on the grounds or on call for the purposes of examining the horse and issuing the certificate. If a horse, upon examination, is found to have clinical evidence of infectious, contagious or transmissible diseases the horse shall be promptly removed from the grounds and the stall in which he had been stabled and the area immediately surrounding it must be sprayed with a disinfectant, as prescribed by the association veterinarian.

(m) **Information for commission, state tax department.** Associations shall promptly give to the commission and to the state tax department such information in writing as either may request and shall freely and fully cooperate with them in every way.

(n) **Prices of admission.** The commission shall approve the prices of admission to racetracks, to special enclosures and reserved spaces therein, and to parking areas.

Sec. 12-574-B8. Equipment and facilities

(a) **Quarters for participants.** An association shall provide suitable and sanitary living quarters on its grounds for male and female stable employees who are participants during the meet, said quarters shall include a cafeteria, recreational hall, and proper sanitary arrangements.

(b) **Maintenance of track.** Associations shall at all times maintain their racetrack in good, uniform condition and with a special consideration for the public interest, safety of the horses stabled, or entered to race or to be exercised and of all those whose attendance is required by official duties.

(c) **Receiving barn, detention area, laboratory.** (1) The association shall provide and maintain:

(A) Every association shall provide in a convenient location at its racetrack, for use during its current meeting, a receiving barn with adequate stable room and facilities, including hot and cold water and ample stall bedding. Such barn shall be at all times maintained in a clean and sanitary condition by an adequate force of attendants employed by the association, and each stall shall be thoroughly disinfected after each occupancy.

(B) A detention area, in a location acceptable to the commission, for the purpose of securing such specimens of body fluids and eliminations as shall be directed for their chemical analysis.

(C) A building, in a location acceptable to the commission, to be utilized as a laboratory for the analysis of specimens so taken.

(2) The facilities provided pursuant to this section shall be in accordance with specifications hereafter approved by the commission.

(d) **Fire department.** An association shall have a fire department on its premises ready to be utilized at all times that horses are stabled at the association plant. The equipment located therein shall be subject to the approval of the commission.

(e) **Floodlights—patrol system.** Associations shall install and maintain floodlights at their tracks to provide adequate illumination of the stable areas at night and such security system as may be required by the commission.

(f) **Photo finish cameras.** Associations shall install at the finish lines and shall adequately maintain two photo finish cameras, to be approved by the commission, to automatically photograph the finish of races. One such camera is to be held in reserve for emergencies. The official photographer shall furnish promptly to the presiding judge two prints of every photo finish, and the judges shall keep a permanent file of all such prints and the negative thereof.

(g) **Pari-mutuel equipment.** In the event a system of off-track betting in the state results prior to the opening of an association's facility, the association shall install such pari-mutuel equipment at the track that can interface with the equipment utilized at commission off-track betting facilities.

(h) **Photographic records.** Associations shall take and make at their expense a complete photographic record of all races run by said association. The arrangements for said photographic record shall be in a form satisfactory to the commission, and the said records shall be susceptible to viewing after the end of any race in order to enable the judges to better judge races and rule on all claims of infractions of the rules and thereby better protect the interest of the public in racing. The photographic record of each race shall be kept in custody of the association for the period of one year, however, photographic records of races in which there were objections, inquiries, or accidents, shall be kept in custody of the association for the period of three years from the date of the race. These photographic records shall be under the control of the judges and shall not be shown to other persons without their permission. At all times, the commission shall have full and complete access to all photographic records which are in the custody of an association pursuant to this rule.

(i) **Erection, removal of structures.** Any plan to alter, construct or remove structures on the association grounds must be approved by the commission.

(j) **Man, horse ambulances.** Associations shall furnish and maintain at least one man ambulance and at least one horse ambulance each day that their track may be open for racing or exercising horses, equipped, ready for immediate duty, and to be placed convenient to the racing strip.

(k) **Temporary hospitals; physicians, nurses.** An association, during the period within which they are conducting a meeting, shall furnish a licensed physician and a registered nurse to render emergency medical services, as may be necessary. An association shall equip and maintain at its track a temporary hospital in a suitable area equipped with such first aid appliances and materials as shall be approved by the commission. The attendance of the physician and nurse shall be required at the hospital during racing hours.

(l) **Driver room facilities.** An association shall make such sanitary arrangements for baths, toilets, etc., for the use of drivers, including separate facilities for males

and females, as may be required by the commission, the same to be conveniently located on the grounds.

(m) **Removal of manure, refuse.** Facilities for manure removal shall be constructed and maintained by the association. The commission shall approve all such facilities and maintenance programs.

(n) **Stall rental forbidden.** Associations shall not charge rental for stalls during the conduct of a race meeting, except in the case of leases or other contracts relating to special facilities for stabling, and such leased or contracted facilities shall be made available to horsemen whenever they are not occupied by the lessee, upon reasonable notice to the lessee. An association may charge for stall rental if a horse is stabled at the association plant, but is not racing there.

(o) **Starting gates.** Each association shall provide and maintain two starting gates approved by the commission during the period of its meeting and when horses are exercised. Associations shall have in attendance, whenever said gates are in use, one or more men skilled and qualified to keep said gates in good working order and shall also provide for such periodical inspections thereof as may be reasonably required by the commission.

(p) **Horse identification, examination.** A system of horse identification and physical examination shall be instituted and diligently maintained by associations pursuant to these rules and regulations.

(q) **Stands for race officials.** Stands for judges and timers shall be maintained in positions commanding an uninterrupted view of the entire racing strip and the location thereof shall be subject to approval of the commission.

(r) **Devices to be approved.** All devices pertaining to racing which are used on racetracks must be approved by the commission before installation and shall not be removed except with the approval of the commission.

(s) **Disinfection of vehicles.** All carriers shall take such steps as are necessary to insure the disinfection of all cars, trucks, trailers or other conveyances used in transportation of harness horses to and from race courses. It shall be the responsibility of the association to see that this rule is carried out.

(t) **Farrier hours.** At least one farrier shop shall be open at each track from 8:00 A.M. until 4:00 P.M., when horses are stabled on its grounds whether racing is being conducted or not.

(u) **Stable sanitation.** Each association shall maintain its stable area in such a manner as to provide a safe, clean, healthful place. Each association shall:

(1) Prohibit smoking in horse stalls, feed rooms and under the sheds.

(2) Not allow sleeping in any of the feed rooms or stalls at any time.

(3) See that stalls occupied by horses are not locked at any time, and also that unassigned tack rooms are not locked.

(4) Allow no open fires anywhere in the stable area, nor any oil or gas burning lanterns or lamps.

(5) See that all electrical appliances used in the stable area are in a safe working condition, and when in use kept a safe distance from walls, beds and other furnishings and not left unattended.

(6) See that no inflammable materials, such as cleaning fluids or solvents, are used in the stable area.

(7) Not allow hay or straw to be stored under the sheds or outside of feed rooms at any time.

(8) See that the alleyway in front of the stalls is kept free of debris and open at all times to give easy access to each stall door in case of fire.

(9) Not allow pets to run at large in the stable area, making sure they are properly and suitably confined at all times.

(v) **Inspection of racing premises prior to meet.** Not less than fifteen (15) days prior to the opening of any meet authorized by the commission, the commission, at the expense of the association, shall make an inspection of the grounds where the meet is to be held, and unless the grounds are found to be safe for animals and persons, and unless they are rendered safe therefor prior to the opening of the meet, the license for the meet shall be withdrawn.

(w) **Clean grounds.** Each association shall keep and operate all of its grounds, including parking area, in a clean and dignified manner.

Sec. 12-574-B9. Occupational licenses

(a) **Officials and participants must be licensed.** Associations conducting harness meetings shall not permit any official, owner, trainer, driver, stable employee, farrier, agent, veterinarian, association employee whose job requires his presence at the association grounds at any time, concession employee, and any assistants thereto, to operate on its premises unless said person has received a license from the commission and has been photographed and fingerprinted by the commission. No license shall be delivered to the applicant unless evidence is presented to the commission that the applicant will participate in a harness racing meeting in Connecticut during the period of his license. Application for a license shall be made on forms supplied by the commission and all questions contained therein shall be answered. Every license granted shall provide that the licensee shall comply with the rules and regulations and that violation thereof may be punished by fine, suspension or revocation of license. Pursuant to this section, see section 12-574-B29, "owners, drivers, trainers and grooms".

(b) **Badges.** (1) The commission shall supply each licensee with a badge, at the expense of the association licensed to conduct a meeting, showing the license number, name, department and photograph and any other information which the commission, in its discretion, shall require. Badges are only to be worn by the licensee and are nontransferable. The commission shall determine, in its discretion, which licensees are to wear the badges on their person, and which licensees may carry the badge on their person.

(2) A non-transferable badge may be issued by an association to persons, other than patrons, who are not required to be licensed but who must enter the grounds of the association for reasons connected with the conduct of a meeting. A list of such persons and their specific duties must be filed with and approved by the commission. This badge shall expire on the last day of the meet in which it was issued.

(3) A non-transferable temporary badge may be issued by an association, upon approval by the director of security. These badges must be surrendered by the bearer on leaving the premises, the day of issue. Users of such badges must sign a register prior to entering the grounds. Frequent use by the same person of a temporary badge is prohibited.

(c) **Contractual concessionaires.** All contractual concessionaires must obtain a license from the commission and pay the fee required by the act, if any, and must submit such data and information to the commission as the commission in its discretion may require. Said license must be taken out for each association at which the concessionaire plans to operate.

(d) **Qualifications for license.** If the commission shall find that the financial responsibility, experience, character and general fitness of the applicant are such

that the participation of such person will be consistent with the public interest, convenience or necessity and with the best interests of harness racing generally, in conformity with the purposes of the act, it shall thereupon grant a license. If the commission shall find that the applicant fails to meet any of said conditions, it shall not grant such license and it shall notify the applicant of the denial.

(e) **Suspension, revocations.** If the commission shall find that the financial responsibility, character and general fitness of the licensee are such that the continued participation of such person will not be consistent with the public interest, convenience or necessity, and with the best interests of harness racing generally, in conformity with the purposes of the act, it shall thereupon revoke, or suspend said license.

(f) **Honor suspensions by other authorities.** The commission shall honor any suspension or ruling off by any other racing jurisdiction of this country or elsewhere.

(g) **Unlicensed activity forbidden.** No person requiring a license from the commission shall carry on any activity whatsoever upon the premises of an association unless and until he has been duly licensed, except that any person with the consent of the presiding judge may so act pending action on his application duly filed and with the exceptions specified in these rules. Any person who employs anyone in contravention of these regulations may be fined or suspended.

(h) **Surrender of license.** All licenses shall be the property of the commission. All licenses which are terminated by the commission and all licenses held by persons whose positions have been terminated or who have voluntarily retired or quit shall be surrendered to the commission within twenty-four (24) hours of said termination.

(i) **Examination of licenses.** All persons who have been issued a license by the commission must keep such license in their possession subject to the examination by the commission or its duly authorized representatives, or officials of the association, at any time they may deem necessary or proper.

(j) **Responsibility of employer on discharge of employee.** When an owner or trainer discharges a licensed employee, or when such employee voluntarily leaves the employ of an owner or trainer, the said owner or trainer shall immediately notify the presiding judge of such discharge or resignation. The failure to so notify the presiding judge shall subject the owner or trainer to a fine or suspension or both.

(k) **Corporations, partnerships.** (1) No license as an owner shall be granted to the lessee or lessees of any corporation, syndicate or partnership unless such corporation, syndicate or partnership shall have no more than ten (10) stockholders or members, as the case may be, each of whom shall be the registered and beneficial owner of stock or membership in such corporation, syndicate or partnership; and every such stockholder or member is required to be licensed as an owner. The commission by unanimous vote of its members may waive this rule with respect to any one horse owned by any said corporation, syndicate or partnership, to enable it to participate in a meeting.

(2) For the purpose of this rule, the stockholders or members who bear to each other the relationship of husband or wife, parent and child, grandparent and grandchild, sister and brother shall be regarded collectively as one stockholder or member, as the case may be.

(3) The stockholders or members or any corporation, syndicate or partnership which leases horses for racing purposes in the state of Connecticut shall make and file with the commission as and when requested by it, a report or reports under oath containing such information as the commission may specify; and upon refusal or failure to file any such report or reports the commission may refuse a license to any lessee or lessees of such corporation, syndicate or partnership or may revoke any such license which it may have granted.

(4) Any transfer of stock of such corporation or change in the officers or directors shall be reported in writing to the presiding judge at the track within forty-eight (48) hours of such change. The presiding judge shall immediately transmit such information to the commission.

(l) **Procedure for revocation.** No license shall be revoked unless such revocation is at a meeting of the commission on notice to the licensee who shall be entitled to a hearing in respect to such revocation. The hearing may be conducted by the commission or a sub-committee of four commissioners who shall report their findings to the commission.

(m) **Certain disqualifications.** No person shall be eligible for an owner's or trainer's license if, during the term of such license, he would practice as farrier veterinarian with horses racing under the jurisdiction of the commission; provided, however, that a duly licensed owner may personally shoe a horse owned by him upon applying for and receiving a certificate of fitness therefor from the commission.

(n) **Unauthorized use of credentials.** No licensee shall permit any other person or persons to use his badge or credentials for entering into any part of the track. Any licensee who violates this rule is liable to suspension or a fine of not exceeding \$200.00 or both, and if he continues to violate the rule, he may be ruled off or otherwise punished, as the commission may decide.

(o) **Duration of license.** No license shall be granted for a longer period than one year, and every such license shall expire on the 31st day of December of the year of the date of its approval.

(p) **Authorized agents.** (1) An owner may appoint an authorized agent by filing an appointment form with the commission provided the agent files an application for a license to act as authorized agent and pays the prevailing fee. Such appointment must first be approved by the commission before such agency becomes effective.

(2) An authorized agent may appoint a sub-agent, who must be licensed as an authorized agent, only when the appointment form authorizes him to so act.

(q) **Payment of fines.** Any person who pays a fine imposed on another may be fined or suspended.

Sec. 12-574-B10. Telephone and telegraph

(a) **Commission approval.** No telephone, telegraph, teletype, semaphore, signal device, radio, television or other method of electrical, mechanical, manual or visual communication shall be installed within the enclosure of any association until same has been approved by the commission.

(b) **Closing telephones, telegraph.** All public telephones and telegraph wires on the grounds of the association conducting the meeting shall be closed thirty (30) minutes before opening of the pari-mutuel windows for the first race of a program. No calls or wires shall be allowed to be made or received after the telephones and telegraph wires are closed until after the last race of a program has been finished except by the officials of the commission, by duly authorized officers and officials of the association, or duly accredited members of the press.

(c) **Approval for radio, television, press.** (1) Any association licensed by this commission desiring to broadcast, televise, or transmit by press wire pertinent information relating to any race run at its track not inconsistent with any state or federal law, shall first file with the commission, an application, for its approval and such information as the commission may request.

(2) Associations may permit, subject to the approval of the commission, representatives of the public press to send, for the exclusive use of such press, news items,

“scratches” and changes of drivers and equipment and also the results of each race after the same has been declared official together with the amounts of the final pools and the payoff prices of such races; and associations may permit telephone, telegraph and teletype wires and equipment on their respective premises during race meetings for the use of such representatives of the public press and for the transaction of the ordinary business of the association and the commission, but no message shall be sent in or out of the association’s premises by any communication device or means transmitting money or other thing of value or directing the placing of any wager on the result of a race, excluding information relating to off-track betting conducted and operated by the commission, nor shall any such message be sent unless in plain and intelligible English.

(d) **Prohibition.** No person or employee is permitted to have in their possession any radio transmitter or any transmitting device while present at any track during any racing programs unless specifically approved by the commission.

Sec. 12-574-B11. Accounting

(a) **Requirements.** (1) Associations shall so keep books and records as to clearly show the total amount of money contributed to every pari-mutuel pool on each race separately and within sixty (60) days after the conclusion of every race meeting shall submit to the commission a complete audit of its accounts, certified by a public account ant licensed to practice in the state, and in addition, shall submit a detailed annual audit to the commission.

(2) These audits shall become and be maintained in the commission’s confidential files and shall include, although not limited to, the following statements and schedules:

- (A) Balance sheet.
- (B) Profit and loss statement.
- (C) Statement application of funds.
- (D) Daily distribution of pari-mutuel handle schedule.
- (E) Daily admission, receipts and taxes schedule.
- (F) Insurance schedule (this should include the names, addresses of all companies with whom the policies have been placed as well as the agent with whom the policies have been placed).
- (G) Depreciation schedule.
- (H) Salaries and wages of all departments.
- (I) Salaries paid to officials and department heads.
- (J) Contribution or donation schedule.
- (K) Miscellaneous revenue schedule (this shall be in detail as to source).
- (L) Legal and accounting fees schedule.
- (M) Travel and entertainment schedule (in complete detail showing the actual disposition of these funds).
- (N) Taxes paid and accrued.
- (O) Advertising expense.
- (P) Organizational data (listing directors, officials, etc., a schedule of stockholders may be submitted under separate cover).
- (Q) Certificate of accountant who prepares audit.

(b) **Commission inspection.** The commission or its duly authorized representatives and the tax commissioner or his agents are authorized to enter upon the premises of any association for the purpose of inspecting books and records, and examining cashiers, ticket sellers and other persons handling money on said premises.

Sec. 12-574-B12. Uncashed tickets

(a) **Outsbook.** Every association shall carry on its books an account which shows the total amount due on outstanding unredeemed mutuel tickets, which represents the winning tickets not presented for payment. In the event of a payoff discrepancy, such winning tickets remaining unpaid at the close of each performance shall be entered in the "outsbook" at the actual price paid to the public. A record of all unpaid pari-mutuel tickets shall be prepared and forwarded to the commission within thirty (30) days after the last day of each race meeting.

(b) **Requirements.** (1) The "outsbook" shall be compiled by data processing systems or computerized totalisator equipment and the following minimum requirements shall apply:

(A) All printed outs summaries and printed outs ledger sheets shall be placed in a separate binder in chronological order. Safeguarding of these records is a management responsibility.

(B) These daily ledger sheets shall include the date, race, winning number, price paid per ticket, amount outstanding from previous performance, tickets paid for each performance and new balance outstanding.

(C) Totalisator codes for each performance shall be maintained in a separate binder or volume with the official finish and price paid per ticket by denomination.

(c) **Certifications.** (1) It shall be the responsibility of each association to see that the following certificate(s) is entered in the rear of each "outsbook" it maintains and is signed by the proper track employee(s).

The undersigned hereby certifies that all the (deduction) (addition) entries on the pages covering the dates of through were made from valid tickets and/or documents and are, to the best of my knowledge and belief, correct.

.....
Signature

(2) If two or more track employees have the duty of making entries in the "outsbook(s)", the above certification shall be required of each, striking out the appropriate word in parenthesis.

(3) A new certification shall be required upon change of an employee's duties which concerns the "outsbook(s)".

(d) **Cashing tickets.** When cashing pari-mutuel tickets which have previously been entered in the "outsbook" each association shall be responsible to see that on the back of each ticket there is clearly stamped the number of the cashier and the words "out ticket". All tickets so cashed shall be retained for a period of eighteen (18) months from the date they were cashed unless prior written permission to destroy has been granted by the commission

(e) **Copies to commission.** A copy of the money room report showing the daily "outs" and a copy of the outstanding tickets report prepared by the calculating room showing the daily accumulation of the "outs" totals shall be delivered to the commission by the association within forty-eight (48) hours after the close of each program.

(f) **Records to be retained.** No records pertaining to pari-mutuel operations or cashed winning pari-mutuel tickets shall be destroyed without permission of the commission.

(g) **Limitations.** No tickets are to be honored for payment unless presented for payment not later than one year from the last day of the meet in which the ticket was purchased. The value of all such tickets shall be paid over to the state upon expiration of this limitation period.

(h) **Money retained in regular operating account.** All money representing the amount due on outstanding unredeemed mutuel tickets shall be retained in the regular operating account of the association during the period of its licensed meeting. Within forty-eight (48) hours from the finish of the last race of the last day of the meeting, all amounts due on outstanding unredeemed mutuel tickets shall be placed in a special account specifically for this purpose from which payments shall be made pursuant to these rules and regulations.

Sec. 12-574-B13. Remittance of monies accrued from underpayment in the mutuels, and collection of fines

(a) All monies accruing from underpayment to the public in the mutuels, by reason of error or mechanical mishaps to tote machines, from day to day, shall be paid over to the state of Connecticut by the close of the next banking day.

(b) All monies collected as fines or penalties by the judges upon drivers, licensed participants, trainers or association employees shall be paid over to the state of Connecticut by the close of the next banking day.

Sec. 12-574-B14. Pari-mutuel operations

(a) **Mutuel manager.** The association shall appoint a mutuel manager who shall be licensed by the commission. The mutuel manager is held responsible for the correctness of all payoff prices posted on the board. Before the mutuel department of any racetrack posts the payout prices of any pool for any race, the mutuel manager shall require each of the calculating sheets of such race to be proved by the calculators, and winners verified. Such proof shall show pay, breaks, commission and added together show they equal total pool. All pay slips are to be checked with calculating sheets as to winners and prices before being issued to cashiers, and all board prices are to be rechecked with the calculator before they are released to the public.

(b) **Posting of rules.** Such rules for pari-mutuel betting as may be specified from time to time by the commission shall be reproduced in legible type and permanently displayed in locations within all betting areas of the premises of racing associations. The daily racing programs sold to the public by racing associations shall contain a statement indicating that such rules are posted in all betting areas.

(c) **Permitted sales.** Within the enclosure of an association, hut not elsewhere, the sale of pari-mutuel tickets under such regulations as the commission shall provide is hereby authorized and permitted.

(d) **Mutuel department.** The mutuel department at every race meeting must be conducted in a strict, dignified and proper manner. All pari-mutuel selling machines, in addition to those on the main betting lines in the clubhouse and grandstand, must be located only in places easily accessible and in plain view of the general public.

(e) **Every employee identified.** Every employee of the mutuel department shall be so designated by number and name, that easy identification may be made by the public. Every employee of the mutuel department must obtain a license from the commission and pay any fee required by the act.

(f) **Sales and exchange of tickets.** No pari-mutuel tickets shall be sold except through regular ticket windows properly designated by sign showing type of tickets sold at each particular window. All ticket sales shall be for cash. Any claim by a

person that a wrong ticket has been delivered to him must be made before leaving the mutuel ticket window. The prevailing provisions of the act are to be enforced in all matters pertaining to tax, breakage, and track commission on pari-mutuel wagering. The method and manner of selling pari-mutuel tickets shall be approved by the commission. The commission's approval shall include the number of windows, the distribution of windows, and the manner and denominations in which pari-mutuel tickets shall be sold.

(g) **Heat as race.** For the purposes of pari-mutuel wagering, every heat shall be a separate and distinct race.

(h) **Presentation for payment.** Payment of winning pari-mutuel tickets shall be made only upon presentation and surrender of such tickets. No claims shall be allowed for lost or destroyed winning tickets.

(i) **Presentation deadline.** All winning pari-mutuel tickets must be presented for payment before one year from the date of close of the meeting when said tickets were purchased, and failure to present any such ticket within the prescribed period of time shall constitute a waiver of the right to participate in the award or dividend. All monies not redeemed by the failure of presenting winning pari-mutuel tickets within this deadline shall revert to the state, pursuant to the act. An association shall print in its daily program an address to which all holders of unclaimed tickets may forward their tickets to the association for payment during the period of time that the association is not conducting a meet up until the expiration of the time limit for presenting claims.

(j) **Mutilated tickets.** Mutilated pari-mutuel tickets or those whose validity is questioned shall be submitted to the commission, or its designated staff representative, for inspection and the ruling of said commission, or representative, shall be final and conclusive.

(k) **Notification of entries.** The manager of the parimutuel department shall be properly and timely advised by the presiding judge prior to the beginning of the wagering on each race of the entries that will compete in the race and any driver changes from those listed in the official program.

(l) **Payments; minimum payments.** Payments due on all wagers shall be made in conformity with the well-established practice of the pari-mutuel system. The practice is to work in dollars and not in number of tickets. The "break" permitted by law is deducted in all of the calculations arriving at the payoff prizes; i.e., the odd cents (c) of any multiple of ten (10) cents (c) of winnings per dollar wagered are deducted and retained by the licensee, half of which is to be remitted to the state. The minimum pari-mutuel payoff by any association conducting pari-mutuel wagering shall be \$2.10 on each winning \$2.00 wager. In the event a minus occurs in either the win, place, or show pool, the expense of said minus pool shall be borne by the association and the state shall receive its share including half the breaks of the remaining pool.

(m) **Minors barred.** No association shall permit any minor to purchase or cash pari-mutuel tickets nor shall any minor be permitted at a mutuel window at any time.

(n) **Pari-mutuel employees prohibition.** No employee of the pari-mutuel department of an association shall be permitted to wager at the mutuel windows of an association at which he is employed. However, pari-mutuel employees shall be responsible for tickets punched out in error. In such instances, the pari-mutuel employee shall pay for such tickets punched out in error and shall be the owner thereof. Any pari-mutuel employee who continuously punches out tickets in error may be subject to dismissal.

(o) **When sellers' windows open.** Mutuel sellers' windows shall open at least thirty (30) minutes before the first race and at least twenty (20) minutes before each other race.

(p) **Selected by numbers.** Selections are to be made by program numbers. Large numbers appearing on the tickets are program numbers of the horses.

(q) **Sales not completed.** No association shall be responsible for ticket sales not completed when the machines are locked.

(r) **Hold tickets.** Tickets should be retained until the results have been declared official.

(s) **Cashiers' windows.** Mutuel cashiers' windows shall open as soon as possible after the official notice has been posted. After the last race of a program, mutual cashiers' windows shall remain open until all patrons in line have been afforded the opportunity to cash in their winning tickets.

(t) **Denomination of tickets.** Pari-mutuel tickets shall be sold only in denominations approved by the commission.

(u) **Entries.** (1) When two or more horses run in a race, and are coupled because of common ties, they are called an "entry" and a wager on one of them shall be a wager on all of them.

(2) If two or more horses in a race are coupled on the same mutual ticket, there shall be no refund unless all the horses so coupled are excused before off-time.

(v) **Win, place, show pool requirement.** At horse tracks, in all races, with five (5) or more separate entries which start, racing associations shall provide win, place and show pools. In all races with four (4) separate entries which start, they shall provide win and place pools only. In races of three (3) or two (2) separate entries which start, they shall provide a win pool only; and pari-mutuel tickets shall be sold accordingly.

(w) **Scratches.** (1) If a horse be excused from racing for any reason whatsoever, after the betting thereon has begun, the money bet on that horse shall be refunded; except that when the horse is part of an entry and the entry has at least one actual starter.

(2) If, in such a case, the number of starters in separate interests become less than five, the show pool shall be entirely cancelled and refund made, or if less than four starters in separate interests, the place pool shall be entirely cancelled and refund made.

(3) If a horse race is marred by jams or spills while a race is being run, and three or more horses finish, the judges shall declare the race finished, but if less than three horses finish, the judges shall declare it "no race" and monies shall be refunded. In the event the starting gate cannot be removed from the track so as to impose a peril on the horses running, the judges shall declare that the race be "no race" and monies shall be refunded.

(x) **Refunds.** (1) No winner. If no horse finishes in a race, all money wagered on that race shall be refunded.

(2) If a race is declared off by the judges after wagering begins on that race, all money wagered on that race shall be refunded.

(y) **Machines locked.** All pari-mutuel machines shall be locked by electrical control. Each association shall provide and maintain in the judges' stand an electrical device which shall directly control the locking of all parimutuel machines. The machines shall be locked by the presiding judge. The machines shall be locked as soon as the word "go" shall be given either by record or by voice of the starter. The machines shall be unlocked at least twenty (20) minutes before the next race

by the mutuel manager, unless permission is granted from the presiding judge and, as a result of delays arising from an inquiry, pari-mutuel machines shall not be unlocked until after a race has been declared "official".

(z) **Use of totalisator.** (1) Associations are required to install and maintain continuously during each meeting an electric totalisator, which shall automatically register the wagers made on each horse, for win, place or show, and other approved forms of wagering, and print and issue a ticket representing each such wager.

(2) Such totalisator shall be so designated that it will aggregate the total amounts and the amounts on each horse or entry so wagered from time to time as the wagering progresses. There shall be operated in connection with such totalisator one or more boards on which shall be prominently displayed within view of the public, winning odds on each horse as indicated from time to time during the progress of such wagering, and at intervals of not more than ninety (90) seconds between each complete change. The posting of the winning odds shall begin immediately after there is \$1,000.00 (more or less, depending on the circumstances) in the straight pool. These "odds", however, are approximate, and not the exact figures used in the payoff. The odds to be posted shall be the winning odds on each horse to win in each race. The odds on each combination in the daily double and the odds on each combination in quinella and exacta wagering, if any, shall be posted on television screens throughout the grandstand and clubhouse.

(3) The association shall test the totalisator equipment at the opening of each racing day, said test to be made under the supervision and direction of the commission or such agents as the commission may appoint.

(4) Before the wagering starts on each race, the morning line showing "odds" on each horse shall be posted on the public board.

(aa) **Pool discrepancy on tote board.** Whenever there is a difference in any pool or pools, i.e., a difference between the sum total of the wagers on the individual entries as compared with the grand total as shown by the tote board or whenever the tote boards fail mechanically and are obviously unreliable as to the amounts wagered, the payoff shall be computed on the sums wagered in each pool as shown by the recapitulation of the sales registered by each ticket issuing machine.

(bb) **Overpayment.** In the event that an association overpays to the public in a given race, the association shall bear the expense of such overpayment and the percentage to be given to the state pursuant to the act shall be derived from the actual handle of the specific pool in which an overpayment occurs.

(cc) **Payoff errors on tote board.** If any error is made in posting the payoff figures on the public board, it shall be corrected promptly and only the correct amounts shall be used in the payoff, irrespective of the error on the public board. If because of a mechanical failure it is impossible to promptly correct the posted payoff, a statement shall be made over the public address system stating the facts and corrections.

(dd) **Adjustment of underpayments caused by error.** (1) Each licensee shall pay to the state of Connecticut by the close of the next banking day all monies accruing from underpayments to the public in the mutuels whether caused by an error of any official, by a refund ordered by the officials contrary to the rules and regulations as adopted by the commission, by an error made by a calculator or the calculators, by an error made by any employee of the association, or by reasons of errors or mechanical mishaps of totalisator machines.

(2) Immediately upon the discovery of such error, the commission shall be furnished a detailed statement thereof in writing, signed by the manager of the mutuel department.

(ee) **Last change in approximate odds.** The last change on approximate odds boards shall be made at once after the close of the mutuels by flashing the total amount wagered in each pool, and the total wagered on each horse, or entry. Immediately thereafter the approximate odds on the win pool shall be figured and shown without delay.

(1) The take-off on each pool, showing total amount wagered, and the amounts wagered on each horse, or entry, shall immediately be posted for the inspection of the public on a bulletin board at, or adjacent to, the mutuel department, such posting to be made as soon as possible after the completion of the race. Such copies shall be left on the bulletin board until the close of the day's program. Copies of said take-off from the totalisator shall be delivered at once to the manager of the mutuels.

(2) If any additional method of calculation or checkup is used or undertaken, exact carbon copies of all such records and sheets shall be handed to the manager of mutuels as soon as possible after each race.

(3) The manager of mutuels shall retain all of said records and shall place them in the office of the commission at the end of each day or the next morning, if night racing is held.

(ff) **Breakdown of totalisator.** In the event of an irreparable breakdown of the totalisator or the ticket issuing machines, or both, during the wagering on a race, the wagering for that race shall be declared closed. The mutuel manager shall determine whether a refund shall be made on the tickets purchased for that race, or whether the payoff for that race shall be computed on the sums wagered in each pool up to the time of the breakdown. The mutuel manager, in conjunction with the judges, shall determine whether the remaining races shall be cancelled or whether there shall just be a suspension of wagering until the defective machinery has been put in order. In the event of such suspension, races may be run without betting at the discretion of the mutual manager and the judges.

(gg) **Calculations and records.** (1) A complete detailed record of each race containing each change of readings of approximate odds of the win pool, and the actual "payoff" on each horse shall be filed with the commission at the end of each racing day of the meeting along with a printout of the total amounts wagered in each pool and the actual "payoff" on each horse in each such pool.

(2) All payments due the state for each day of a meeting, pursuant to the act, shall be paid by the association to the commission no later than the close of the next banking day.

(hh) **Reporting of irregularities.** The mutuel manager and any employee of the totalisator company shall report the discovery of any irregularities or wrongdoings by any person involving pari-mutuel wagering immediately to the commission.

(ii) **Bettor information requested.** All associations shall refuse payment to any ticket holders of any type pool payoff of \$600.00 or more for each \$2.00 wager who refuse to furnish their signature and the proper paper identification as to their name and address.

(jj) **Pools—calculation and distribution.** The parimutuel pools shall be calculated and distributed as follows:

(1) Win, place, show, daily double or other wagers form separate wagering pools with payoffs calculated independently of each other.

(2) From each pool there shall be deducted the amount specified by the act for the state and the association, the remainder being the net pool for distribution.

(3) Win pool. (A) The net pool divided by the amount wagered on the horse finishing first determines the payoff per dollar, including profit and wager.

(B) When two horses finish first in a dead heat, the money in the win pool is divided the same as in a place pool calculation.

(4) Place pool. (A) The amounts wagered on horses finishing first and second are deducted from the net pool to determine the profit. This profit is divided in half, and the halves, in turn, divided by the two amounts mentioned above. This determines the profit per dollar, to which is added the wager.

(B) When two horses finish second in a dead heat, one-half of the profit is allocated to the tickets representing wagers on the horse finishing first, and the remaining half is allocated equally to the wagers on horses finishing in the dead heat for second.

(C) When two horses coupled as an entry run first and second, the place pool shall be distributed the same as in a win pool.

(5) Show pool. (A) The amounts wagered on the horses finishing first, second and third are deducted from the net pool to determine the profit. This profit is divided into three equal parts, and each part, in turn, divided by the three amounts mentioned above. This determines the profit per dollar, to which is added the wager.

(B) When two horses finish third in a dead heat, one-third of the profit is allocated to the tickets representing wagers on the horse finishing first, one-third to the wagers on the horse finishing second, and the third equally to the wagers on the horses finishing in the dead heat for third.

(C) When two horses coupled as an entry finish first and second, first and third, or second and third, two-thirds of the profit is allocated to the tickets representing wagers on the entry, and the remaining one-third to the wagers on the other horse.

(D) When one horse coupled as an entry finishes first or second, and the other part of the entry finishes third in a dead heat with another horse, one-half of the profit is allocated to the tickets representing wagers on the entry, one-third to the horse finishing first or second, and the remaining one-sixth to the wagers on the horse finishing third in the dead heat with the entry.

(E) When three horses coupled as an entry run first, second and third, the place and show pools shall be distributed the same as a win pool.

(6) Payment where no wagering on a horse in the win, place or show pools. (A) In the event that there is no money wagered to win on a horse which has finished first, the net win pool shall be distributed to holders of win tickets on the horse finishing second.

(B) In the event that there is no money wagered to place on a horse which has finished first or second, then the horse which finished third shall replace that horse in the distribution of wagers in the place pool.

(C) In the event that there is no money wagered to show on a horse which has finished first, second or third, then, the horse which finished fourth shall replace that horse in the distribution of wagers in the show pool.

(7) In any race in which no horse finishes, all money wagered on the race shall be refunded upon presentation and surrender of pari-mutuel tickets sold thereon.

(kk) **Official results.** (1) At the end of each race the judges shall advise the manager of the pari-mutuel department by the use of tote equipment or telephone of the official placement of the horses, and no payoffs shall be made until the receipt of such notice and the declaration that the result is "official" by flashing the word "official" on the result board.

(2) The posting on the result board of the order of winning, place and show horses, or the prices to be paid, shall not be deemed to signify that such result and

prices are official until the "official" signal has been shown on the result board or announced by the public address system.

(3) Any ruling of the judges with regard to the award of purse money made after the sign "official" has been purposely displayed shall have no bearing on the mutual payoff.

(l) **Emergencies.** Should any emergency arise in connection with the operation of the pari-mutuel department not covered by these rules and an immediate decision is necessary, the manager of the pari-mutuel department shall make the decision, and shall make an explanation in detail in a written report to the commission representative in the pari-mutuel department, and said report shall be forthwith forwarded to the commission.

Sec. 12-574-B15. Daily double

(a) **Rules governing.** At tracks which have daily double pool, the rules of this section will govern the system used.

(b) **Permitted.** Daily double wagering is permitted during any single racing program. An association may not hold more than one daily double on a single racing program unless express written consent shall be given thereto by the commission upon written application therefor.

(c) **Rules printed in program.** The rules for daily double shall be printed in the daily racing programs sold to the public within the premises of racing associations.

(d) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(e) **Not a parlay.** The daily double is not a "parlay" and has no connection with or relation to any other pool, and is no part of the win, place and show pools, quinella, exacta, trifecta, superfecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(f) **Prerequisites.** In order to win a daily double, it is necessary for the purchaser of a daily double ticket to select the winners of each of the two (2) races specified for the daily double. If either of his selections fails to win, he receives no payment, except as hereinafter provided.

(g) **Selected by numbers.** Selections are to be made of one horse for each of two (2) races in the daily double by program number. Large numbers appearing on the tickets are program numbers of the horses.

(h) **Posting the payoff.** The possible payoff of each combination coupled with the winner of the first half of the daily double shall be posted in a prominent place easily visible from the grandstand, clubhouse and bleachers after the result of the first race is declared "official" and before the second race is run, except in the event of a dead heat in the first race, when the posting of the payoff may be deferred until the second race has been run. However, announcement of this fact must be made over the loud speaker and notice to this effect be posted on the board at the conclusion of the first half of the daily double.

(i) **Calculation, distribution of pools.** The daily double pool shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet.

(j) **Failure to select a winner and race cancellations.** (1) If no daily double ticket is sold designating the winner of the first race, or the first race is cancelled or declared "no race", the daily double shall be declared off and the gross pool refunded.

(2) If no daily double ticket is sold combining the winners of the first and second races, or the second race is cancelled or declared "no race", the net pool shall be

distributed to holders of tickets designating the winner of the first race, as in a win pool and the daily double shall terminate.

(k) **Dead heats.** (1) In the event of a dead heat either in the first race or second race of the daily double, two winning combinations result. The amounts wagered on both winning combinations are deducted from the net pool to determine the profit. This profit is divided in half, and the halves, in turn, divided by the two amounts mentioned above. This determines the profit per dollar, to which is added the amount of the wager.

(2) In the event of a dead heat in both races of the daily double, four winning combinations result. The amounts wagered on these four winning combinations are deducted from the net pool to determine the profit. This profit is divided into four equal parts, and each part, in turn, divided by the four amounts mentioned above. This determines the profit per dollar, to which is added the amount of the wager.

(l) **Effect—horse scratched, excused.** (1) Should any horse in the first or the second race of the daily double be scratched or excused by the judges before the running of the first race, all money wagered on combinations including such horse shall be deducted from the daily double pool and shall be refunded upon presentation and surrender of parimutuel tickets sold thereon.

(2) Should any horse in the second race of the daily double be scratched or excused by the judges after the running of the first race of the daily double, a consolation pool will result. In such a case, all tickets combining the scratched or excused horse with the actual winner of the first race shall become consolation tickets and shall be paid a price per dollar bet determined as follows: the net daily double pool shall be divided by the total purchase price of all daily double tickets designating the winner of the first race of the daily double and the result obtained shall constitute the consolation price per dollar bet. The amount set aside for these consolation payoffs will be deducted from the net daily double pool.

(3) If the holder of a ticket loses the first race of the daily double and the horse is scratched in the second race, no money shall be refunded.

(m) **Permitted sales.** Sale of daily double tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

(n) **Hold tickets.** Tickets should be retained until the results have been declared official.

(o) **Denomination of tickets.** Daily double tickets shall be sold only in denominations approved by the commission.

Sec. 12-574-B16. Application for quinella, exacta, trifecta, superfecta wagering

Any association desiring to implement quinella and/or exacta and/or trifecta and/or superfecta wagering shall request permission from the commission in writing at least ninety (90) days prior to the beginning of its licensed meet. Said request shall contain the type of wagering/wagerings desired, the specific races in which each of these types of wagering is desired, the denomination of tickets the association wishes to utilize, a copy of the ticket design to be utilized, the number of ticket selling windows the association plans to allocate to these forms of wagering, and any plans the association has to inform the bettors of the running odds on these types of wagers. The commission shall inform the association no later than thirty (30) days prior to its licensed meet of its decision which shall be final. The commission shall have the discretion to not allow any type of wagering specified in this section to be undertaken by an association. If the commission grants approval of

any type of wagering specified in this section, the regulations governing that type of wagering as set forth in sections 12-574-B17 to 12-574-B20 shall govern. No other form of multiple wagering shall be permitted.

Sec. 12-574-B17. Quinella

(a) **Rules governing.** At tracks which have the quinella pool, the rules of this section will govern the system used.

(b) **Permitted.** Quinella wagering shall be permitted only in accordance with section 12-574-B16 of these regulations.

(c) **Rules printed in program.** The rules for quinella shall be printed in the daily racing programs sold to the public within the premises of racing associations.

(d) **Definition.** The quinella is a contract by the purchaser of a ticket combining two (2) horses in a single race, selecting the first two finishers as officially posted in either order such as 1-2 or 2-1. All quinella tickets will be for the win and place combination only.

(e) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(f) **Not a parlay.** The quinella is not a “parlay” and has no connection with or relation to any other pool, and is no part of the win, place and show pools, daily double, exacta, trifecta, superfecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(g) **Selected by numbers.** Selections are to be made by program numbers. Large numbers appearing on the tickets are program numbers of the horses.

(h) **Winning quinella combination.** The winning quinella combination shall be the first two horses to finish the race. The order in which the horses finish is immaterial.

(i) **Calculation and distribution of pools.** The quinella shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet, including profit and wager.

(j) **Entries.** Coupled entries are prohibited in quinella races.

(k) **Scratched or excused horses.** Should any horse entered in a quinella race be scratched or excused by the judges after wagering has commenced, all tickets including such horse shall be deducted from the quinella pool and money refunded to the purchasers of tickets on the horse so excused or prevented from racing, upon surrender of said tickets.

(l) **Determination of winners.** In the event no ticket is sold on the combination of the first two horses in the official placing, then the next horse or horses, in case of dead heats, in the order of official placing shall be included in the winning combination. In the event of a dead heat for second position and no ticket is sold on one of the horses involved, in the dead heat combined with the winner, the entire pool shall be paid to holders of tickets which combine the winner with the other horses in the dead heat.

(m) **Refund.** If no ticket is sold that would require distribution of the net quinella pool to winners as above defined, the association shall make a complete and full refund of the quinella pool upon surrender of the quinella tickets so purchased.

(n) **Dead heats.** In the event of a dead heat for first position, the pool shall be paid to holders of tickets which combine the two horses involved in the dead heat. In the event of a dead heat for second position, two winning combinations result and the pool shall be divided equally between the holders of tickets which combine the winner with the horses involved in the dead heat for second position. In like

manner, in the event of a triple dead heat for second position, three winning combinations would result. In the event of a triple dead heat for first position, three winning combinations would result.

(o) **Permitted sales.** Sale of quinella tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

(p) **Hold tickets.** Tickets should be retained until the results have been declared official.

(q) **Denomination of tickets.** Quinella tickets shall be sold only in denominations approved by the commission.

Sec. 12-574-B18. Exacta

(a) **Rules governing.** At tracks which have the exacta pool, the rules of this section will govern the system used.

(b) **Permitted.** Exacta wagering shall be permitted only in accordance with section 12-574-B16 of these regulations.

(c) **Rules printed in program.** The rules for exacta shall be printed in the daily racing programs sold to the public within the premises of racing associations.

(d) **Definition.** The exacta is a contract by the purchaser of a ticket combining two (2) horses in a single race, selecting the first two (2) finishers in the exact order of finish as officially posted. All exacta tickets will be for the win and place combinations only.

(e) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(f) **Not a parlay.** The exacta is not a “parlay” and has no connection with or relation to any other pool, and is no part of the win, place and show pools, daily double, quinella, trifecta, superfecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(g) **Selected by numbers.** Selections are to be made by program numbers. Large numbers appearing on the tickets are program numbers of the horses.

(h) **Calculation and distribution of pools.** The exacta shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet, including profit and wager.

(i) **Determination of winners.** If no ticket is sold on the winning combination of an exacta pool, the net pool shall be distributed as a place pool between holders of tickets selecting the winning horse to finish first, and/or holders of the tickets selecting the second place horse to finish second.

(j) **Refund.** If no ticket is sold that would require distribution of the net exacta pool to winners as defined in this section, the association shall make a complete and full refund of the exacta pool upon surrender of the exacta tickets so purchased.

(k) **Dead heat.** (1) In the event of a dead heat for win, the net pool shall be distributed to each combination of winners separately as in a win pool dead heat, e.g., in a dead heat of two horses there are two combinations, in a dead heat of three horses there are six winning combinations.

(2) In the event of a dead heat for second the net pool shall be divided as in a win pool dead heat among holders of tickets combining the winner with each second place horse.

(l) **Entries.** Coupled entries are prohibited in exacta races.

(m) **Scratched or excused horse.** Should any horse entered in an exacta race be scratched or excused by the judges after wagering has commenced, all tickets

including such horse shall be deducted from the exacta pool and money refunded to the purchasers of tickets on the horse so excused or prevented from racing.

(n) **Permitted sales.** Sales of exacta tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

(o) **Hold tickets.** Tickets should be retained until the results have been declared official.

(p) **Denominations of tickets.** Exacta tickets shall be sold only in denominations approved by the commission.

Sec. 12-574-B19. Trifecta

(a) **Rules governing.** At tracks which have the trifecta pool, the rules of this section will govern the system used.

(b) **Permitted.** Trifecta wagering shall be permitted only in accordance with section 12-574-B16 of these regulations.

(c) **Rules printed in program.** The rules for trifecta shall be printed in the daily racing programs sold to the public within the premises of the racing association.

(d) **Definition.** The trifecta is a contract by the purchaser of a ticket combining three (3) horses in a single race, selecting the first three (3) finishers in the exact order of finish as officially posted.

(e) **Not a parlay.** The trifecta is not a “parlay” and has no connection with or relation to any other pool, and is no part of the win, place and show pools, daily double exacta, quinella, superfecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(f) **Selected by numbers.** Selections are to be made by program numbers. Large numbers appearing on the tickets are program numbers of the horses.

(g) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(h) **Calculation and distribution of pools.** The trifecta shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet, including profit and wager.

(i) **Entries.** Coupled entries are prohibited in trifecta races.

(j) **Determination of winner, refund.** If no ticket is sold on a winning combination of a trifecta pool, the net pool shall then be apportioned equally between those having tickets selecting the first and second place horses. If no ticket is sold selecting the first and second horse in the trifecta pool, the net pool shall then be apportioned equally between those having tickets selecting the horse or horses that finished first in the trifecta race. Failure to select the winner to win shall cause a refund to all trifecta ticket holders.

(k) **Scratched or excused horse.** Should any horse entered in a trifecta race be scratched or excused by the judges after wagering has commenced, all tickets including such horse shall be deducted from the trifecta pool and money refunded to the purchasers of tickets on the horse so excused or prevented from racing.

(l) **Dead heat.** In the event of a dead heat or dead heats, all trifecta tickets selecting the correct order of finish, counting a horse in a dead heat as finishing in either position dead heated, shall be winning tickets and contrary to the show pool practice the aggregate number of winning tickets shall divide the net pool and be paid the same payoff price.

(m) **Design of tickets.** The design of trifecta tickets shall be clearly and immediately distinguishable from other pari-mutuel tickets.

(n) **Denominations and machines.** Trifecta tickets shall be sold only in denominations approved by the commission and only from machines capable of issuing three numbers.

(o) **Hold tickets.** Tickets should be retained until the results have been declared official.

(p) **Permitted sales.** Sale of trifecta tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

Sec. 12-574-B20. Superfecta

(a) **Rules governing.** At tracks which have the superfecta pool, the rules of this section will govern the system used.

(b) **Permitted.** Superfecta wagering shall be permitted only in accordance with section 12-574-B16 of these regulations.

(c) **Rules printed in program.** The rules for superfecta shall be printed in the daily racing programs sold to the public within the premises of the racing association.

(d) **Definition.** The superfecta is a contract by the purchaser of a ticket combining four (4) horses in a single race, selecting the first four (4) finishers in the exact order of finish as officially posted.

(e) **Selected by numbers.** Selections are to be made by program numbers. Image numbers appearing on the tickets are program numbers of the horses.

(f) **No exchange of tickets.** There positively shall be no exchange of tickets after the purchaser thereof has left the sales window.

(g) **Not a parlay.** The superfecta is not a "parlay" and has no connection with or relation to any other pool, and is no part of the win, place and show pools, daily double, exacta, quinella, trifecta, or other wagering pool. All tickets will be calculated in an entirely separate pool.

(h) **Calculation and distribution of pools.** The superfecta shall be calculated and distributed as follows: the net pool divided by the amount wagered on the winning combinations determines the payoff per dollar bet, including profit and wager.

(i) **Entries.** Coupled entries are prohibited in superfecta races.

(j) **If less than four horses finish.** If only three horses finish, payoff shall be made on tickets selecting the actual finishing horses in order, ignoring the balance of the selection.

(k) **Determination of winner, refund.** If there is a failure to select, in order, the first four horses, payoff shall be made on superfecta tickets selecting the first three horses, in order; failure to select the first three horses, payoff to superfecta tickets selecting the first two horses, in order; failure to select the first two horses, payoff to superfecta tickets selecting the winner to win; failure to select the winner to win shall cause a refund of all superfecta tickets.

(l) **Scratched or excused horse.** Should any horse entered in a superfecta race be scratched or excused by the judges after wagering has commenced, all tickets including such horse shall be deducted from the superfecta pool and money refunded to the purchasers of tickets on the horse so excused or prevented from racing.

(m) **Dead heat.** In the event of a dead heat or dead heats, all superfecta tickets selecting the correct order of finish, counting a horse in a dead heat as finishing in either position dead heated, shall be winning tickets, and contrary to the usual practice, the aggregate number of winning tickets shall divide the net pool and be paid the same payoff price.

(n) **Design of tickets.** The design of superfecta tickets shall be clearly and immediately distinguishable from other pari-mutuel tickets.

(o) **Denomination and machines.** Superfecta tickets shall be sold only in denominations approved by the commission and only from machines capable of issuing four numbers.

(p) **Permitted sales.** Sale of superfecta tickets other than through pari-mutuel machines shall be deemed illegal and is prohibited.

Sec. 12-574-B21. Violations of rules and regulations

(a) **Liability.** Any person or association licensed by the commission violating any of these rules and regulations shall be liable to the penalties herein provided, unless otherwise limited in and by the rules and regulations of the commission. It is the duty and responsibility of all such persons and associations to know these rules.

(b) **Penalties.** The penalties for violation of the act or the rules of the commission shall be as follows:

(1) Denial, revocation or suspension of license.

(2) Monetary fines not exceeding \$5,000.00 for each violation and/or forfeiture of purse.

(3) Suspension from one or more activities at one or more tracks.

(4) Expulsion from racing in Connecticut.

(5) Any combination of the above.

(c) **Right to hearing.** (1) Any person who claims to be aggrieved by a decision of the judges may appeal said decision to the commission in accordance with these rules and the commission rules concerning “Rules of Practice and Hearing Procedures”.

(2) Whenever a matter has been referred to the commission by the judges or whenever the commission, on its own initiative, shall determine to take cognizance of any alleged violation or any other matter within its jurisdiction, or whenever a license granted by the commission is to be suspended or revoked, an opportunity for a hearing in accordance with the commission rules concerning “Rules of Practice and Hearing Procedures” shall be afforded.

Sec. 12-574-B22. Race officials

(a) **Designation of officials.** The officials of a harness race meeting shall include the following:

(1) Presiding judge, also known as the commission judge.

(2) Two associate judges.

(3) Patrol judges, not less than two.

(4) Paddock judge.

(5) Finish wire judge.

(6) Starter.

(7) Clerk of the course.

(8) Racing secretary.

(9) Timer.

(10) Veterinarians.

(11) Program director.

(12) Announcer.

(13) Charter.

(b) **Required presence of officials in a race or performance against time.** In every race or performance against time, there shall be a presiding judge and two associate judges in the judges’ stand.

(c) **Approval by commission.** (1) At least thirty (30) days prior to the first day of a race meeting, the association shall submit in writing to the commission the

names of all racing officials engaged for the meeting, and no racing official shall be qualified to act until he shall have been licensed by the commission and pay the fee, if any, required by the act. It shall be the duty of the commission to ascertain that the persons submitted are fully qualified to perform the duties required of them. In the event of incapacitation of any such approved racing official, the association may, with the approval of the commission, appoint a substitute who must, within seven (7) days of his appointment, obtain a license from the commission and pay the required fee. No race official will be considered for approval by the commission unless he has been licensed by the United States trotting association.

(2) All officials enumerated in rule (a) of this section shall be appointed by the association holding the meeting with such exceptions as may be hereinafter noted. All the appointments are subject to being licensed by the commission, which reserves the right to demand a change of personnel for what it deems good and sufficient reason, the successors to officials so replaced to be subject to being licensed by the commission.

(d) **Dual positions.** No operating official may hold more than one position at a track unless written permission is obtained from the commission at least ten (10) days prior to the beginning of a meet. After the beginning of a meet, if an operating official is required to fill more than one position due to emergencies, a full written report of the circumstances must be filed with the commission requesting approval of such action.

(e) **Wagering or interest by officials.** No racing official shall place wagers, direct or indirect, upon the outcome of any harness horse race conducted at a track at which he works or officiates, or have or maintain any interest, direct or indirect, in a horse participating at any licensed meeting where he works or officiates.

(f) **Wagering or interest by certain track employees.** No employee of a licensed harness racetrack whose duties allow access to information pertaining to the classification of horses shall place wagers upon the outcome of any harness horse race conducted at the track where he is employed, shall he directly or indirectly, be the owner of any horse racing at such meeting, nor shall he participate financially, directly or indirectly, in the purchase or sale of any horse racing at such meeting.

(g) **Compensation.** All officials, except the presiding judge and the commission veterinarian(s), enumerated in this section shall be compensated by the association conducting the meeting.

(h) **Removal of official.** Any official may be fined, suspended, or his license may be denied or revoked at any time for incompetency, failure to follow or enforce the rules, or any conduct detrimental to the sport. No race official shall on any day upon which he is required to officiate, drink alcoholic beverages within four (4) hours prior to the time he should begin performing his duties as an official. Officials, when directed by the commission, shall submit to a breath analyzer test and if the results thereof show a reading of more than .05 percent alcohol in the blood, a report shall be made to the commission. Such disqualification shall be reported to the presiding judge who shall appoint a substitute.

(i) **Admission to judges' stand.** Only the judges, the clerk of the course, the starter and timers, announcer, officials and directors of the United States trotting association and the commission or its authorized representatives shall be allowed in the judges' stand during a race.

(j) **Presiding judge.** The presiding judge shall be appointed and licensed by the commission and shall be principal representative of the commission at all harness race meetings. He shall have supervision over all race officials, licensees, and

employees or appointees of the commission. He shall supervise the licensing of all those persons required to be licensed by the commission and supervise the security provisions of all associations. He shall supervise the conduct of the racing, the parimutuel operations, and the testing of horses. His authority is extended to cover all powers and duties of the commission, subject to review by the commission. He shall have the authority to conduct inquiries and in connection therewith to recommend to the commission the issuance of subpoenas to compel the attendance of witnesses and the production of all relevant and material reports, books, papers, documents, correspondence, and other evidence. He shall have the power to administer oaths and examine witnesses and shall submit a report of all proceedings thereon. He shall at all times have access to all parts of the course, plant and grounds, including the parimutuel department. The compensation of the presiding judge shall be fixed and paid by the commission. The commission, in its discretion, may appoint such assistants or deputies to the presiding judge as it may deem necessary, who shall have the same authority as the presiding judge in his absence but such assistants or deputies shall be junior in authority to the presiding judge at all times. The presiding judge shall enforce the rules and regulations of the commission and shall render daily reports of the activities and conduct of such race meetings to the commission. The presiding judge shall have supervision and ultimate authority over all other licensed race officials. He shall, in writing, notify the commission of all violations of any rules by an association, its officers or other race officials, giving detailed information thereof. A copy of such notice shall be sent by him to the United States trotting association. He shall be responsible for maintenance of the records of the meeting and he shall take charge of the declaration box. He shall establish and maintain post time. In addition, he shall supervise:

(1) The maintenance of the judges' books, the steward's list and the accident reports and daily reports to the commission.

(2) The preparation, delivery and posting of all notices, of penalties, rulings and decisions.

(3) The procedures prescribed by these rules with respect to investigations and hearings.

(4) The drivers' meetings prescribed by these rules.

(5) The handling of entries and declarations to start and the application of preferences to race.

(6) All announcements over the public address system pertaining to the race program.

(7) The admittance of persons to the judges' stand subject to the direction of the commission.

(8) The coupling of horses accepted for entry where it is necessary to protect the public interest.

(9) The declaration as provided for under section 12-574-B34 of these rules.

(k) **Powers of judges.** Presiding judge and associate judges shall have the authority to:

(1) In cases in which the judges determine that a serious offense may have been committed, the judges shall immediately place offending persons on suspension and make in writing a report to the commission. In cases in which the judges determine that minor violations have occurred, the judges may impose a sentence not to exceed ten (10) days and/or a fine.

(2) Determine all questions of fact relating to the race.

(3) Decide any difference between parties to the race or any contingent matter which shall arise which is not otherwise provided for in the rules.

(4) Declare pools and bets “off” in case of fraud, or to declare any horse a non-starter and to direct the refund of all wagers made thereon, from which no appeal will be allowed. All pools and bets shall follow the decision of the judges. Such decisions in respect to pools and bets shall be made at the conclusion of the race upon the observations of the judges and upon such other facts as an immediate investigation will develop. A reversal or change of decision after the official placing at the conclusion of a heat or dash shall not affect the distribution of the betting pools made upon such official placing. When pools and bets are declared “off” for fraud, the guilty parties shall be penalized.

(5) Control the horses, drivers, trainers, grooms and assistants and punish any person engaged in any portion of the racing program who shall fail to obey their orders or the rules.

(6) Investigate every apparent or possible interference or rule violation and examine under oath all parties connected with a race as to any violation of rules or complaint. Any person required to appear before the judges for a hearing or examination who shall fail to appear after due notice in writing shall be penalized according to these rules.

(7) Consider complaints of foul from the patrol judges or drivers in the race and no others.

(8) Make such decision in the public interest required by extraordinary circumstances not covered by these rules.

(l) **Duties of judges.** It shall be the duty of the judges to:

(1) Exclude from the race any horse that in their opinion is improperly equipped, dangerous, unmanageable, or unfit to race. When a driver or owner reports to the presiding judge that his horse is unfit to race, ill or otherwise physically incapable of racing, the presiding judge shall call for an examination of the horse by the association veterinarian and the association veterinarian shall examine such horse and submit an oral report of his findings to the presiding judge immediately, followed by a written report within twenty-four (24) hours to the presiding judge.

(2) Investigate any apparent or possible interference or other violation of section 12-574-B40 whether or not a complaint has been made by a driver.

(3) Investigate any act of cruelty, seen by them or reported to them, toward a race horse during a meeting at which they officiate. If the judges find that such an act has been committed, offenders shall be penalized according to the rules.

(4) In case of an accident, the judges shall fill out a complete accident report and mail the report to the United States trotting association immediately thereafter.

(5) Observe the performance of the drivers and the horses closely to ascertain if there are any violations of these rules.

(6) Grant a hearing when practicable at a designated time in accordance with the commission rules concerning “Rules of Practice and Hearing Procedures” before a penalty may be imposed. All three judges should be present if possible, and at least the presiding judge and one associate judge must be present at all hearings. The judges may inflict the penalties prescribed by these rules. All penalties shall be recorded pursuant to these rules.

(7) Declare a dash or heat of a race “no contest” or cancel the remainder of the program in the event of a power failure during the progress of a race.

(m) **Procedures of judges.** It shall be the procedure of the judges to:

(1) Be in the judges' stand fifteen (15) minutes before the first race and at all times when the horses are upon the track, and remain in the judges' stand for ten (10) minutes after the last race.

(2) Observe the preliminary warming up of horses and scoring; noting the behavior of horses, possible lameness, irregularities in equipment, possible misconduct of drivers, unusual changes in odds and any unusual incidents pertaining to horses or drivers participating in races.

(3) Give appropriate notice to the drivers at least ten (10) minutes before a race. Any driver failing to obey this summons may be penalized and his horse may be ruled out of the race by the judges.

(4) Be responsible for locking the pari-mutuel machines immediately upon the horses reaching the official starting point. The presiding judge shall designate the post time for each race and the horses will be called at such time as to preclude excessive delay after the completion of scoring.

(5) Maintain communication with the patrol judges by telephonic and/or radio devices from the time the starter picks up the horses until the finish of the race. A written record is to be made of every break, violation of rules or incident reported by the patrol judges. At least one judge shall observe the drivers throughout the stretch specifically noting any change in course, interference, improper use of whips, breaks, and failure to contest the race to the finish. An electronic recording shall be made and preserved of all communications between the patrol judges and the judges' stand at all extended pari-mutuel meetings.

(6) Be in continuous communication with each other in cases where the commission requires one of them to ride in the starting gate behind the horses for the purpose of patrolling the race. In such case, the judge assigned to the starting gate shall maintain continuous communication with a judge assigned to the judges' stand and perform all duties described in rule (n) of this section.

(7) Cause to have the objection and/or inquiry sign posted on the odds board in the case of a complaint or possible rule violation, and immediately notify the announcer of the objection and of the horse or horses involved as soon as the judges have made a decision, the objection sign shall be removed, the correct placing displayed, and the "official" sign flashed. In all instances, the judges shall post the order of finish and the official sign as soon as they have made their decision.

(8) Display the photo sign if the order of finish among the contending horses is less than a half-length or a contending horse is on a break at the finish. The judges shall examine the photo and after a decision is made, a copy or copies shall be made, checked by the presiding judge, and posted for public inspection. In the event of failure of photo finish equipment and/or service, or if a distorted, deceptive or otherwise inadequate picture is developed, the judges shall decide the order of finish and such decision shall be final.

(9) Sign the judges' book after each race, verifying the correctness of the record by the clerk of the course.

(n) **Duties of the patrol judges.** (1) The patrol judges shall observe all activity on the racetrack at all times during the racing program. There shall be not less than two patrol judges except in cases where a patrol judge is stationed in the starting gate. They shall immediately report to the presiding judge:

(A) Any action on the track which could improperly affect the result of the race.

(B) Every violation of the racing rules.

(C) Every violation of the rules of decorum.

(D) The lameness or unfitness of any horse.

(E) Any lack of proper racing equipment.

(2) The patrol judges shall:

(A) Be in constant telephonic or radio communication with the judges during the course of every race and shall immediately advise the judges of every rule violation, improper act or unusual happening which occurs at their stations.

(B) Submit individual daily reports of their observations of the racing to the presiding judge.

(C) When directed by the presiding judge, attend hearings or inquiries on violations and testify thereat under oath.

(o) **Absence of officials.** (1) Deputy and temporary judges.

(A) The association shall appoint two (2) deputy judges to serve in the absence of the association judges. In the event of an emergency, where a deputy judge who is called to duty is absent or cannot be present in time, the association may appoint a temporary judge from the licensed officials employed by the association. The association shall make a full written report of the absence of a judge or deputy judge to the commission immediately including therein the names of the replacements. Appointments of temporary judges and utilization of deputy judges shall be made only with the full knowledge and consent of the duly authorized representative of the commission at the track. Appointments of temporary judges are valid only for the day of their appointment. Likewise, the commission shall appoint a deputy judge to act in the absence of the commission judge. In the event the commission judge or his deputy is absent, the rules governing temporary judges appointed by the association shall govern.

(B) Deputy judges may also be licensed as an official who is employed by the association but must have a license to act as a deputy judge.

(2) Emergency substitute.

(A) When vacancies occur among the officials, other than the judges, and the association has not notified the judges prior to the time fixed for the first race of the day that it has been filled, the judges shall fill such vacancy immediately, said appointment to stand for the day only.

(B) Should the vacancy occur after the racing for the day has started, the judges shall fill the vacancy at once, the appointment standing for the day only; unless the association shall fail to fill the vacancy on the following day and notify the judges of their action one hour before the time fixed for the first race.

(C) Emergency substitutes shall be persons holding a license from the commission as an official.

(3) Notice of such appointments shall be given immediately to the United States trotting association.

(p) **Starter.** (1) The starter must hold a starter's license for the current year issued by the United States trotting association. The starter shall be under the jurisdiction of the presiding judge at all times.

(2) The starter shall be in the starting gate fifteen (15) minutes before the first race. He shall have control over the horses and subject to the commission rules concerning "Rules of Practice and Hearing Procedures", have authority to penalize drivers with the approval of the presiding judge, for any violation of the rules from the formation of the parade until the word "go" is given. He shall report violations of the rules, giving detailed information. He shall notify the judges and the drivers of penalties imposed by him. The starter shall submit daily the tape from the device disclosing the speed of the gate for each race to the presiding judge. An assistant

starter, approved and licensed by the commission, may be employed when an association, with the approval of the commission, deems it necessary.

(q) **Duties of the clerk of the course.** The clerk of the course shall:

(1) Maintain all official race summaries, records, suspensions and fines; shall prepare and serve all notices relating thereto and provide daily copies thereof to the commission, the association, and to the United States trotting association.

(2) At the request of the judges assist in drawing positions.

(3) Keep the judges' book and record legibly therein:

(A) All horses entered and their eligibility numbers.

(B) Names of owners and drivers and drivers' license numbers.

(C) A record of each heat, giving the position of the horse at the finish.

(D) Drawn or ruled out horses.

(E) Time in minutes, seconds and fifths of seconds.

(4) Check eligibility certificates before the race, and after the race enter all information provided for thereon, including the horse's position in the race as it was charted.

(5) Record all protests, fines, penalties and appeals forms provided by the presiding judge, and see that the judges' book is properly signed.

(6) Forward the judges' book from all extended parimutuel meetings the day following each racing day.

(7) Notify owners and drivers of penalties assessed by the officials and post a copy of such notice in the racing secretary's office.

(8) Upon request, assist judges in placing horses.

(9) After the race, return the eligibility certificate to the race secretary or his representative.

(10) Check all drivers' licenses and advise program director of fines and suspensions listed thereon and whether such license is a limited one.

(r) **Duties of timers.** At each race or performance against time there shall be at least one timer in the judges' or timers' stand. He shall sign the judges' book for each race or performance against time verifying the correctness of the record. All times shall be announced and recorded in fifths of seconds. An electronic timing device, approved by the commission, must be used. If, at any time, the electronic timing device should fail, the decision of the timer as to the time of the heat or dash shall be official. The timer shall be in the stand fifteen (15) minutes before the first heat or dash is to be contested. He shall start his watch when the first horse leaves the point from which the distance of the race is measured. The time of the leading horse at the quarter, half, three-quarters, and the finish shall be taken. If odd distances are raced, the fractions shall be noted accordingly.

(s) **Duties of the paddock judge.** Under the direction and supervision of the presiding judge, the paddock judge shall have complete charge of all paddock activities as outlined in rule (k) of section 12-574-B23. The paddock judge shall:

(1) See that the horses in the race are on the track for post parades in accordance with the schedule given to him by the presiding judge.

(2) Inspect horses for changes in equipment, broken or faulty equipment, head numbers and saddle pads.

(3) Supervise paddock gate men.

(4) Check horses and drivers in and out of the gate.

(5) Direct the activities of the paddock blacksmith.

(6) Immediately notify the presiding judge of anything that could in any incident change, delay or otherwise affect the racing program.

(7) See that only properly authorized persons are permitted in the paddock.

(8) Supervise the identification of horses in the race.

(9) Notify the presiding judge of any change of racing equipment or shoes before the race.

(10) Inspect and supervise the maintenance of all emergency equipment kept in the paddock.

(11) Notify judges of the reason for any horse returning to the paddock after having entered the track for the post parade and before the start of the race.

(12) Notify judges of all trainers and grooms who leave the paddock in an emergency.

(13) Supervise and maintain cleanliness of paddock.

(14) Supervise the conduct of all persons in the paddock.

(15) The paddock judge will report any cruelty to any horse that he observes to the presiding judge.

(t) **Program director.** Each association shall designate a program director. It shall be the responsibility of the program director to furnish the public complete and accurate past performance information as required by rule (b) of section 12-574-B25.

(u) **Duties of race secretary.** The race secretary of each association must be licensed and approved by the commission and it shall be the duty of the race secretary to:

(1) Receive and keep safe the eligibility certificates of all horses competing at the racetrack or stabled on the grounds owned or cared for by the association and to return same to the owner of a horse or his representative upon their departure from the grounds.

(2) Be familiar with the age, class, and competitive ability of all horses racing at the track.

(3) Classify and reclassify horses in accordance with the rules.

(4) Twist horses in the classes for which they qualify and to cause such lists to be kept current and to be properly displayed in the room in which the declaration box is located for examination by horsemen and others.

(5) Write conditions and to schedule the daily racing programs to be presented at the racetrack and to post same not less than eighteen (18) hours before declarations close.

(6) Provide for the listing of horses in the daily program; to examine all entry blanks and declarations; to verify all information set forth therein; to select the horses to start and the also eligible horses from the declarations in accordance with the rules governing these functions.

(7) Examine nominations and declarations in early closing events, late closing, and stake events; verify the eligibility of all declarations and nominations, and to compile lists thereof for publication.

(8) Establish standards for horses. The standards shall be posted at a place in which declarations are made and printed on all conditions and qualifying books.

(v) **Commission veterinarian.** (1) The commission shall appoint a duly licensed veterinarian at each association track who shall be known as the commission veterinarian. His compensation shall be fixed and paid by the commission.

(2) Association veterinarian. Each association shall employ a duly licensed veterinarian who shall be known as the association veterinarian. The association veterinarian shall be compensated by the association at whose track his services are rendered. It shall be the duty of the association veterinarian to:

(A) Supervise the inspection and examination of every horse when first entered in a race meeting in the state, and to make a report of such examination to the presiding judge of the meeting.

(B) Examine such horses as the presiding judge may request and shall report the findings of such examination to the presiding judge.

(C) Reexamine and approve for release from the steward's list all horses that have been placed thereon for being lame, sick or injured, before they may be declared in to race again.

(D) Observe the training and warming up of the horses stabled at a licensed race meeting and examine any horse which may appear ill or infirm, and report to the presiding judge.

(E) Observe the horses in the paddock and while warming up for the racing program; investigate into and examine such horses as appear to him, or are reported to him, to be ill or infirm. He shall report his findings to the presiding judge.

(F) Examine horses to be scratched from any race and certify that such horse is unfit to compete before it may be scratched. No horse, having been scratched from a race may enter a later race without the certificate of the association veterinarian that such horse has become fit to race.

(w) **Charter.** The charting of races shall be done only by a charter licensed by the United States trotting association. The charter shall be responsible for providing a complete and accurate chart.

Sec. 12-574-B23. Tracks

(a) **Display of license.** During the course of its race meetings, each association shall display the license issued by the commission for the current year.

(b) **Judges' stand.** The judges' stand shall be so located and constructed as to afford to the officials thereupon an unobstructed view of the entire track and no obstruction shall be permitted upon the track or the center field which shall obscure the judges' vision of any portion of the track during the race.

(c) **Bona fide contests.** All races shall be bona fide contests with the winner receiving the largest share of the purse and the balance of the purse distribution made according to the order of finish. No arrangement for equal distribution of the purse money among the contestants is permitted.

(d) **Default in payment of purses.** (1) Any association or officer that defaults in the payment of a purse that has been raced for, shall, together with its officers, be penalized. No deduction, voluntary or involuntary, may be made from any purse or stake or futurity other than for payments to be made to the owners, nominators, or breeders of money winning horses and organizational or promotion expenses stipulated for stakes and futurities.

(2) Other than a stake or futurity as covered in rule (d) (1) of this section, no association may enter into any agreement with any organization requiring a deduction from the purse payable to owners of money winning horses, unless such agreement provides that a deduction may be made only from those owners entitled to winnings who have expressly consented to the deduction.

(e) **Claims for unpaid purses.** A claim for an unpaid purse must be filed within sixty (60) days of the date of the race.

(f) **Indemnity by the association.** If, at a meeting of an association, a race is run which has been promoted by another party or parties, and the promoters thereof default in the payment of the amount raced for, the same liability shall attach to the association as if the race had been offered by such association.

(g) **Dishonored checks.** Where an association pays any purse by check, which upon presentation is dishonored, the matter shall immediately be referred to the commission.

(h) **Racing for less than advertised purse.** When any association advertises minimum purses and conducts any race for less than said advertised minimum without the prior approval of the commission, such association shall be assessed the difference between the advertised minimum and the lesser purse for which such race was conducted and the proceeds of such assessment shall be distributed among the money winning horses in proportion to their respective winnings.

(i) **Stall applications.** All stall applications shall be submitted to the presiding judge for approval prior to issuance or publication, and said application must contain the names of applicants approved for admission to the grounds, and all parties involved in the ownership or training of said horses, prior to their notification.

(j) **Awards.** Except as herein stated, no association shall advertise to pay or pay any awards other than to the owners, nominators, or breeders of money winning horses except that awards may be made to drivers of horses.

(k) **Paddock.** (1) Horses must be in the paddock at the time prescribed by the presiding judge, but in any event not less than one hour prior to post time of the race in which the horse is to compete. Except for warm-up trips, no horse shall leave the paddock until called to the post.

(2) The persons entitled to admission to the paddock are as follows:

(A) Owners of horses competing on the date of the race and whose horses are in the paddock, subject to the provisions of rule (k) (3) of this section.

(B) Trainers, drivers, grooms and caretakers of horses competing on the day of the race and whose horses are in the paddock.

(C) Officials whose duties require their presence in the paddock.

(D) Such other persons as are authorized by the commission.

(3) Once admitted to the paddock, no driver, trainer, groom or caretaker shall leave the same, other than to warm-up said horse until such race, or races for which he was admitted is run. In the event of an emergency, trainers or grooms may leave the paddock, but only with the permission of the paddock judge in which case the paddock judge shall maintain a written record thereof. Such record shall be delivered to the presiding judge.

(4) No person except an owner, who has another horse racing in a later race, or an official, may return to the paddock until all races of that program shall have been completed.

(5) No more than two members of a registered stable shall be entitled to admission to the paddock on any racing day, except by permission of the paddock judge. If the driver of any horse is a member of a registered stable, he is excluded from this rule.

(6) During racing hours each association shall provide the services of a blacksmith within the paddock.

(7) During racing hours, each association shall provide suitable extra equipment as may be necessary for the conduct of racing to prevent unnecessary delay.

(8) The paddock shall be under the supervision of paddock judge at all times.

(9) **Inspector and identifier.** Every association shall employ an equipment inspector in the paddock who shall be responsible for maintaining a list of all equipment worn, including shoes, hopple-length, the tattoo number and such other identification methods that the commission shall require, for each horse racing at the meeting. Prior to each time a horse races, the equipment inspector shall identify the horse and shall compare the equipment actually being used on the horse with the approved

equipment listed. Any discrepancies shall be reported immediately to the presiding judge. Where there is a major equipment change, the presiding judge shall have the public informed of such changes.

(10) The association shall provide the paddock judge with a list of its personnel eligible for admission to the paddock. The association shall keep a list of all persons entering and leaving the paddock on a form approved by the commission.

(11) Code of conduct while in the paddock:

(A) An owner shall not engage in conversation with a driver or trainer who is not employed by him for the owner's horse programmed to race the same day. A driver or trainer shall refuse to engage in conversation with any owner whom he is not representing in a race the same day.

(B) A driver or trainer shall not mark a program for anyone including his own owner.

(C) Owners, drivers and trainers shall so conduct themselves as to avoid creating any appearance or suggestion that would reflect adversely on the integrity of the race.

(12) **Recording conversation.** All telephone conversations into and from the paddock shall be recorded from the time pari-mutuel sales are begun until the last horse has left the paddock.

(13) **Test for alcoholic consumption.** Each track shall provide a device approved by the commission in the paddock capable of measuring the presence of alcohol by weight within the blood. The use of such device shall be under the supervision of the presiding judge and tests shall be administered to such licensees and officials at such times as directed by the presiding judge. Refusal to take such test shall constitute a violation of this section. The presence of .05 percent alcohol in the blood by weight as indicated by said device shall constitute alcoholic impairment. A licensee who is alcoholically impaired or who refuses to be tested shall not be permitted to perform his duties and may be fined or suspended. An official is alcoholically impaired or refuses to be tested shall not be assigned his duties and a report thereof shall be made immediately to the commission.

(l) **Photo finish, head number, saddle pads, starting gate.** At all associations, a photo finish, head numbers, saddle pads and a starting gate must be used.

(1) Photo finish equipment and/or service shall be of a type and quality approved by the commission.

(2) The judges shall determine the order of finish of every race run at association tracks with the aid of a photo finish service and/or equipment.

(m) **Interference with race officials.** No association shall interfere with the proper performance of the duties of any official.

(n) **Post parade from paddock.** Fifteen (15) minutes before the post time for a race, the paddock judge shall cause all horses entered in such race to be formed in a parade line. Such horses shall be attended by their drivers, unless specifically excused by the paddock judge. All horses in a race shall parade from the paddock upon the track and before the grandstand not later than five (5) minutes before post time. A horse failing to parade without being excused by the judges may be scratched from the race or its driver or trainer penalized. Drivers shall not engage in conversations during the post parade.

(o) **Statement of driver insurance.** Each association shall prominently display, in the racing secretary's office, a statement giving the name of the company with whom they carry driver insurance.

Sec. 12-574-B24. Veterinarians

(a) **License.** All veterinarians referred to in this section shall be licensed to practice in the state of Connecticut by the state board of veterinary registration and examination, and shall be licensed by the commission.

(b) **Commission veterinarian.** The commission shall appoint at least one veterinarian who shall be designated commission veterinarian and who shall carry out such duties as may be imposed upon him by the commission. The commission veterinarian and his assistants shall be responsible for all testing of horses. They shall make reports to the commission at such time and in such manner as the commission may prescribe.

(c) **Association veterinarian.** Each association shall employ a veterinarian to carry out the duties hereafter enumerated in this section. The association veterinarians shall be employed and paid by the association at whose track the services are rendered.

(d) **Treating veterinarian.** (1) Only veterinarians who have obtained a license from the commission to practice veterinary medicine at an association plant may treat horses at such plant. No veterinarian will receive such a license unless approved by the state veterinarian of the Connecticut department of agriculture.

(2) No veterinarian licensed to practice on the grounds of any association shall furnish, sell, or loan any hypodermic syringe, hypodermic needle or other device which could be used for injection or other infusion into a horse of a drug, stimulant, or narcotic to any person within the grounds of a racing association where race horses are lodged or kept without first securing written permission from the judges. Only one-time disposable syringes and infusion tubes are authorized for use in the treatment of race horses on the grounds of the association.

(3) The association and commission veterinarians shall not prescribe or treat or otherwise administer medication of any form to horses stabled on the association grounds except in cases deemed by the association officials to be emergencies.

(4) No owner or trainer shall employ any veterinarian who has not been duly licensed in accordance with these rules and regulations. The association shall warn off all unlicensed veterinarians. The veterinarians shall make daily reports to the commission veterinarian and to the judges of all horses under treatment by them and the medication given. Any violation of this rule shall be immediately reported to the commission and the judges.

(5) Every veterinarian who shall prescribe or use any medication or treatment which contains a drug or drugs, which he has reason to believe are of such character as could affect the racing condition of a horse in a race, shall, at the time of such prescribing or use, deliver to the judge of the commission and the trainer of the horse under treatment, a written statement setting forth the name of the horse and of the trainer, and the fact that such medication or treatment, as the case may be, contains a drug, stimulant or narcotic which, in the opinion of the veterinarian, is of such character as could affect the racing condition of the horse in a race.

(e) **State veterinarian.** All veterinarians enumerated in this section shall abide by the regulations and inquiries of the state veterinarian of the Connecticut department of agriculture.

(f) **Requirements of association veterinarian.** (1) He shall be present in the paddock to inspect all horses, and shall inspect or observe all horses after the finish of a race, and shall perform such other duties as shall be prescribed from time to time by the judges. If a horse is in ice or has a freeze on his legs at the time of the pre-race examination, he is subject to be scratched from the race.

(2) Each entry shall be given a pre-race examination on the day of the race for which entered, reasonably in advance of post time. The pre-race examination shall be made by an association veterinarian who shall make such examination as is necessary to determine the entry's fitness to race, and who shall report to the judges that any horse is not in fit condition to race.

(3) All bandages shall be removed by the groom and the entry exercised outside the stall sufficiently for the association veterinarian to determine the condition of the entry's legs, feet and general condition. He shall report any finding of unsoundness of a horse to the judges.

(4) The association veterinarian shall maintain a list to be known as the "veterinarians list" upon which he shall enter the name of any horse which he considers unfit, unsound or not ready for racing. Any horse, the name of which is on the "veterinarians list", shall be refused entry until the association veterinarian removes its name from the list. A trainer may appeal to the judges any decision to place a horse's name on the "veterinarians list."

(5) A known bleeder is a horse which bleeds twice within six (6) consecutive calendar months in any racing jurisdiction. A known bleeder shall be barred from racing in Connecticut unless the bleeding incidents arose from injury or minor afflictions which, in the opinion of the association veterinarian, will not recur.

(6) A horse placed on the "veterinarians list" for bleeding must remain on the list for a minimum of fourteen (14) calendar days.

(7) The "veterinarians list" as defined herein shall be binding on the tracks under the jurisdiction of the commission.

(8) The association veterinarian shall inspect bandages just prior to the participation in a race of the horse on which they are used. They may order their removal and replacement if they see fit to do so. Should there be any circumstances in their use that indicates fraud, it shall be reported to the judges, who after an investigation, shall report all the facts to the commission for such action as it deems appropriate.

Sec. 12-574-B25. Identification of horses

(a) **Records.** No horse will be permitted to race at an association track without an eligibility certificate, issued for the current year by the United States trotting association and approved by the commission. Horses must race in the name of a bona fide owner or lessee.

(b) **Program information.** (1) A printed program shall be available to the public at all meetings where purses are offered. All programs shall furnish the following information or such other information as the commission may determine from time to time:

- (A) Horse's name and sex.
- (B) Color and age.
- (C) Sire and dam.
- (D) Owner's name.
- (E) Driver's name and colors.
- (F) Trainer's name.
- (G) Type of race and horses.

In claiming races, the price for which the horse is entered to be claimed shall be indicated. If claimed, later programs shall indicate it.

(H) At least the last six (6) performances and accurate chart lines. (See rule (d) (4) of section 12-574-B34). An accurate chart line shall include: date of race, place, size of track if other than half-mile, symbol for free-legged pacers, track condition,

type of race, distance, the fractional time of the leading horse including race time, post position, position at $\frac{1}{4}$, $\frac{1}{2}$, $\frac{3}{4}$, stretch with lengths behind the leader, finish with lengths behind the leader, individual time of the horse, closing dollar odds, name of the driver, names of the horses placed first, second, and third by the judges. The standard symbol for breaks and park-outs shall be used where appropriate.

(I) Information indicating drivers racing with a provisional license.

(J) Information indicating pacers that are racing without hopples.

(K) Summary of starts in purse races, best win time and earnings for the current and preceding year. For purpose of the summary, a horse's best win may be earned in either a purse or nonpurse race. It shall not, however, be earned in a time trial.

(L) On a separate page, the date of the association's annual license, the names of the commission members, the names of the officers and directors of the association and the names of the racing officials for the meeting.

(M) The speed ratings of every pari-mutuel harness racetrack.

(N) The commission rules covering the starting of horses and the breaking of horses.

(O) An explanation of qualifying races and official workouts.

(P) An explanation of the pari-mutuel daily double and multiple betting rules.

(Q) Information when a horse has not raced either in the current or preceding year at the gait he is entered for on the program, which shall contain the following:

Summary of his last year of racing at said gait which shall include his mark for that year, number of starts, number of times finishing first, second and third and money won; such information must be given even though he has competed in a qualifying event and will be continued until he has two starts in the current year.

(R) In the event that a trainer entrusts the training of a horse to an assistant trainer, the latter shall be listed as "trainer", and the former as "stable trainer".

(S) An official chart of the latest preceding night's results available.

(i) Such charts shall indicate the average weather temperature for the racing program, and other factual information which may be deemed necessary by the commission from time to time.

(ii) Failure to furnish reliable program information may subject the association and/or program director to the penalties provided by these rules.

(iii) Owners, drivers, or others providing misleading or inaccurate information on a horse's performance, or of attempting to have misleading information given on a program may be penalized.

(iv) Where non-betting races are to be held on the same day immediately before or after the regularly scheduled races and such races are scheduled before the programs are printed, the association shall make available to the public printed program information in the same manner and form as in the case of scheduled races where purses are offered.

(c) **Examination of horse or records.** Any association official, representative of this commission, representative of the United States trotting association, owner or driver, may call for information concerning the identity and eligibility of any horse on the grounds of an association and may demand an opportunity to examine such horse or his eligibility certificate with a view to establishing the horse's identity or eligibility. No owner or party controlling such horse shall refuse to afford such information, or to allow such examination, or fail to give satisfactory identification.

(d) **Examination without cause or to embarrass.** No person shall demand the identification of a horse without cause or merely with the intent to embarrass a race.

(e) **Unlicensed charting.** No official, clerk or person shall enter a chart line on an eligibility certificate when the race has not been charted by a licensed charter.

(f) **Withholding eligibility certificate.** No eligibility certificate shall be withheld from the owner of a horse after proper demand has been made for its return.

(g) **Owners' and/or trainers' reports on ownership and control of horses.** Within seventy-two (72) hours after arrival at an association track, every owner and/or trainer shall file a list in the race secretary's office, naming all horses under his ownership or control at such racetrack and a copy shall be filed with the presiding judge of such meeting. Upon the change of ownership or control of any horse as listed, the owner or trainer shall file immediately an amended statement with the race secretary, and a copy shall be filed with the presiding judge of such meeting.

(h) **Tattoo.** No horse shall be permitted to start in an extended pari-mutuel meeting that has not been tattooed, unless the permission of the presiding judge is obtained and arrangements are made to have the horse tattooed.

Sec. 12-574-B26. Drugs and medication

(a) **Action taken by judges—prohibited medication and drugs.** (1) If the judges find that any drug has been administered or attempted to be administered, internally or externally, to a horse before a race, which is of such character as could affect the racing condition of the horse in such race, such judges shall impose such punishment and take such other action as they may deem proper, including reference to the commission, against every person found by them to have administered or to have attempted to administer or to have caused to be administered or to have caused an attempt to administer or to have conspired with another person to administer such drug.

(2) A positive identification of any medication, other than those specifically accepted by the commission veterinarian, shall constitute prima facie evidence that the horse raced with prohibited medication in its system.

(3) The judges shall notify the commission of all positive pre and post race test results.

(b) **Identification before action taken.** Excepting the scratching of a horse upon the receipt of a positive report of a pre-race test, no action shall be taken on any report of the commission laboratory unless and until the drug has been properly identified.

(c) **Positive pre-race test result.** Whenever there is a positive result of a pre-race test, the commission veterinarian shall immediately notify the presiding judge. The presiding judge shall thereupon scratch the horse from the race.

(d) **Purses pending analysis.** No prize money for any race shall be awarded until after the result of analysis of saliva, urine or other sample to be taken from the horse designated to give such samples, has been determined. In the event that the sample taken from said horse is returned as "positive", no part of the purse shall be paid to the owner of said horse, or any entry that said horse is a part, until the judges have made a report of their investigation to the commission and the commission has determined the matter at a meeting. The commission may deny the purse to said owner of such horse as in the case of disqualification or it may distribute the purse as it deems just and equitable. If a horse shall be disqualified in a race because of the infraction of this rule, the eligibility of other horses which ran in such race and which have started in a subsequent race before announcement of such disqualification shall not in any way be affected.

(e) **Report use of drugs.** Whichever any medication of a prohibitive nature is administered orally, hypodermically, or externally to a horse by a veterinarian or

other person, a written report of such administration signed by the veterinarian and the trainer shall be filed within twenty-four (24) hours on forms provided by the commission with the commission veterinarian.

(1) No medication or transfusion of blood or blood derivatives shall be administered to a horse during the period of forty-eight (48) hours before his start in a race.

(f) **Report use of narcotics.** The commission shall promptly report to the bureau of narcotics of the department of treasury of the United States all cases in which it is reported by the commission laboratory that narcotics have been detected in a specimen from any horse; and if any veterinarian or physician has been invoked therein, the commission shall make a similar report to the state health department of the state of Connecticut.

(g) **Track record void.** In the event that a horse established a track record in a race, and if it later develops by chemical analysis or investigation that any drug specified in rule (a) (1) of this section or any appliance specified in rule (h) of section 12-574-B40 was used or employed, then such track record shall be null and void.

(h) **Responsibility of association.** Every association and all officials and employees thereof shall give every possible aid and assistance to any department, bureau, division, officer, agent or inspector, or any other person connected with the United States government or with the state of Connecticut, who may be investigating or prosecuting any such person they may suspect of being guilty of possession of any drug, stimulant, medicine, hypodermic syringes or hypodermic needles, batteries used to stimulate horses or other similar appliances.

(i) **Responsibility for horse's condition.** Trainers and assistant trainers are responsible for the condition of horses in their care and are presumed to know these sections.

(j) **Proper protection to be provided for horse.** The trainer, groom, and any other person having charge, custody or care of the horse, are obligated to properly protect the horse from the administration of illegal drugs and guard it against such administration or attempted administration and, if the judges shall find that any such person has failed to show proper protection and guarding of the horse, they shall impose such punishment and take such other action as they may deem proper under any of the rules, including reference to the commission.

(k) **Bottles, containers to be labeled.** All bottles and other containers kept in or about any tack room or elsewhere in any barn on the grounds of a racing association shall bear a label stating plainly the contents thereof, including the name of each active ingredient; provided, however, that this rule shall not apply if the containers bear regular prescription labels with pharmacists' numbers, names and addresses and the names of the prescribing veterinarians.

(l) **Right to search for, seize drugs, injection devices.** No person within the grounds of an association shall have in or upon the premises which he occupies or controls or has the right to occupy or control or in his personal property or effects, any hypodermic syringe, hypodermic needle or other device which could be used for the injection or other infusion into a horse of a drug without first securing written permission from the judges. Every association is required to use all reasonable efforts to prevent the violation of this rule. Every association, the commission and the judges, or any of them, shall have the right to permit a person or persons authorized by any of them to enter into or upon the buildings, stables, rooms or other places within the grounds of such an association and to examine the same and to inspect and examine the personal property and effects of any person within

such places; and every person who has been granted a license by the commission, by accepting his license, does consent to such search and to the seizure of any hypodermic syringes, hypodermic needles or other devices and any drugs apparently intended to be or which could be used in connection therewith so found. If the judges shall find that any person has violated this rule, they shall impose such punishment and take such other action as they may deem proper under this section, including reference to the commission. The written permission of the judges for the possession of a hypodermic syringe, hypodermic needle or other device as herein described shall be limited in duration as the judges may determine, but in no case shall its duration extend beyond the racing season in which it is granted; and no such or similar permission granted by judges of a meeting in any other state or country shall have any validity in the state of Connecticut.

Sec. 12-574-B27. Testing

(a) **Admittance to enclosure for making tests.** No person other than those authorized by rule (f) of this section shall be admitted at any time to the building or part thereof utilized by the commission for making medication, drug or other tests of horses except the staff immediately in charge of such work, the commissioner, the judges, and such other persons as may be authorized in writing by the chairman or vice-chairman of the commission or the commission veterinarian.

(b) **Guard.** A guard approved by the commission must be in attendance during the hours designated by the commission.

(c) **Pre-race testing.** At association tracks, a pre-race testing program shall be conducted by the duly authorized representatives of the commission, and shall entail the operation of a field laboratory at the track.

(1) Blood samples shall be taken by a licensed veterinarian of every horse programmed to race, prior to the race in which it is programmed, for the purpose of determining the presence of any drug, stimulant, sedative, depressant or medicine.

(2) The blood samples shall be taken under the supervision of the commission veterinarian and by him and other persons appointed by the commission. The times at which the horses in each race shall be delivered to the paddock for the taking of the samples, as well as related procedures, shall be prescribed by the commission veterinarian.

(3) Submission to the taking of pre-race blood samples is mandatory and no horse shall be allowed to race if the person who has charge or custody of it refuses to submit it for the taking of such sample unless the commission veterinarian, for good cause in his judgment, excuses the taking of the sample.

(4) Urine and saliva samples may be taken of any horse whenever the pre-race test is positive or when a blood sample has not been taken, or whenever, in the judgment of the commission veterinarian, a urine and/or saliva sample is required for further analysis.

(d) **Post-race testing.** The winner and second place finisher in every race and such other horses as the judges may designate shall be sent immediately after the race to the detention area for examination by the commission veterinarian or his assistants, and the taking of such specimens of body fluids and eliminations as shall be directed. Blood specimens shall be taken only by a licensed veterinarian. All horses that participate in the winning combination in any daily double, perfecta, quinella, trifecta and superfecta race shall be tested pursuant to this rule.

(e) **General testing.** The commission veterinarian or his assistants may also, when so directed by the judges, require the taking of any or all of the specimens specified in this section from any horse stabled at a track during a meeting.

(f) **Presence of owner.** The owner, trainer or authorized agent of an owner shall be present in the detention area when saliva, urine or other specimen is taken from their horse, and must remain until such forms are signed by the owner, trainer or their representative as witness to the taking of the specimen. Willful failure to be present at, or refusal to allow the taking of any such specimen, or any act or threat to impede or prevent or otherwise interfere therewith shall subject the persons found guilty by the judges to immediate suspension and the matter shall be referred to the commission for appropriate action.

(g) **Handling of specimen.** (1) All specimens taken by or under direction of the commission veterinarian or other authorized representative of the commission shall be delivered to the chief chemist at the laboratory designated by the commission for official analysis. Each specimen shall be marked by number and date and may also bear such information as may be essential to its proper analysis; but the identity of the horse from which the specimen was taken or the identity of its owner, trainer, driver or stable shall not be revealed to the chief chemist. The container of each specimen shall be sealed as soon as the specimen is placed therein, and each such seal shall bear the stamp of the commission.

(2) All containers used for specimens shall be single service disposable containers, sealed and stamped before use. Seals of the new containers shall not be broken except in the presence of owners or trainers or their representatives, if present at the collection of the sample. Only distilled water, with or without acetic acid, shall be used to moisten gauze used in the collection of saliva.

(h) **Samples of medicines on grounds.** The commission veterinarian, or any of his assistants, may take samples of any medicines or other materials suspected of containing improper medication or drugs which would affect the racing condition of a horse which may be found on the grounds of an association.

Sec. 12-574-B28. Owners, drivers, trainers and grooms

(a) **Application for driver's license.** Every driver at a race meeting shall be required to obtain a license from the commission. Such license shall be presented to the clerk of the course before driving.

(b) **Qualification for a driver's license.** (1) In order to be licensed by this commission, a driver must have a current United States trotting association license, either provisional (p), restricted (v), or full drivers (a). In cases where drivers are provisional (p), it shall be noted on the program. In addition to any other requirements mentioned herein, a driver shall be required to submit evidence of an annual eye examination.

(2) In the event any person is involved in an accident on the track, the commission may, at any time in their discretion, require an examination.

(3) All penalties imposed on any driver will be recorded on the reverse side of both his United States trotting association and commission driver's license by the presiding judge.

(c) **Trainer's license.** A trainer to be licensed must submit a current United States trotting association trainer's license. All other requirements will be in accordance with the United States trotting association rules for a trainer's license.

(d) **Grooms, application for license.** An applicant for a license as a groom must satisfy the commission that he possesses the necessary qualifications, both mental and physical, to perform the duties required. Elements to be considered, among others, shall be character, reputation, temperament, experience, knowledge of the rules of racing and of the duties of a groom.

(e) **Suspension or revocation of drivers', trainers', or grooms' licenses.** The license of any driver, trainer or groom may be suspended, revoked, or a money fine may be imposed, at any time for:

- (1) Failure to obey the instructions of a racing official.
- (2) Failure to drive in a race when programmed, unless excused by the presiding judge.
- (3) Consumption of intoxicating beverages within four (4) hours of the first post time of the program on which he is carded to drive.
- (4) Appearing in the paddock in an unfit condition to perform his duties.
- (5) Fighting.
- (6) Assault upon any other person.
- (7) Offensive or profane language.
- (8) Smoking while on the racetrack in silks and during actual racing hours.
- (9) Warming up a horse without silks at any time after the admission gates are open.
- (10) Disturbing the peace.
- (11) Refusal to take a breath analyzer test when directed by the presiding judge.
- (12) Refusal, when requested by the commission, to submit evidence of his ability to perform the duties for which he is licensed, and/or to submit to a physical examination.
- (13) Failure to participate in post parade, unless specifically excused by the presiding judge.
- (14) Any other act or conduct detrimental to the sport.
- (15) Violation of any rule of the commission.
- (16) Falsifying or misrepresenting answers on the application for license.
- (17) Taking a foot out of the stirrup at any time the sulky is on the race course.
- (18) Suspension or revocation of a driver's or trainer's license by the United States trotting association.

(f) **Reinstatement of license of drivers, trainers and grooms.** A license may be reinstated by the commission, in its discretion, upon application and upon such terms as the commission may prescribe.

(g) **Required time drivers should be present in paddock prior to race.** Drivers shall be in the paddock at least one hour before post time for the races in which they are scheduled to drive.

(h) **Breath analyzer test.** Drivers, trainers and grooms shall submit to a breath analyzer test as pursuant to rule (k) (13) of section 12-574-B23.

(i) **Colors.** To be properly attired, drivers must wear registered colors and white driving pants.

(1) No driver or trainer shall be allowed to drive in any race or public performance, or to otherwise appear on the racetrack during racing program unless wearing his own or his owner's registered colors. No driver may appear in colors registered in the name of another, without the special permission of the presiding judge.

(2) No driver shall be permitted to start in a race or other public performance unless in the opinion of the judges he is properly attired.

(3) When drivers are participating in races in inclement weather, they shall wear rain suits of their registered colors, or rain suits made of a transparent material through which their colors may be distinguished. Those drivers not complying with these requirements must race in their regular colors.

(4) No driver wearing colors shall appear at a betting window, grandstand or clubhouse, or at a bar in a restaurant dispensing alcoholic beverages.

(j) **Safety helmets.** No driver will be permitted to drive in a race unless he is wearing a protective safety helmet of a type satisfactory to the commission and constructed with a hard shell and containing adequate padding and an adequate chin strap in place.

(k) **Drivers' meeting.** Before the first race at any meeting is contested the racing officials and drivers shall meet at a time and place to be designated by the presiding judge. Notice of the time and place of such meeting shall be published on the bulletin board in the office of the race secretary at least forty-eight (48) hours prior to the meeting, and shall be announced over the public address system one (1) hour prior to the meeting.

(1) The officials will announce any special rules affecting the race meeting and shall explain any of the special rules as shall be requested. These special rules shall be posted on the bulletin board in the office of the race secretary at the conclusion of such meeting as specified in rule (k) of this section. It is the driver's responsibility to be familiar with these special rules. Any driver failing to attend such meeting as specified in rule (k) of this section, after being duly notified, may be penalized.

(2) No driver shall be permitted to drive unless he has attended such meetings as specified in rule (k) of this section, or has met with the officials. It shall be the driver's duty to request a meeting with the presiding judge or an associate judge if he has not attended such meeting as specified in rule (k) of this section. Upon such request, it shall be incumbent upon the presiding judge or an associate judge to explain these special rules.

(l) **Removal and substitution of drivers.** If the judges believe a driver is unfit or incompetent to drive, or if he refuses to comply with the direction of the judges, or is reckless or unmannerly in his conduct, he may be removed and penalized and another driver may be substituted at any time. Compensation of such substitute driver may be fixed at the discretion of the judges.

(m) **Owners. Application for license.** Every owner desiring to enter a harness horse at a race meeting shall be required to obtain a license from the commission. Such application shall be on forms provided by the commission.

(n) **Qualifications for owner's license.** Every applicant for a license as an owner in addition to any other requirements mentioned herein shall:

- (1) Be at least eighteen (18) years of age.
- (2) Submit evidence of good moral character.
- (3) Furnish a completed application form.

(4) Where a horse is owned jointly by two or more parties, all parties must comply with rule (n), (1), (2) and (3) of this section.

(5) Where a horse is owned in whole or in part by a corporation, all officers and directors must comply with rule (n), (1), (2) and (3) of this section. In addition, all shareholders must comply with rule (n), (1), (2) and (3) of this section, unless such requirements are expressly waived by the commission.

(6) No corporation or partnership or registered stable of more than ten (10) persons formed after April 1, 1962, shall be allowed either to race or to lease horses for racing purposes except as provided in rule (k) (1) of section 12-574-B9.

(o) **Suspension or revocation of owners' licenses.** The license of any owner may be suspended, revoked, or a money fine may be imposed for:

- (1) Failure to obey the instructions of a racing official.
- (2) Failure to race his horse when programmed, unless excused by the presiding judge.
- (3) Misconduct or acts detrimental to the sport.

(4) Violation of any rule of the commission.

(5) Falsifying or misrepresenting answers on an application for an owner's license.

(p) **Reinstatement of owner's license.** A license may be reinstated by the commission, in its discretion, upon application and upon such terms as the commission may prescribe.

(q) **Trainer's duty regarding racing of horses.** A trainer is responsible for the timely attendance of his horse or horses when they are being raced, and he shall attend his horse in the paddock to supervise the preparation of such horse when it is programmed to race.

(r) **Absence of trainer, notice, substitute trainer.** If any licensed trainer is to be absent from the track where employed, the presiding judge shall be immediately notified in writing and at that time a licensed substitute trainer, acceptable to the presiding judge, shall be appointed to assume responsibility for the horse or horses racing during the absence of the regular trainer. The name of the substitute trainer shall appear on the program if possible. The presiding judge shall be advised immediately when the regular trainer is present and resumes his duties.

(s) **Stable roster requirements.** Each employer of grooms at a racetrack is required to submit to the commission office, a stable roster stating the name of each employee and license number. He shall inform the commission immediately of any changes. If any employer does not comply with this requirement, a fine may be imposed against him.

(t) **Ownership of horses, prohibited.** An association including any individual owner, corporate owner and officers, directors and stockholders thereof shall not be permitted to race any horse owned by them at the track operated by that association.

Sec. 12-574-B29. Eligibility and classification

(a) **Registration of ownership.** All horses shall be registered in current ownership either as standard or non-standard with the United States trotting association and the owner or owners shall upon request of the commission or its authorized representatives, produce a valid registration certificate issued by the United States trotting association.

(b) **Issuance of eligibility certificate.** (1) An eligibility certificate shall be issued only to an active member of the United States trotting association in good standing and shall not be issued to an owner or horse under penalty except as provided in United States trotting association rules and regulations.

(2) Eligibility certificates of corporations shall likewise be obtained in accordance with rules of the United States trotting association.

(c) **Classified races.** (1) Classification by racing secretary. The racing secretary, according to his judgment, shall assign horses eligible for classification by gait to not more than the following classes based upon ability as demonstrated by past performances: ffa (free-for-all), jfa (junior-free-for-all), aa, a, b, c, d, and where feasible, into not more than three subclasses designated by number within classes aa, a, b, c, and d. Such assignment shall be made when a horse is first accepted for racing at the track and all such assignments and changes thereof shall be posted in the declaration room.

(d) **Sale or lease of horse, endorsements.** When a horse is sold or leased after an eligibility certificate is issued for the current year, the seller or his authorized agent in writing shall endorse the eligibility certificate to the new owner or lessee who may use it, providing that he immediately sends the registration certificate for transfer or a copy of the lease to the United States trotting association. If the

eligibility certificate is not endorsed to him, the new owner or lessee must apply to the United States trotting association for an eligibility certificate.

(e) **Information where horses are raced at Canadian tracks.** Owners of horses who have raced at Canadian tracks not in membership with the United States trotting association shall, prior to declaration, furnish the race secretary either an eligibility certificate issued by the United States trotting association or a Canadian eligibility certificate which has been validated by the United States trotting association. In either instance, the eligibility certificate shall be completely filled out for the current year.

(f) **Tampering with eligibility certificates.** No person shall tamper with eligibility certificates. Any winnings may be forfeited and the offending party may be fined and/or suspended if found in violation of this rule.

(g) **Corrections on eligibility certificates.** Corrections on said certificates may be made only by one of the judges, the commission or a representative of the United States trotting association. Persons making corrections shall sign their initials and date thereon.

(h) **Eligibility certificates from foreign countries other than Canada.** No eligibility certificate will be considered valid on a horse coming from a country other than Canada unless the following information, certified by the United States trotting association or governing body of that country from which the horse comes is furnished:

(1) The number of starts during the preceding year, together with the number of firsts, seconds and thirds for each horse, and the total amount of money won during the period.

(2) The number of races in which the horse has started during the current year, together with the number of firsts, seconds and thirds for each horse and the money won during this period.

(3) A detailed list of the last six starts giving the date, place, track condition, post position or handicap, if it was a handicap race, distance of the race, his position at the finish, the time of the race, the driver's name, and the first three horses in the race.

(i) **Loss or destruction of eligibility certificate.** In the event of loss or destruction of an eligibility certificate, a replacement certificate must be secured from the United States trotting association.

(j) **Telephonic declarations.** No horse shall be declared to race except as herein-after stated without first having an eligibility certificate placed on file with the race secretary. Telephonic declarations may be sent and accepted in accordance with rule (a) of section 12-574-B34 of these rules, without penalty provided the declarer furnishes adequate program information, but the eligibility certificate must be presented when the horse arrives at the track and before he races. The racing secretary shall check each certificate and certify to the judges as to the eligibility of all the horses.

(k) **Eligibility.** For purposes of eligibility, a racing season or racing years shall be the calendar year. In recording winnings, gross winnings will be used and odd cents will be dropped and disregarded.

(l) **Date eligibility determined.** Horses must be eligible when entries close, but winnings on the closing date of eligibility shall not be considered.

(m) **Conflicting conditions.** In the event there are conflicting published conditions and neither is withdrawn, the more favorable to the nominator shall govern.

(n) **Standard for overnight events.** The race secretary shall prescribe standards to determine whether a horse is qualified to race in overnight events at a meeting.

(o) **Posting of overnight conditions.** Condition books containing at least three (3) days racing program shall be available to horsemen at least twenty-four (24) hours prior to taking declarations on races contained therein. Conditions for overnight events must be posted at least eighteen (18) hours before entries close. Substituted conditioned races may be used only when regularly scheduled races fail to fill.

(p) **Types of races to be offered.** In presenting a program of racing, the race secretary shall use exclusively the following types of races:

- (1) Stakes and futurities.
- (2) Early closing and late closing events.
- (3) Conditioned races.
- (4) Classified races.
- (5) Claiming races.

(6) Preferred races limited to the fastest horses at the meeting. These may be free-for-all races, junior free-for-all or invitationals. Horses to be used in such races shall be posted in the race secretary's office and listed with the presiding judge. Horses so listed shall not be eligible for conditioned overnight races unless the conditions specifically include horses on the preferred list. Twelve (12) such races may be conducted during a six (6) day period of racing at tracks distributing more than \$100,000 in overnight purses during such period and not more than ten (10) such races shall be conducted at other tracks during a six (6) day period of racing, provided that at least two (2) of these races are for three-year-olds, four-year-olds, or combined three and four-year-olds. At tracks which race less than five (5) days per week, not more than ten (10) such races may be conducted during a six (6) day period. Purses offered for such races shall be at least fifteen (15) percent (%) higher than the highest purse offered for a condition race programmed the same racing week. No two-year-old or three-year-old will be eligible to be placed on the preferred or invitational list to race against older horses until it has won seven (7) races unless requested by the owner or authorized agent. The owner or authorized agent may withdraw such request at his discretion.

(q) **Limitation on conditions.** Conditions shall not be written in such a way that any horse is deprived of an opportunity to race in normal preference cycle. Where the word "preferred" is used in a condition it shall not supersede date preference. Not more than three (3) "also eligible" conditions shall be used in writing the conditions of any overnight event.

(r) **Preference.** Preference shall be given in all overnight events according to a horse's last previous purse race during the current year. The preference date on a horse that has drawn to race and been scratched is the date of the race from which he was scratched. When a horse is racing for the first time in the current year, the date of the first declaration shall be considered its last race date, and preference applied accordingly.

(s) **Dashes and heats.** Any dash or any heat shall be considered as a separate race for the purposes of conditioned racing.

(t) **Named races.** Named races are not permitted except for preferred races for the fastest horses at a meeting as set forth in rule (p) (6) of this section, and invitational two or three-year-old races with a purse at least fifteen (15) percent (%) higher than the highest purse offered for a conditioned race programmed the same racing week.

(u) **Selection or drawing of horses.** For all overnight events, starters and "also eligibles" shall be drawn by lot from those properly declared in, except that a race secretary must establish a preference system for races as provided for in rule (e) of

section 12-574-B34. However, where necessary to fill a card, not more than one (1) race per day may be divided into not more than two (2) divisions after preference has been applied and the divisions may be selected by the race secretary.

(v) **Posting requirements.** Names of all horses shall be posted by gait with the following information:

- (1) Lifetime winnings.
- (2) Season's winnings.
- (3) Winnings at the meeting.
- (4) Wins during the season.
- (5) Age, gait and sex.
- (6) Previous year's earnings.
- (7) Date of last win.

There shall be a separate posting of two, three and four-year-olds.

(w) **Rejection of declaration.** (1) The race secretary may reject the declaration on any horse whose eligibility certificate was not in his possession on the date the condition book is published.

(2) The race secretary may reject the declaration on any horse whose past performance indicates that he would be below the competitive level of other horses declared, provided the rejection does not result in a race being cancelled. Before doing so, and before post positions for the race have been drawn, the owner or trainer of such horse or horses shall be duly advised of the action about to be taken.

(x) **Substitute and divided races.** Substitute races may be provided for each day's program and shall be so designated. A substitute race or a race divided into two (2) divisions shall be used if regularly scheduled races fail to fill. The practice of carrying races to the next day's program should be avoided.

(y) **Opportunities to race.** A fair and reasonable racing opportunity shall be afforded both trotters and pacers in reasonable proportion from those available and qualified to race. Not more than fifty (50) percent (%) of any week's racing program shall be claiming races.

(z) **Qualifying races.** A horse winning a qualifying race shall not be deprived by reason of such performance of his right to start in an event limited to maidens.

(aa) **Horses prohibited from racing.** No employee or officer engaged in the active management of an association or a member of his immediate family shall race, or permit, or cause to be raced, any horse in which he has any interest, either direct or indirect, at any meeting conducted by that association.

Sec. 12-574-B30. Claiming races

(a) **Claiming procedures are as follows:** (1) Who may claim. An owner who has declared a horse programmed to start in a purse race at that meeting. An authorized agent may claim for a qualified owner provided such authorization is in writing.

(2) No person shall claim his own horse, directly or indirectly, nor shall he claim a horse trained or driven by him or shall he claim more than one (1) horse in a race.

(3) No qualified owner or his agent shall claim a horse for another person. The judges may require any person making a claim for a horse to execute an affidavit stating that he is claiming said horse for his own account or as authorized agent and not for any other person.

(4) Any entry in a claiming race cannot declare for a subsequent race until after the claiming race has been contested.

(5) The owner must have to his credit with the association offering the race an amount equivalent to the specified claiming price plus the existing Connecticut sales tax and requisite fees for transfer of registration.

(6) Any horse still officially programmed to start after designated scratch time is eligible to be claimed, even though said horse is scratched and does not start. The option to claim said horse shall rest with the successful claimant.

(7) No horse claimed shall start at any other track until thirty (30) days have elapsed or the meeting has closed, whichever occurs first. The racing secretary may waive this rule at his discretion.

(8) The claiming price shall be printed on the program, and all claims shall be for the amount so designated. Should more than one claim be filed for the same horse, the successful claimant shall be determined by lot by the judges.

(9) All claims shall be in writing on forms and in envelopes provided by the association, sealed and deposited at least fifteen (15) minutes before post time of the race in a locked box provided for this purpose by the clerk of the course.

(10) The association shall provide an automatic time clock which shall be used to stamp the time the claim is filed in the box upon the envelope containing the claim.

(11) The claim box shall be opened and the claims, if any, examined by the judges. The association shall provide for an agent who shall deliver the claim box to the judges' stand. The association auditor, or his agent, shall be prepared to state whether the claimant has to his credit, with the association, the amount equivalent to the specified claiming price.

(12) A horse claimed, with his halter, shall be delivered immediately by the original owner or his agent to the successful claimant upon authorization by the presiding judge. Any tampering with the shoeing on any horse so claimed shall be considered a violation of this rule. Every horse claimed shall race in the interest and for the account of the owner who declares it in the race, but title to the claimed horse shall be vested in the successful claimant from the word "go", and said successful claimant shall become the owner of the horse, whether it be alive or dead, sound or unsound, or injured during the race or after it.

(13) The current registration certificate of all horses entered in claiming races must be on file with the racing secretary together with a separate claiming authorization form signed by the registered owner or owners and indicating the minimum amount for which the horse may be entered to be claimed. To facilitate transfer of claimed horses the presiding judge may sign the transfer providing that he then send the registration certificate and claiming authorization to the United States trotting association registrar for transfer.

(14) A horse claimed shall not remain in the same stable or under the care or management of its original owner or trainer or anyone connected therewith until thirty (30) days have elapsed unless it is subsequently claimed out of another race.

(15) No person shall offer, or enter into an agreement, to claim or not to claim, or attempt to prevent another person from claiming, any horse in a claiming race.

(16) No person shall refuse to deliver a horse legally claimed out of a claiming race.

(17) No person shall enter a horse against which there is a mortgage, bill of sale, or lien of any kind, unless the written consent of the holder of the lien shall be filed with the clerk of the course of the association conducting such claiming race.

(18) Whenever possible, claiming races shall be written to separate horses five (5) years old and up from young horses, and to separate males from females. If sexes are mixed, mares shall be given a price allowance.

(19) If a horse is claimed, it shall not start in another claiming race until thirty (30) days have elapsed unless such horse is entered for a claiming price equal to or greater than the price at which it was claimed. The day following the date at which it was claimed shall be the first day.

(20) No person shall sell or otherwise transfer ownership of a horse accepted as an entry or an also eligible in a claiming race, until such claiming race has been completed.

(b) **Blood sample required where horse is claimed.** If claimant indicates on the claiming form that he desires a blood sample, a licensed veterinarian shall take a blood sample identified as being from the claimed horse. The sample shall be forwarded within twenty-four (24) hours to a laboratory approved by the commission to be tested for equine infectious anemia (coggins test).

(1) Coggins test. Pending the receipt of the result of a coggins test, the following procedure shall apply:

(A) The claimed horse shall remain upon the grounds of the association.

(B) The monies paid for the claimed horse shall be held by the association.

(C) The cost of the test is to be borne by the claimant if a negative test result, and by the original owner if a positive test result.

(D) If a positive coggins test:

(i) The ownership of the claimed horse shall revert to the original owner.

(ii) The claim monies shall be returned to the claimant.

(iii) Any subsequent purses earned by said claimed horse, pending the receipt of the result of the coggins test, shall go to the claimant.

Sec. 12-574-B31. Stakes and futurities

(a) **Stake and futurity sponsors.** All stake and futurity sponsors shall:

(1) Filing conditions. Annually file a copy of their conditions for approval with the commission, and with the United States trotting association.

(2) Bond. Maintain a performance bond in the amount of the fund until such time as the race is contested. A copy of said bond shall be furnished to the commission and the United States trotting association.

(3) Nomination list. Furnish a list of the nominations within thirty (30) days after the closing of such nominations to the commission and the United States trotting association.

(4) Financial statement. Furnish the commission and the United States trotting association an annual financial statement of each stake and futurity and, within thirty (30) days following the day of the race, submit to the commission and the United States trotting association a final financial statement.

(5) List of eligibles. Furnish within twenty (20) days following the last payment before the starting fee the complete list of all horses remaining eligible to the following: Owners of all eligible horses, the commission and the United States trotting association; together with a list of any nominations transferred or substituted if such is permitted by the conditions, and such other requirements as prescribed by the United States trotting association.

(6) Nominating and sustaining payment dates. Set the nominating date and dates for all sustaining payments except the starting fee on the fifteenth (15th) day of the month. No sustaining payment for the two-year-olds' races shall fall due prior to January 15th of the year to be raced.

(7) Notice of place and date of race. Announce the place and date of the stake or futurity as soon as racing dates for the year are allocated by the commission

and before taking sustaining payments. The commission must approve changes in announced dates.

(8) Forms. All nominations and entry forms, list of nominators and lists of eligibles shall be on a standard 8½ x 11" paper. Such lists shall designate the owners alphabetically.

(9) Estimated purse. No estimated purse shall be advertised or published which is in excess of the actual purse paid or distributed during the previous year unless increased by guaranteed added money.

(10) Sponsor's contribution. No stake or futurity shall be approved for extended pari-mutuel meetings if the added money is not at least thirty (30) percent (%) of the purse.

(b) **Failure to make payments.** Failure to make any payment required by the conditions shall constitute an automatic withdrawal from the event.

(c) **Failure to fill.** All stake and futurity sponsors shall notify all nominators, the commission and the United States trotting association within twenty (20) days following the last payment before the starting fee if the stake or futurity does not fill.

(d) **Refund of nomination fees for futurities.** In the event that a mare nominated to a futurity proves to be barren or fails to have a live foal the nominator may receive a return of his payment, providing such return is called for in the conditions of the futurity.

Sec. 12-574-B32. Entries

(a) **Form of entry.** All entries must: (1) Be made in writing on forms approved by the commission.

(2) Be signed by the owner or his authorized agent in writing, except as provided in rule (a) of section 12-574-B34, of these rules.

(3) Furnish the name, commission license number and address of the owner and the agent, or the lessee, or the registered stable name.

(4) Furnish the name, color, sex, age, sire and dam of the horse.

(5) Name the event or events in which the horse is to be entered.

(6) Entries in overnight events must also comply with the provisions of rule (a) of section 12-574-B34, of these rules.

(7) Furnish the name, commission license number and registered racing colors of the driver.

(8) Furnish the name and commission license number of the trainer.

(9) State if pacer is free legged or hopped.

(b) **Entries and sustaining payments in early closing events, late closing events, stakes and futurities.** All entries or payments not actually received at the hour of closing shall be ineligible, except entries and payments by letter bearing a postmark not later than the following day (omitting Sunday) or entries notified by telegraph. Where a telegram is used, it must actually be received at the office of sending at or before the hour of closing. Such telegrams must state the color, sex, and name of the horse, the class to be entered, name and residence of the owner and the party making the entry. Whenever an entry or payment becomes due on a Sunday or a legal holiday that falls on Saturday, such entry or payment is to be due on the following Monday and if made by mail, must be postmarked on or before the following Tuesday. If an entry or payment falls on a Monday that is a legal holiday, such entry or payment is due on Tuesday, and if made by mail, must be postmarked on or before the following Wednesday.

(c) **Void entries.** All entries and payments not governed by published conditions shall be void. Proposed deviation from such published conditions is prohibited. No nominator shall be allowed privileges not in accordance with published conditions of the race or which are in conflict with these rules.

(d) **Nominator's guarantee.** A nominator is required to guarantee the identity and eligibility of his entries and declarations and if given incorrectly, he shall be deemed guilty of a violation of these rules. A person obtaining a purse or money through fraud or error shall surrender or pay the same to the association conducting the meeting and such purse or money shall be awarded to the party justly entitled to the same. Where, however, any horse is ineligible as a result of an error of the race secretary, the association shall reimburse the owner for the resultant loss of winnings.

(e) **Transfer to eligible event.** A horse entered in an event to which it is ineligible may be transferred to any event to which it is eligible at the same gait.

(f) **Withholding of purse.** An association shall be warranted in withholding the premium or purse of any horse without a formal protest if it shall receive information that the entry or declaration of any horse was fraudulent or that the horse was ineligible. Such premium shall be withheld by the association pending a decision of the commission concerning such fraud or ineligibility.

(g) **Death.** All engagements shall be void upon the decease of either owner or horse, prior to the starting of the race, so far as they shall affect the deceased party or horse, except when assumed by the estate or where the proprietorship is in more than one person, and any survive.

(h) **Early closing events and late closing races.** (1) Place and date. The sponsor shall state the place and date the event will be raced and no change in date, program events or conditions can be made after the nominations have been taken.

(2) File conditions. An entry blank shall be filed with the commission and the United States trotting association.

(3) Payments on the fifteenth (15th) of the month. All nominations and payments other than starting fees in early closing events shall be advertised to fall on the fifteenth (15th) day of the month.

(4) List of nominations. A complete list of nominations to any early closing or late closing race event shall be published within twenty (20) days after the date of closing and mailed to each nominator, the commission and the United States trotting association.

(5) Failure to fill. If the event does not fill, each nominator, the commission and the United States trotting association shall be notified within ten (10) days and refund of nomination fees shall accompany the notice to the nominators.

(6) Transfer provisions. Change of gait. Unless an association submits its early closing conditions to the commission and to the United States trotting association at least thirty (30) days prior to the first publication and has such conditions approved by the commission, the following provisions will govern transfers in the event of a change of gait:

(A) If conditions published for early closing events allow transfer for change of gait, such transfer shall be to the slowest class for which the horse is eligible at the adopted gait.

(B) Eligibility is to be determined at time of closing of entries and the race to which transfer may be made must be the one nearest the date of the event originally entered.

(C) Two-year-olds, three-year-olds, or four-year-olds entered in classes for their age may only transfer to classes for the same age group at the adopted gait to the race nearest the date of the event originally entered. Entry fees shall be adjusted.

(i) **Withdrawals.** Where subsequent payments are required, a complete list of those withdrawn or declared out shall be made within fifteen (15) days after payment was due and the list filed with the commission and the United States trotting association and mailed to every nominator.

(j) **Trust funds.** All fees paid in added money events, early closing events, stakes and futurities shall be segregated and held as trust funds until the event is contested. Proof of such segregation by bank letter or bank statement shall be submitted to the commission, if requested.

(k) **Stabling.** Horses nominated and eligible to start in early or late closing events, stakes or futurities shall be provided stable space on the grounds of the association, the day before, the day of and the day after such race.

(l) **Limitations on conditions.** Conditions of early closing or late closing events that will eliminate horses nominated or add horses that have not been nominated by reason of the performance of such horses at an earlier meeting held the same season are invalid. Early closing events and late closing events shall not have more than two also eligible conditions.

(m) **Proportion of entry fees to purse.** When entry fees exceed eighty-five percent (85%) of the advertised purse value, such excess entry fees shall be added to the purse. Where the race is split into divisions, each division shall have a purse value of not less than seventy-five percent (75%) of the adjusted advertised purse. However, entry fees in excess of the amount prescribed above may be used toward the amount that must be added. In all cases the sponsor shall add at least fifteen percent (15%) of the entry fees to the advertised purse.

Sec. 12-574-B33. Entries and starters required, split races

(a) **Entries to be specified in overnight events.** An association must specify how many entries are required for overnight events and after the condition is fulfilled, the event must be contested except when declared off as provided for in section 12-574-B35 of these rules.

(b) **When race must be contested.** In early closing events or late closing events, if five (5) or more separate interests are declared in to start, the race must be contested except when declared off as provided in section 12-574-B35 of these rules. Stakes and futurities must be raced if one or more horses are declared in to start except when declared off as provided in section 12-574-B35 of these rules.

(c) **Entrance monies.** In an early closing event, if less horses are declared in than are required to start and all declarers are immediately so notified, the horse or horses declared in and ready to race shall be entitled to all of the entrance money and forfeits from each horse named.

(d) **Elimination heats or two divisions.** (1) In any race where the number of horses declared in to start exceeds twelve (12), the race may at the option of the association be raced in elimination heats or divisions. The association exercising such option, however, must do so before positions are drawn. In the event a stake or futurity is split into divisions, the added money for each division shall be at least twenty percent (20%) of all nomination, sustaining and starting fees paid into such stake or futurity.

(2) Where the race is an early closing or a late closing event, the race may be divided by lot and at least fifty percent (50%) added to the advertised purse and

raced in two divisions; each division racing for one-half of the total increased purse as above provided. If three or more divisions are necessary, the track shall add an amount sufficient to allow each division to race for at least seventy-five percent (75%) of the purse originally advertised.

(3) In an added money early closing event or stake, the race may be divided and raced in divisions and each division raced for an equal share of the total purse if the advertised conditions so provide; provided, however, extended meetings shall add an additional amount so that each division will race for seventy-five percent (75%) of the advertised added money. These provisions shall apply to any stake with a value of \$20,000 or less.

(e) **Elimination plans.** (1) Unless the conditions provide otherwise, whenever elimination heats are required or specified in the published conditions, such race shall be raced in the following manner unless conducted under another rule of this section. The field shall be divided by lot and the first division shall race a qualifying dash for thirty percent (30%) of the purse, the second division shall race a qualifying dash for thirty percent (30%) of the purse and the horses so qualified shall race in the main event for forty percent (40%) of the purse. The winner of the main event shall be the race winner.

(2) In the event there are more horses declared to start than can be accommodated by the two elimination dashes, there shall be added sufficient elimination dashes to satisfy the excess. The percentage of the purse raced for in each elimination dash shall be determined by dividing the number of elimination dashes into sixty (60). The main event shall race for forty percent (40%) of the purse. In the event there are three (3) or more qualifying dashes, not more than three (3) horses shall qualify for the final from each qualifying dash.

(3) If there are two (2) elimination heats, the first four (4) finishers in each division qualify for the final; if there are more than two (2) divisions, not more than three (3) horses from each division will qualify for the final.

(4) The judges shall draw the positions in which the horses are to start in the main event, i.e., they shall draw positions to determine which of the two dash winners shall have the pole and which one shall have the second position; which of the two horses that have been second shall start in third position and which in fourth, etc. All elimination dashes and the concluding heat must be programmed to be raced upon the same day or night unless special provisions for earlier elimination dashes are set forth in the conditions. In the event there are three separate heat or dash winners, and they alone come back in order to determine the race winner according to the conditions, they will take post positions according to the order of their finish in the previous heat or dash.

(f) **Overnight events.** No more than eight (8) horses shall be allowed to start in overnight events upon which there is pari-mutuel wagering except with the approval of the commission. No horse shall be entered in more than one event on the same program except where the conditions of the race provide that it shall be contested in two or more heats or dashes. Trailers may be permitted whenever nine (9) or more horses are allowed to start under this rule.

Sec. 12-574-B34. Declaration to start and drawing horses

(a) **Declaration.** (1) Unless otherwise specified in the conditions, approval of which must be granted by the commission, the declaration time for all races shall be 9:00 A.M., prevailing time. The association shall provide a locked box with an aperture through which declarations shall be deposited. At the time specified, the

presiding judge who shall be in charge thereof, shall unlock the box, assort the declarations found therein, and immediately draw the positions in the presence of such owners or their representatives as may appear.

(2) Prior to the opening of the declaration box, when futurities, stakes, early closing or late closing events are programmed, the presiding judge shall communicate with the race secretary to ascertain if any declarations by mail, telegraph or otherwise are in the office of the race secretary and not deposited in the box. If there are such declarations, the presiding judge shall see that they are declared and drawn in the proper event. However, in a race of a duration of more than one dash or heat, the judges may draw positions from the stands for succeeding dashes or heats.

(3) Declarations by mail or telegraph or telephone actually received and evidence of which is deposited in the box before the time specified to declare in, shall be drawn in the same manner as the others. Such drawing shall be final. When an association requires a horse to be declared at a stated time, failure to declare as required shall be considered a withdrawal from the event.

(4) After a declaration to start has been made, no horses shall be drawn except by permission of the judges.

(5) To avoid conflicts and misunderstandings, when the time of declaration of any race is stated in days or hours prior to the day of the race, it shall be construed to exclude Sunday.

(b) **Entry box and drawing of horses.** No owner or agent for a horse with a declaration in the entry box shall be denied the privilege of being present. Under the supervision of the presiding judge, all entries shall be listed, the eligibility verified, preference ascertained, starters selected and post positions drawn. If it is necessary to reopen any race, public announcement shall be made at least twice and the box reopened for entries to a definite time.

(c) **Error in declaration.** Where a horse properly declared, other than by telephone, is omitted from the race by error of the association, the horse may be added to the race but given the outside post position; provided, however, that the error is discovered prior to the publication of the official program and said program disclosed such position.

(d) **Qualifying races.** Declarations for overnight events shall be governed by the following:

(1) Within two weeks of being declared in, a horse that has not raced previously at the gait chosen must go a qualifying race under the supervision of the presiding judge or an associate judge. No horse shall be permitted to race who does not have at least one charted line by a licensed charter at the gait chosen. In order to provide complete and accurate chart information on time and beaten lengths, a standard photo finish camera shall be in use.

(2) A horse that does not show a charted line for the previous year must go a qualifying race as set forth in rule (d) (1) of this section.

(3) Any horse that fails to race or enter into a race within thirty (30) days must go a qualifying race as set forth in rule (d) (1) of this section. Horses entered and in to go in race or races which are cancelled due to no fault of their own, shall be considered to have raced in that race.

(4) When a horse has raced at a charted meeting during the current year and then goes to meetings where races are not charted, the information from the uncharted races may be summarized, including each start, and consolidated in favor of charted lines. The consolidated line shall carry date, place, time, driver, finish, track conditions and distance, if race is not at one mile.

(5) The judges may require any horse that has been on the steward's list to go a qualifying race. If a horse has raced in individual time not meeting the qualifying standards for that class of horse, he may be required to go a qualifying race.

(6) The judges may permit a horse to qualify by means of a timed workout consistent with the demonstrated form and ability of the horse.

(7) To enable a horse to qualify, qualifying races should be held at least one full week prior to the opening of any meeting and shall be scheduled at least twice a week. Qualifying races shall also be scheduled twice a week during the meeting.

(e) **Entries.** (1) When the starters in a race include two (2) or more horses owned or trained by the same person, or trained in the same stable or by the same management, they shall be coupled as an "entry" and a wager on one horse in the "entry" shall be a wager on all horses in the entry. Provided, however, that when a trainer enters two (2) or more horses in a stake, early closing, futurity, free-for-all or other special event under bona fide separate ownership, such horses may, at the request of the association and with the approval of the commission, be permitted to race as separate entries. The association must make its request to the commission through the presiding judge. If the race is split in two or more divisions, horses in an "entry" shall be seeded in separate divisions insofar as possible, but the divisions in which they compete and their post positions shall be drawn by lot. The above provisions also shall apply to elimination heats.

(2) No driver shall drive a horse in a race in which there shall start another horse which he in any way represents or handles or in which he has an interest unless the horses are coupled as an entry.

(f) **Also eligible.** Not more than two horses may be drawn as also eligible for a race and their positions shall be drawn along with the starters in the race. In the event one or more horses are excused by the judges, the also eligible horse or horses shall race and take the post position drawn by the horse it replaces, except in handicap races. In handicap races the also eligible horse shall take the place of the horse that it replaces in the event that the handicap is the same. In the event the handicap is different, the also eligible horse shall take the position on the outside of horses with similar handicaps. No horse may be added to a race as an also eligible unless the horse was drawn as such at the time declarations closed. No horse may be barred from a race to which it is otherwise eligible by reason of its preference due to the feet that it has been drawn as an also eligible. A horse moved into the race from the also eligible list cannot be drawn except by permission of the judges, but the owner or trainer of such a horse shall be notified that the horse is to race and it shall be posted at the race secretary's office. Horses on the also eligible list shall be considered the same as those drawn in to go. All horses on the also eligible list and not moved in to race by the designated scratch time shall be released.

(g) **Preference.** Preference shall be given in all overnight events according to a horse's last previous purse race during the current year. The preference date on a horse that has drawn to race and then scratched is the date of the race from which he was scratched.

(1) When a horse is racing for the first time in the current year, the date of the first declaration shall be considered its last race date and preference applied accordingly.

(2) Where the word "preferred" is used in a condition, it shall not supersede date preference.

(h) **Steward's list.** A horse may be placed on the "steward's list" if:

(1) It is dangerous.

(2) Unmanageable.

- (3) Sick.
- (4) Lamé.
- (5) Unable to qualify.
- (6) Otherwise unfit.

(i) **Horse on “steward’s list”.** The horse must be placed on the “steward’s list” by the presiding judge and declarations on such horse shall be refused.

(j) **Notification of owners and trainers concerning horse on “steward’s list”.** Owners and trainers shall be notified in writing of such action and the reason for such action.

(k) **Eligibility certificate posted by clerk of the course concerning horse on “steward’s list”.** The clerk of the course shall make a note on the eligibility certificate of such horse showing the date the horse was placed on the “steward’s list”, the reason therefor, and the date of removal if the horse has been removed. If a horse is placed on the “steward’s list” due to sickness or lameness, he shall only be removed from the list by the association veterinarian.

(l) **Driver information.** Declarations shall state who will drive the horse and the driver’s colors. Drivers may be changed until designated scratch time, but the presiding judge must be notified thereof. No driver shall be changed thereafter except by permission of the judges, and only then for good cause. When a nominator starts two or more horses, the judges shall approve or disapprove the second and third drivers.

Sec. 12-574-B35. Postponement

(a) **Reasons for postponement, rescheduling races.** In case of unfavorable weather, or other unavoidable cause, the association, with the approval of the commission or its appointed representative, may postpone the races. When a racing program is postponed, the races scheduled shall be rescheduled as follows:

(1) Early closing, late closing races, stakes and futurities shall be postponed to the next racing day.

(2) If there is no time remaining in the scheduled race meeting and it cannot be extended to permit the race to be programmed, the entrance money and forfeits shall be divided equally among the nominators who have horses on the grounds declared in and eligible to start.

(3) Unless conditions prescribe to the contrary, stakes and futurities shall not be transferred to another meeting without the unanimous consent of the association and of all those having horses eligible to the event.

(4) Overnight races may be postponed and carried over not more than two (2) racing days.

(b) **Rain checks.** In the event of cancellation of any program after the completion of fifty percent (50%) or more of the races scheduled to be run on such program, no rain checks or other similar forms of deferred admissions shall be issued or if issued on admittance, no rain checks will be validated. In the event of cancellation of any program before the completion of fifty percent (50%) or more of the races scheduled to be run on such program, rain checks or other similar forms of deferred free admissions shall be issued but no rain check or other form of deferred free admission shall be valid beyond the close of the meeting at which it is issued.

Sec. 12-574-B36. Starting

(a) **Starting gate.** (1) Starter’s control. The starter, under the direction, supervision and control of the presiding judge shall have control of the horses from the formation

of the parade until he gives the word “go”. The starter shall be in direct communication with the judges.

(2) Scoring. After the preliminary warming up scores or score, the starter shall notify the drivers to come to the starting gate. During or before the parade, the drivers must be informed as to the number of scores permitted.

(3) Horses brought to starting gate. The horses shall be brought to the starting gate as near one-quarter of a mile before the start as the track will permit.

(4) Speed of gate. Allowing sufficient time so that the speed of the gate can be increased gradually, the following minimum speeds will be maintained:

(A) For the first $\frac{1}{8}$ mile, not less than eleven (11) miles per hour.

(B) For the next $\frac{1}{16}$ of a mile, not less than eighteen (18) miles per hour.

(C) From that point to the starting point, the speed will be gradually increased to maximum speed.

(5) Starting point. The starting point will be a point marked on the inside rail at a distance of not less than 200 feet from the first turn. The starter shall give the word “go” at the starting point.

(6) Speed reached. When a speed has been reached in the course of a start, there shall be no decrease except in the case of a recall.

(7) Recall notice. In case of a recall, a light plainly visible to the driver shall be flashed and a recall sounded. The starting gate shall proceed, however, out of the path of the horses.

(8) No recall after “go”. There shall be no recall after the word “go” has been given. Any horse, regardless of his position or an accident shall be deemed a starter from the time he entered into the starter’s control unless dismissed by the starter.

(9) Breaking horse. The starter shall endeavor to get all horses away in position and on a gait, but no recall shall be had for a breaking horse except as provided in rule (a) (10) (E) of this section.

(10) Recall, reasons for. The starter may sound a recall only for the following reasons:

(A) A horse scores ahead of the gate.

(B) There is interference.

(C) A horse has broken equipment.

(D) A horse falls before the word “go” is given.

(E) When a horse fails to come to the gate before the gate reaches the pole $\frac{1}{16}$ of a mile before the start, the field may be turned.

The term “failure to come to the gate” shall be interpreted to mean that the horse stops, turns and goes in a direction opposite from that of the starting gate, or is hopelessly outdistanced, or on a break.

(11) Penalties. Penalties may be imposed against any driver by the starter, with the approval of the presiding judge, for:

(A) Delaying the start.

(B) Failing to obey the starter’s instructions.

(C) Rushing ahead of the inside or outside wing of the gate.

(D) Coming to the starting gate out of position.

(E) Crossing over before reaching the starting point.

(F) Interference with another driver during the start.

(G) Failing to come up into position.

(12) Riding in the gate. No persons shall be allowed to ride in the starting gate except the starter and his driver or operator, and a patrol judge, unless permission has been granted by the commission.

(13) **Loudspeaker.** Use of a mechanical loudspeaker for any purpose other than to give instructions to drivers is prohibited. The volume shall be no higher than necessary to carry the voice of the starter to the drivers.

(14) **Verification of speed.** The starter shall, at the end of each race day, submit to the presiding judge the tape from the automatic device used on the gate which discloses the speed of the gate during each race.

(b) **Number of scores.** Horses shall be permitted to take one or two scores before going to the post and upon completion of the scores, the horses shall be gathered by the starter and immediately moved into their positions behind the gate. Horses shall not be held in excess of two minutes after post time except when delayed by an emergency.

(c) **Vacancy in a tier.** In the event there are two tiers of horses, the withdrawing of a horse that has drawn or earned a position in the front tier shall not affect the position of the horses that have drawn or earned positions in the second tier. Whenever a horse is drawn from any tier, horses on the outside move in to fill up the vacancy.

(d) **When race starts.** The horse shall be deemed to have started when the word “go” is given by the starter and all the horses must go the course except in the event of an accident in which case the judges may deem it impossible to go the course.

(e) **Drivers mounted at finish.** Drivers must be mounted at the finish of the race or the horse shall be placed as not finishing.

(f) **Unmanageable horses.** If in the opinion of the judges or the starter a horse is unmanageable or liable to cause accidents or injury to any other horse or to any driver, such horse may be sent to the barn. When this action is taken, the starter shall notify the judges who shall in turn notify the public.

(g) **Placing bad acting horses on outside positions.** The starter may place a bad acting horse on the outside at his discretion but such action may be taken only when there is sufficient time for the starter to notify the judges. When so notified, the judges shall, prior to the sale of tickets on such horse, notify the public. If tickets have been sold, the bad acting horse must be scratched in accordance with the provisions of rule (f) of this section.

(h) **Starting gate arms, screens or shields.** The arms of all starting gates shall be provided with a screen or a shield in front of the position for each horse and such arms shall be perpendicular to the rail.

(i) **Starting gate and automatic timing device required.** Every association shall utilize a mobile starting gate of a type and quality approved by the commission. Every association shall furthermore maintain a stand-by mobile starting gate similarly approved. The starting gate shall be equipped with an automatic timing device, approved by the commission, recording and disclosing upon tapes the speed of the starting gate at all times.

(j) **Operation of starting gate.** The association may employ additional persons to assist the starter in the performance of his duties and such personnel shall be licensed and approved by the commission.

(k) **Positions in winning heat.** The horse winning a heat shall take the pole position in the succeeding heat, and all others shall take their positions in the order they were placed in the last heat. When two or more horses shall have made a dead heat, their positions shall be settled by lot.

(l) **Refunds of entry money.** No refunds of entry money can be made for any purposes once the entered horse is in the control of the starter.

Sec. 12-574-B37. Placing, conditions and purse

(a) **Placing and money distribution.** (1) Unless otherwise provided in the conditions, all purses shall be distributed on the dash basis with the money awarded according to a horse's position in each separate dash or heat of the race.

(A) Purse money distribution in overnight events shall be limited to five monies.

(2) Dashes. Unless otherwise specified in the conditions, the money distribution in dashes shall be 45 percent, 25 percent, 15 percent, 10 percent, and 5 percent. In early closing races, late closing races or added money events, if there are less than five (5) starters, the remaining premium shall go to the race winner unless the conditions call for a different distribution. In overnight events if there are less than five (5) starters the premium for the positions for which there are no starters may be retained by the track.

(A) If there be any premium or premiums for which horses have started but were unable to finish, due to an accident, all unoffending horses who did not finish will share equally in such premium or premiums.

(B) If there be any premium or premiums for which horses have started but were unable to finish and the situation is not covered by rule (a) (2) (A) of this section, such premium shall be paid to the winner.

(3) Every heat a race. The purse shall be distributed as in dash races with nothing set aside for the race winner.

(4) Placing system. If the placing system is specified in the conditions, the purse shall be distributed according to the standing of the horses in the summary. In order to share in the purse distribution, each horse must complete the race and compete in each heat to which he is eligible. A horse must win two heats to be declared the race winner and such horse shall stand first in the summary. In deciding the rank of the horses other than the race winner, a horse that has been placed first in one heat shall be ranked better than any other horse that has been placed second any number of heats; a horse that has been placed second in one heat shall be ranked better than any other horse that has been placed third in any number of heats, etc.; e.g., a horse finishing 3-6 would be ranked ahead of another horse finishing 4-4. A horse finishing in a dead heat would be ranked below another horse finishing in the same position and not in a dead heat. If there be any premium for which no horse has maintained a position, it shall go to the race winner, but the number of premiums awarded need not exceed the number of horses that started in the race. Unless otherwise specified in the conditions, the money shall be divided 50 percent, 25 percent, 15 percent, and 10 percent.

(5) Two in three. In a two in three race, a horse must win two heats to win the race, and there shall be 10 percent set aside for the race winner. The purse shall be divided and awarded according to the finish in each of the first two or three heats, as the case may be. If the race is unfinished at the end of the third heat, all but the heat winners or horses making a dead heat for first shall be ruled out. The fourth heat when required, shall be raced for the 10 percent set aside for the winner. If there be any third or fourth premiums, etc., for which no horse has maintained a specific place, the premium therefor shall go to the winner of that heat, but the number of premiums distributed need not exceed the number of horses starting in the race. In a two-year-old race, if there are two heat winners and they have made a dead heat in the third heat, the race shall be declared finished and the colt standing best in the summary shall be awarded the 10 percent if the two heat winners make a dead heat and stand the same in the summary, the 10 percent shall be divided equally between them.

(b) **Computation and payment of purses.** Any association which has an agreement with the horsemen to pay purses of an established percentage of the association's share of the revenue obtained from the money wagered, shall each week post a statement of the previous week's handle, the proposed allotment to horsemen and the amount of purses paid. Such posting shall be on the bulletin board in the entry room.

(c) **Delivering of winnings to owners.** Winnings from horses shall not be delivered to any owner until the owner has first been duly licensed by the commission for the current season.

(d) **Deductions.** All purses contested for shall be distributed according to the conditions of the race. No deduction, voluntary or involuntary, may be made from any purse or stake or futurity other than for payments to be made to owners, nominators or breeders of money winning horses and organization or promotion expense stipulated for stakes and futurities.

(e) **Special awards.** Except for awards to be made to drivers of horses breaking or equaling track or world records, or to leading drivers at a race meeting, no association shall advertise to pay or pay any awards other than to the owners, nominators or breeders of money winning horses.

Sec. 12-574-B38. Time and records

(a) **Electric timer, manual timer.** In every race or performance against time, the time of each heat or dash shall be taken by an approved electric timing device and placed in the record in minutes, seconds and fifths of seconds and on the decision of each heat the time thereof shall be publicly announced or posted. In addition to the approved electric timing device, one manual timer shall be employed. No unofficial timing shall be announced or admitted to the record. If at any time the automatic timing device should fail, the decision of the manual timer as to the time of such heat or dash shall be official. If the manual timer fails to act, no time shall be announced or recorded for that heat or dash.

(b) **Error in announcement of time.** In any case of alleged error in the record, announcement or publication of the time made by a horse, the time so questioned shall not be changed to favor said horse or owner, except upon the sworn statement of the judges and timers who officiated in the race, and then only with the approval of the commission.

(c) **Certificate as to track measurement.** In order that the performance thereon may be recognized and/or published as official, every association shall forthwith cause to be filed with the commission and the United States trotting association the certificate of a duly licensed civil engineer or land surveyor that he has measured the said track from wire to wire three feet out from the pole or inside hub rail thereof and certifying in linear feet the result of such measurement. Each track shall be measured and recertified in the event of any changes or relocation of the hub rail.

(d) **Leading horse timed.** The leading horse shall be timed and his time only shall be announced. No horse shall obtain a win race record by reason of the disqualification of another horse unless a horse is declared a winner by reason of the disqualification of a breaking horse on which he was lapped.

(e) **Time in dead heat.** In case of a dead heat, the time shall constitute a record for the horses making the dead heat and both shall be considered winners.

(f) **Time taken from starting point.** The time shall be taken from the first horse leaving the starting point from which the distance of the race is measured, until the winner reaches the wire.

(g) **Fraudulent misrepresentation of time.** Any person who shall be guilty of fraudulent misrepresentation of time or the alteration of the record thereof in any public race or performance against time shall be penalized and the time declared not a record.

(h) **Time performance.** A record can be made only in a public race or performance against time. In a performance against time, the United States trotting association rules and regulations shall apply.

Sec. 12-574-B39. Racing, farm, corporate or stable names

(a) **Registration.** A racing, farm corporate or stable name may be used by the owners or lessees of horses if currently registered with the United States trotting association and registered with the commission upon payment of any applicable fee. The names of all persons connected in the stable or operating thereunder shall be listed in such registry.

(b) **Limitations.** Not more than one stable may be registered under the same name. The commission may prohibit the use of any name which is misleading to the public or unbecoming to the sport.

(c) **Liabilities.** All persons listed in a registered stable shall be liable for entry fees and all penalties against horses raced under such stable name. If one of the persons listed under such stable name is suspended, all the horses in such stable shall be included in such suspension.

(d) **Leases.** The lessee of a horse shall file with the United States trotting association a copy of the leasing arrangement which shall contain the name of the horse, the name and address of the owner, the name and address of the lessee, the stable name, if any, of either party, and the terms of the lease. Any horse on lease must race in the name of the lessee.

Sec. 12-574-B40. Racing and track rules

(a) **Driving procedures.** Although a leading horse is entitled to any part of the track except after selecting his position in the home stretch, neither the driver of the first horse nor any other driver in the race shall:

(1) Change either to the right or left during any part of the race when another horse is so near him that in altering his position he compels the horse behind him to shorten his stride, or causes the driver of such other horse to pull him out of his stride.

(2) Jostle, strike, hook wheels, or interfere with another horse or driver.

(3) Cross sharply in front of a horse or cross over in front of a field of horses in a reckless manner, endangering other drivers.

(4) Swerve in and out or pull up quickly.

(5) Crowd a horse or driver by "putting a wheel under him".

(6) "Carry a horse out" or "sit down in front of him", take up abruptly in front of other horses so as to cause confusion or interference among the trailing horses, or do any other act which constitutes what is popularly known as helping.

(7) Let a horse pass inside needlessly.

(8) Commit any act which shall impede the progress of another horse or cause him to "break".

(9) Change course after selecting a position in the home stretch and swerve in or out, or bear in or out, in such manner as to interfere with another horse or cause him to change course or take back.

(10) Drive in a careless or reckless manner.

(11) Fail to set or maintain a pace comparable to the class in which they are racing. Failure to do so by going an excessively slow quarter or any other distance that changes the normal pattern, overall timing, or general outcome of the race will be considered a violation of this rule and the judges may impose a penalty which can be a fine, suspension, or both.

(12) Laying off a normal pace and leaving a hole when it is well within the horse's capacity to keep the hole closed.

(b) **Complaints by drivers, judges stand.** All complaints by drivers of any foul driving or other misconduct during the heat shall be made at the termination of the heat, unless the driver is prevented from doing so by accident or injury. At the conclusion of each heat or dash, every driver shall return to a point designated by the presiding judge to be dismissed by the judges. Any driver desiring to enter a claim of foul or another complaint of violation of the rules must indicate to a judge his desire to enter such a claim or complaint and forthwith upon dismounting shall proceed to the telephone or judges stand where and when such complaint shall be immediately considered. In cases of injury to either horse or driver or broken equipment, the driver may approach the nearest official on foot and indicate his desire to enter a claim of foul. Otherwise he must make the claim before dismounting. The judges shall not cause the official sign to be displayed until such complaint shall have been entered and considered. After being dismissed by the judge, all drivers must return to the paddock and remain there until the race is made official.

(c) **Violations involving entries, complaints, penalties.** If any of the above violations are committed by a person driving a horse coupled as an entry in the betting, the judges may set both horses back, if, in their opinion, the violation may have affected the finish of the race. Otherwise, penalties may be applied individually to the drivers of any entry.

(d) **Placing offending horse.** In case of interference, collision, or violation of any of the rules, the offending horse may be placed behind all the unoffending horses in that heat or dash, and in the event such collision or interference prevents any horse from finishing the heat or dash, the offending horse may be disqualified from receiving any winnings and the driver may be penalized.

(e) **Fraudulent or unsatisfactory driving.** (1) Every heat in a race must be contested by every horse in the race and every horse must be driven to the finish.

(2) If the judges find that a horse is being driven, or has been driven, with design to prevent his winning a heat or dash or is being raced in an inconsistent manner, in order to perpetuate or aid a fraud, it shall be considered a violation, and the driver and anyone in consort with him may immediately be placed on suspension and a report shall be made to the commission.

(3) In the event a drive is unsatisfactory due to lack of effort, or carelessness and the judges believe that there is no fraud, or gross carelessness or a deliberate inconsistent drive, they may impose a penalty or a suspension not to exceed 10 days and/or a fine. However, if after further review they do suspect a violation of rule (e) (2) of this section, they shall immediately report the matter to the commission.

(f) **Failure to finish.** If for any cause other than being interfered with, broken equipment or unavoidable accident, a horse fails to finish after starting a heat or dash, that horse shall be ruled out.

(g) **Whips.** Drivers will be allowed whips not to exceed 4 feet, 8 inches, plus a snapper not longer than 8 inches.

(h) **Use of goading devices, etc.** The possession or use of a goading device, chain or mechanical devices or appliances, other than the ordinary whip or crop

upon any horse in a race shall constitute a violation of this rule. The brutal use of a whip or crop, kicking a horse with a foot, striking a horse with a whip under the seat of the sulky or indiscriminate use of a whip or crop shall be considered a violation.

(i) **Hopples.** No horse shall wear hobbles in a race unless he starts in the hobbles in the first heat or dash and having so started he shall continue to wear them to the finish of the race. Any person found guilty of removing or altering a horse's hobbles during a race, or between races, for the purpose of fraud, shall be penalized. Any horse that habitually wears hobbles shall not be permitted to start in a race without them except by the permission of the judges. Any horse habitually racing free legged shall not be permitted to wear hobbles in a race except with the permission of the judges. Removing, altering or adding hobbles without permission of the judges shall be considered a violation.

(j) **Head poles.** No horse shall be permitted to wear a head pole protruding more than ten (10) inches beyond his nose.

(k) **Breaking.** (1) When any horse or horses break from their gait in trotting or pacing, their drivers shall at once, where clearance exists, take such horse to the outside and pull it to its gait.

(2) The following shall be considered violations of rule (k) of this section:

(A) Failure to properly attempt to pull the horse to its gait.

(B) Failure to take to the outside where clearance exists.

(C) Failure to lose ground by the break.

(3) If there has been no failure on the part of the driver in complying with rule (k) (2) (A), (B), and (C) of this section, the horse shall not be set back unless a contending horse on his gait is lapped on the hindquarter of the breaking horse at the finish.

(4) The judges may set any horse back one or more places if in their judgment any of the above violations have been committed, and the driver may be penalized.

(l) **Fraudulent breaking.** If a driver causes or allows his horse to break for the purpose of fraudulently losing a heat or clash, he shall be penalized.

(m) **Calling and noting breaks.** To assist in determining the matters contained in rules (k) and (l) of this section, it shall be the duty of one of the judges to call out every break made and the clerk of the course shall at once note the break and character of it in writing.

(n) **Time between heats and dashes.** The time between heats or dashes for any distance up to and including a mile shall be not less than twenty-five minutes; for any distance between one and two miles, thirty minutes.

(o) **Right of the track.** Horses called for a race shall have the exclusive right of the track and all other horses shall vacate the track at once, unless permitted to remain by the judges.

(p) **Accidents.** In the case of accidents, only so much time shall be allowed before continuing as the judges may deem necessary and proper.

(q) **Denerved horses.** Horses that have been nerved, blocked with alcohol or any other drug that desensitizes the nerves will not be permitted to race.

(r) **Spayed mare.** The fact that a mare has been spayed must be noted on the registration certificate, the eligibility certificate and any program when such mare races. It shall be the owner's responsibility to report the fact that the mare has been spayed to the United States trotting association and return its paper for correction. A list of spayed mares shall be posted by the racing secretary on the bulletin board in the entry room.

Sec. 12-574-B41. Decorum

(a) **Conduct.** All licensees of the commission are required to conduct themselves in a forthright, gentlemanly manner at all times while on or near the premises of a licensed harness racetrack during the operation of a licensed harness race meeting.

(b) **Profanity.** No licensee of the commission shall use improper language or otherwise abuse any official, appointee, representative or employee of the commission, or any person acting under the orders or rules of the commission.

(c) **Assault.** If any owner, driver, trainer or attendant of a horse, or any other licensee connected with the operation of a licensed harness race meeting at any time during said meeting, either on or off the grounds of a licensed racetrack shall commit an assault or battery, or attempt an assault or battery or threaten to do bodily harm to any person or persons connected in any way with such race meeting, he shall be subjected to the penalties prescribed by these rules.

(d) **Bonus.** No owner, trainer or driver or their agent shall demand of a licensed harness racetrack a bonus of money or other special award or consideration as a condition for starting a horse already entered to race.

(e) **Wagers by horsemen.** No owner, trainer, driver, agent, employee or attendant of a horse shall bet or cause any other person to bet on his behalf on any other horse in a race in which there shall start a horse owned, trained or driven by him, or which he in anyway represents or handles or in which he has an interest. No such person shall participate in exacta, quinella, trifecta or superfecta wagering on a race in which such horse starts.

(f) **Divided interest.** No driver shall drive a horse in a race in which there shall start another horse which he in any way represents or handles or in which he has an interest unless coupled as an entry.

(g) **Misconduct and association with undesirables.**

(1) The commission may impose the penalties as prescribed by these rules if it finds that any licensee or other person subject to the jurisdiction of the commission:

(A) Is associating, consorting or negotiating with bookmakers, touts or other persons of similar pursuits, or;

(B) Is associating, consorting or negotiating with persons who have been convicted of a crime, or;

(C) Is guilty of any fraud or has attempted any fraud or misrepresentation in connection with racing, breeding or otherwise, or;

(D) Has violated any law, rule or regulation with respect to racing in any jurisdiction, or;

(E) Has violated any rule, regulation or order of the commission;

(F) The experience, character or general fitness of any person is such that his or their participation in harness racing or related activities would be inconsistent with the public interest, convenience or necessity or with the best interests of racing generally.

(2) Where any licensee or person subject to the jurisdiction of the commission shall be approached with an offer or promise of a bribe or with a request or a suggestion for a bribe or for any improper, corrupt or fraudulent act or practice in relation to a race or racing or with a suggestion that any race be conducted otherwise than in accordance with the rules and regulations of this commission, it shall be the duty of such licensees or person to report such suggestion, offer, promise or bribe immediately to the commission. Failure to so report shall subject such person or persons to the penalties prescribed by law and/or these rules.

(3) Duty to give evidence. It shall be the duty of each licensee to report promptly when requested or ordered to do so by an official of the commission in furtherance

of an investigation or hearing and to testify under oath concerning any facts within his knowledge and produce any books, records, written matter or other evidence within his possession or control relevant to such matter, pursuant to the commission rules concerning "Rules of Practice and Hearing Procedure".

(4) False testimony. Where an oath is administered by a judge, representative of the commission, or any other person legally authorized to administer oaths and the party knowingly swears false or withholds information pertinent to an investigation conducted under these rules, he shall be penalized.

(h) **Undesirable persons.** Any person whether a licensee or patron whose conduct is deemed detrimental to the best interest of racing or who is deemed an undesirable person may be expelled from the track. In this regard the track, on its own initiative, or upon request of the commission or its representatives, shall take immediate steps by whatever means are reasonably required to expel such person. Acts deemed undesirable shall consist of, but not limited by, the following:

- (1) Bookmaking or other illegal wagering or gambling;
- (2) Touting;
- (3) Creating or continuing a public disturbance;
- (4) Disorderly conduct;
- (5) Associating with undesirables;
- (6) Transmitting information to points outside the track;

(7) Failure to appear when directed to do so by any official of the commission in furtherance of an investigation of hearing and to testify under oath concerning any facts within his knowledge and produce any books, records, written matter or other evidence within his possession or control relevant to such matter.

(8) In addition a person who has been convicted of a crime involving moral turpitude, or who has been convicted of bookmaking or other form of illegal gambling; or who has been adjudged by any court, state commission, or other governing body guilty of any fraud in connection with racing, or any athletic contest shall be deemed an undesirable person and shall be subject to expulsion as provided in this section.

(i) **Prohibited acts.** (1) No licensee or any other person shall commit any act or conspire to commit any act which, though not specified in this section, constitutes conduct detrimental to the best interests of racing or is in its nature fraudulent or corrupt or injurious to the public interest. Any such act or attempt or conspiracy shall constitute a violation of the section and shall subject the licensee or such other persons to the penalties prescribed by these rules.

(2) No owner, trainer, driver or groom of a horse shall threaten or join with others in threatening not to race, or not to enter or declare in because of the entry of a certain horse or horses or a particular stable or the presence of such horses or stable on the grounds of a licensed track.

(j) **Conspiracy.** No persons shall conspire, combine and confederate together in any manner, regardless of where the said persons may be located, for the purpose of violating any of these rules nor shall they commit any act in furtherance of the said purpose and plan.

(k) **Financial responsibility.** (1) No licensee shall accumulate unpaid obligations or default in obligations, or issue drafts or checks that are dishonored or payment refused, or otherwise display financial irresponsibility reflecting on the track or the sport.

(2) Prior to leaving the grounds of the association each owner, trainer or such other person responsible for a horse shall give to the officer in charge of security

duly executed releases from such vendors whom he has transacted business with during the race meeting.

Sec. 12-574-B42. Fines, suspensions, expulsions and appeals

(a) **Suspension pending payment of fine.** All persons who shall have been fined under these rules shall be suspended until said fine shall have been paid in full, or other arrangements have been made with the commission.

(b) **Notice of penalty.** Written or printed notice of all fines and other penalties imposed by the judges or starter shall be delivered to the person penalized, notice shall be posted immediately at the office of the association, and notice shall be forwarded immediately to the commission and the United States trotting association by the presiding judge or clerk of the course.

(c) **Disposition of fine.** All fines which are collected shall be reported and paid to the state of Connecticut by the close of the next banking day.

(d) **Suspension for less than ten days, completing engagement.** Where the penalty is for a driving violation and does not exceed in time a period of ten racing days, the driver may complete the engagement of all horses declared in before the penalty becomes effective. Such driver may drive in stakes, futurities, early closing, and feature races, during a suspension of ten days or less, but the suspension will be extended one day for each date he drives in such a race. All suspensions shall apply to racing days.

(e) **Meaning of suspension or revocation.** Whenever the penalty of suspension or revocation is imposed, it shall mean unconditional exclusion and disqualification from time of receipt of written notice from any participation, either directly or indirectly, in the privileges and uses of the course and grounds of an association during the progress of a race meeting unless otherwise specifically limited when such penalty is imposed. A suspension, revocation or denial of a license or expulsion of either a husband or wife may apply in each instance to both the husband and wife. The penalty becomes effective when notice is given unless otherwise specified.

(f) **Competition by horse owned or controlled by a person under penalty.** No horse shall have the right to compete while owned or controlled wholly or in part by a suspended, expelled, disqualified or excluded person. An entry made by or for a person or of a horse suspended, expelled or disqualified, shall be held liable for the entrance fee thus contracted without the right to compete unless the penalty is removed. No suspended, disqualified or excluded person shall drive, nor shall a suspended or disqualified horse perform in a race.

(g) **Association permitting suspended person or disqualified horse to compete.** No association shall permit a suspended, disqualified or excluded person to drive in a race, or a suspended, or disqualified horse to start in a race or a performance against time.

(h) **Fraudulent transfer of horse.** The fraudulent transfer of a horse by any person or persons under suspension in order to circumvent said suspension, shall constitute a violation.

(i) **Notice of exclusion.** Whenever a person is excluded from a track by an association, the commission shall be notified. The commission, in turn, shall notify all other associations in the state and shall notify the United States trotting association.

(j) **Employment or retention of excluded person.** No expelled, suspended, disqualified or excluded person shall act as an officer of an association. An association shall not, after receiving notice of such penalty, employ or retain in its employ an expelled, suspended, disqualified or excluded person at or on the track during the progress of a race meeting.

(k) **Stay of enforcement.** In certain circumstances, described below, the commission may grant a stay to any person licensed by it, pending appeal, who is affected by any decision of, or penalty, imposed by an official or officials at a race meeting.

(1) The appeal will be filed on form called a “notice of appeal and request for a stay” provided by the commission or upon presentation of a similar request in writing. The stay, if granted, will be at such a time or for such a duration designated by the commission. The commission may require the posting of security, which may be withheld in whole or in part if the appeal was frivolous or without foundation.

(2) The appeal must be filed within ten (10) days after the decision or penalty from which the appeal is taken. It shall be filed at the office of the presiding judge. The presiding judge shall present a copy of the “notice of appeal and request for a stay” to the commission on the day received. The commission shall convene a committee of three (3) commissioners to act on the request for a stay as soon as practical after receipt of the request. In no event shall the commission act later than seven (7) days from the receipt of the stay.

(3) The reasons stated in the appeal must be specific.

(l) **Penalties by other jurisdictions.** (1) All penalties imposed by the United States trotting association or the racing commissions of the various states shall be recognized and enforced by the commission.

(2) When the commission receives notice of a penalty imposed by another racing commission or by the United States trotting association and an appeal has been taken from the imposition of such penalty and a stay has been granted, no recognition or enforcement shall be effective until a final decision has been rendered.

(m) **Dishonored checks.** Any person who pays an entry, a fine or other claim to the commission or any entry, claim or fine to an association or racing official by a draft, check, order or other paper which upon presentation is pretested, payment refused or otherwise dishonored, may by order of the commission, be subject to a fine not exceeding the amount of said draft, check or order, and the winnings of the horse or horses declared illegal and said persons and horses suspended until the dishonored amount and fine are paid and the illegal winnings returned.

(n) **Appeal to commission from rulings of officials.** (1) All decisions and rulings of the judges or other race officials of any race may be appealed to the commission within ten (10) days after notice of such decision or ruling. The appeal may be taken upon any question in the conduct of a race, interpretation of the rules, decisions relative to the outcome of a race, application of penalties or other action affecting owners, drivers or horses, but it must be based on a specific charge which, if true, would warrant modification or reversal of the decision.

(2) In order to take an appeal under rule (n) of this section, a driver must first make complaint, claim or objection as required in rule (b) of section 12-574-B40 of these rules.

(3) All appeals shall be in writing and sworn to before a notary public or the commission.

(o) **Modification of penalty.** The commission may vacate, modify or increase any penalty imposed by the judges. In the event an appellant fails to appear at the hearing on his appeal without good cause, he may be penalized.

Sec. 12-574-B43. Protests

(a) **Protests.** Protests may be made only by an owner, manager, trainer or driver of one of the contending horses at any time before the winnings are paid. Protests shall be reduced to writing and sworn to, before a judge of the meeting or a notary

public and shall contain at least one specific charge which, if true, could prevent the horse from winning or competing in the race.

(b) **Testimony under oath.** The judges shall, in every case of protest, demand that the driver and the owner or owners, if present, immediately testify under oath and in case of their refusal to do so, the horse shall not be allowed to start or continue in the race, but shall be ruled out, with a forfeit of entrance money.

(c) **Continuing race under protest.** Unless the judges find satisfactory evidence to warrant excluding the horse, they shall allow him to start or continue in the race under protest, and the premium, if any is won by that horse, shall be held by the association until the commission shall have determined the merits of the protest.

(d) **False protests, failure to protest.** Any person found guilty of protesting falsely and without cause or merely with intent to embarrass a race or who does not file a protest notwithstanding that he has knowledge which would warrant the filing thereof, shall be penalized hereunder.

(e) **Distribution of pools.** Nothing herein contained shall affect the distribution of the pari-mutuel pools when such distribution is made upon the official placing at the conclusion of the heat or dash.

(f) **Purse held in trust where appeal or protest filed.** In case of an appeal or protest, the purse money affected shall be deposited with the association in a trust fund pending the decision of the appeal.

(g) **Refusal to accept protest or act as witness.** No judge may refuse to accept a protest or appeal or act as a witness for a person seeking to swear to a protest or appeal.

Sec. 12-574-B44. Security

(a) **Director of security.** Every association shall employ a full time director of security who shall be licensed and who shall pay the fee, if any, required by the act. The duties of the director of securities are as follows:

(1) Supervise the entrance to and exit from every gate within the grounds of the association at all times during the scheduled meet of said association.

(2) Supervise all security personnel in the constant search for undesirables and expulsion of same from the grounds during a meet.

(3) Investigate and report to both the commission and the association any action on the part of any party or parties which is, in his opinion, endangering the honest operation of any phase of the meet.

(4) Enforce all commission and association rules whether violator is patron or employee and assist in the apprehension of guilty party or parties and expulsion of same if requested by either the association or the commission or its duly appointed representatives.

(b) **Daily police report.** The track security police and any other law enforcement agency acting in, on or about the licensed premises of any racetrack, shall furnish two copies of their daily police report, together with any additional pertinent information available to the said police agency, obtained either orally or in writing. The two copies shall be mailed to the commission at the close of each racing day.

(c) **Responsibility of association.** (1) Each racing association shall police its grounds at all times in such a manner as to preclude the admission of any person in and around the stables and paddock, excepting those being duly licensed by the commission, or authorized by the association. If the commission finds that the stables of an association are not being properly policed and unauthorized persons are found in and around the stables, the association may be fined an amount not

exceeding \$200.00 in the discretion of the commission for each day in which the infraction was found to occur.

(2) Each association shall furnish complete police and watchmen service night and day in and about all stable enclosures and furnish to the commission upon request a complete list showing name, duty, place stationed and portions of enclosures supervised by such policemen and watchmen.

(d) **Written report of arrests and misdemeanors.** It shall be the duty of each association, through its director of security, to notify the commission of all ejections, disorderly conduct, and arrests, giving names, addresses and offenses.

(e) **Nightly log, recording disturbances.** A nightly log shall be maintained by the officer in charge of the night force stating in detail any disturbances, drunkenness, or disorderly conduct in and about the backstretch and stable area, giving in detail the names, badge numbers, and license numbers of any persons committing any offenses whatsoever.

(f) **Stable security.** (1) All incidents relating to improper activities or suspicious occurrences in stables must be immediately reported by owners, trainers, or other stable employees to the director of security as well as to a duly authorized representative of the commission.

(2) A copy of the full security rule, as outlined herein, must be posted inside every stable and furnished to every owner or trainer.

(3) No one shall be permitted to enter in or about the stables or stable enclosures who does not have in his possession a license issued by the commission as owner, trainer, stable employee, farrier or veterinarian, or proper credentials issued by the association or commission. A full record of these credentials shall be compiled and open to inspection at all times.

(4) Feed deliveries will be made directly to stable personnel and will be properly secured upon delivery. Feed purveyor personnel must secure a signed delivery receipt from a licensed stable employee at the time of each delivery.

(5) All stable areas shall be fenced.

(g) **Minors prohibited from wagering.** No person under the age of eighteen (18) shall be permitted to wager or in any manner participate in any pari-mutuel pool or system.

(h) **Trespassers to be ejected.** Any person going upon the racing strip or any part thereof or into the winner's enclosure without the permission of the judges, shall be ejected promptly from the premises of the association.

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Operation of Greyhound Racing

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See § 12-574.

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Licensing and Disclosure

Sec. 12-574-E1. General provisions

(a) **Applicability.** The rules and regulations contained herein shall apply to all persons or business organizations required to be licensed pursuant to Chapter 226 of the Connecticut General Statutes, with the exception of lottery sales agents, and to all persons or business organizations required to disclose pursuant to Chapter 226b of those statutes. The relevant provisions pertaining to the licensing of lottery sales agents, are found within the division's Administrative Regulations: Operation of a State Lottery. The division does not discriminate on the basis of disability in the licensing, employment, administration of, or access to its programs, services, or activities.

(b) **Licensing exemptions.** The appropriate licensing authority may, on its own motion or upon application, exempt any person or business organization from the licensing requirements of Chapter 226 or any of the disclosure requirements of Chapter 226b. The appropriate licensing authority, in making its determination, shall consider whether the applicant seeking the exemption will exercise control in or over an activity which is ancillary to and not an integral part of any activity authorized under this chapter. The burden of proving that an exemption should be granted rests solely with the applicant. The licensing authority making the determination may limit or condition the terms of an exemption and such determination shall be final. (Effective January 26, 1995)

Sec. 12-574-E2. Definitions

The following definitions, constructions and interpretations of these rules and regulations, including all amendments thereto, shall apply to Sections 12-574-E1 through E7 inclusive; 12-584-1; 12-585-1; and 12-578-1:

(1) **Act.** Chapters 226 and 226b of the Connecticut General Statutes and all amendments thereto.

(2) **Affiliate.** A business organization, other than a shareholder in a publicly traded corporation, which may exercise control in or over an association, totalisator, concessionaire, or vendor licensee.

(3) **Agent.** Anyone to whom control or management terms, as defined herein, apply or any person or entity actually or ostensibly authorized to represent or act on behalf of any principal.

(4) **Applicant.** Any individual or business organization seeking to obtain a license from either the board or the division.

(5) **Association.** Any individual or business organization licensed to conduct a racing or jai alai meeting pursuant to Section 12-574 (a) of the Connecticut General Statutes or licensed to operate the off-track betting system pursuant to Section 12-572 of the Connecticut General Statutes.

(6) **Board.** The gaming policy board of the state of Connecticut as established by Section 12-557d of the Connecticut General Statutes.

(7) **Business organization.** A partnership, incorporated or unincorporated association, firm, corporation, trust or other form of business or legal entity, other than a financial institution regulated by a state or federal agency which is not exercising control over an association licensee.

(8) **Concessionaire.** Any individual or business organization granted the right to operate an activity at a parimutuel or off-track betting facility for the purpose of making a profit, and which person or business organization receives or, in the exercise of reasonable business judgment, can be expected to receive more than

\$25,000 or 25 percent of its gross annual receipts from such activity at the facility. By way of example and not limitation, parking contractors, restaurant or catering contractors, closed-circuit television contractors, handicappers, security services, contractual kennel owners and cleaning and maintenance contractors may be concessionaires. Notwithstanding the provisions of Section 12-574-E1 (b) of these regulations, those persons or business organizations requesting an exemption from the licensing requirements as concessionaires must submit satisfactory evidence to the division that they are within the dollar or percentage limit defined above.

(9) **Control.** The power to exercise authority over or direct the management and policies of a person or business organization.

(10) **Division.** The division of special revenue of the state of Connecticut and its duly authorized representatives.

(11) **Facility.** The total real estate, land and buildings of an association utilized for racing, OTB, or jai alai performances.

(12) **Key executive and other control person.** Any individual or business organization to which the terms “control,” “management,” “related,” or “principal owner” apply.

(13) **Licensee.** Any individual or business organization licensed by either the board or the division to participate in any activity permitted under the act except as specifically excluded in Section 12-574-E1 (a).

(14) **Major contractual services.** Goods or services supplied to a licensee by a contractor who receives or, in the exercise of reasonable business judgment, can be expected to receive more than \$25,000 or 25 percent of its gross annual sales from the licensee. Where such a contractor actually supplies such goods and services at a facility (as contrasted with simply delivering such goods to the facility or providing such services off the facility) said contractor will be a concessionaire.

(15) **Management.** Any persons or entities having responsibility to manage, direct, or administer the affairs of a person or business organization. Management includes but is not limited to members of the board of directors of a corporation, officers in charge of principal business functions, or principal owners.

(16) **Principal owner or principal stockholder.** An owner or beneficial owner of more than 10 percent of a licensee’s debt or equity or 10 percent of the voting interest of the licensee or an owner or beneficial owner who receives more than 10 percent of income earned or distributed from a licensee. Excluded from this classification are financial institutions, insurance companies, or pension funds who are holders of the licensee’s (or applicant’s) debt, but who do not exercise control over such licensee (or applicant). The division will not require holders of a licensee’s debt which are financial institutions, insurance companies, or pension funds which are not exercising control over a licensee to be licensed.

(17) **Privately-held corporations.** Corporations that are other than publicly-traded corporations.

(18) **Publicly-traded corporations.** Corporations whose debt or equity securities are traded in a public market in a foreign or domestic stock exchange or in the over-the-counter market, and are required to file financial statements with the Securities and Exchange Commission.

(19) **Related.** Any person or business organization that has the ability to significantly influence the management or operating policies of a licensee (or applicant) to the extent that such licensee (or applicant) may be prevented from pursuing its own separate interests. These include, but are not limited to, affiliates, principal

owners and close kin, management and close kin, parents and subsidiaries, and debt or equity method investors and investments.

(20) **Totalisator.** The system or equipment or services whereby tickets are printed as purchased and the purchase automatically recorded at a central place within the facility, the approximate odds at any particular time are quickly determined and flashed on an electronic display board for the public view, and the payoffs are correctly determined and flashed when the game or race is over.

(21) **Vendor.** A person or business organization awarded the primary contract by the state to provide facilities, goods, components, and services necessary to carry out the provisions of Sections 12-568 and 12-572 of the General Statutes.

(Effective January 2 1995)

Sec. 12-574-E3. Association licenses

(a) Generally.

Pursuant to Sections 12-574 (a) and 12-572 of the Connecticut General Statutes, no person or business organization may conduct a meeting at which racing or the exhibition of jai alai is permitted for any stake, purse or reward or operate the off-track betting system unless such person or business organization is licensed as an association licensee by the board.

(2) Applications for a license shall be made on forms supplied by the division and shall be filed with the executive director of the division.

(3) Each applicant shall file such information as may from time to time be required by the board and the division and as is hereinafter enumerated.

(4) In determining the licensability of an applicant or the continuing suitability of a licensee, the board will consider the following matters:

(A) Opportunity for the sport to develop properly within the marketing parameters established by the board.

(B) Extent of community support for the promotion and profitable continuance of the facility.

(C) The character and reputation of the persons identified with the undertaking.

(D) Financial ability of, and the resources available for the applicant to promote and operate a facility.

(E) The type, quality, and architecture of the facility proposed.

(F) The impact of competition with other legalized gambling activities in Connecticut.

(G) The impact of the proposed facility on the policies, public interest, and people of the state.

(H) The personal or business affiliations of applicant or the persons identified with applicant.

(b) **Individual or sole proprietor.** An applicant who is an individual person may be required to file as part of his application a class II occupational license application.

(c) Corporations.

(1) The majority of the membership of the board of directors of a corporate association licensee shall be residents of the state of Connecticut.

(2) A corporate applicant shall file as part of its application:

(A) A statement giving its name, trade name (if any), address and physical location, nature of business, date and location of incorporation, the name and address of an agent registered and authorized to receive service of process in any proceedings against applicant, and listing the other jurisdictions in which applicant does business and the nature of business conducted in such jurisdictions.

(B) Certified copies of the certificate of incorporation, bylaws, certificate of authorization (if a foreign corporation), any other instruments under which applicant is organized and doing business.

(C) The name, legal residence, mailing address, social security number, date and place of birth, a ten-year employment history, and the office held by each officer of the applicant, of each member of the board of directors of the applicant, and of stockholders holding five percent or more of the applicant's stock.

(D) A statement showing the classes and numbers of shares of stock authorized, issued, and outstanding; designating the market value and vote per share; and giving a current list of the names, addresses, and numbers of shares held for all holders of outstanding shares.

(E) Where the beneficial owner of any stock is other than the owner or subscriber of record an explanation of such beneficial ownership including the name of the owner or subscriber, the name of the beneficial owner and the conditions under which the owner or subscriber holds and votes or has subscribed for such stock.

(F) A statement explaining in full detail all stock equivalents which are authorized, issued, and exercisable to include a list of participant names, addresses, and amount of holdings.

(G) Copies of filings by the applicant with the Securities and Exchange Commission and any state agency regulating transactions of securities or business offerings as required and applicable for the preceding twelve month period.

(H) An explanation of any suspensions from trading or other action taken against any of applicant's securities or business offerings.

(3) Where a shareholder of five percent or more of the applicant's stock is a privately-held corporation, all of the information required of a corporate applicant under this subsection (c) must be supplied for the shareholder. Where a shareholder is a business organization other than a corporation, all of the information required of a business organization applicant under subsection (d) below must be supplied for that shareholder. Notwithstanding the provisions above of this subdivision (3), however, application for an association affiliate license shall fulfill the requirements of this subdivision (3) for shareholders which qualify as affiliates.

(d) **Applicant other than an individual or corporation.**

(1) An applicant which is neither an individual person nor a corporation must file as part of its application:

(A) A statement giving its name, trade name (if any), address and physical location, nature of business, date and location of organization, the name and address of an agent registered and authorized to receive services of process in any proceedings against applicant, and listing the other jurisdiction in which applicant does business and the nature of business conducted in such jurisdictions.

(B) Certified copies of all instruments under which applicant is organized and doing business and of the certificate of authorization, if applicable for a foreign business organization.

(C) The name, legal residence, mailing address, social security number, date and place of birth, a ten-year employment history, the office held within the business organization, the percentage of ownership held, and a listing of three personal references for each business organization participant who owns five percent or more of applicant's equity.

(D) Copies of filings by the applicant with the Securities and Exchange Commission and any state agency regulating transactions of securities or business offerings as required and applicable for the preceding twelve month period.

(E) An explanation of any suspensions from trading or other action taken against any of applicant's securities or business offerings.

(2) Where a participant in the applicant which owns five percent or more of applicant's equity is a corporation other than a publicly traded corporation, all of the information required of a corporate applicant under subsection (c) above must be supplied for that participant. Where a participant is a business organization other than a corporation, all of the information required of a business organization applicant under this subsection (d) must be supplied for that participant. Application for an association affiliate license shall fulfill the requirements of this subdivision (2) for participants which qualify as affiliates.

(e) **Requirements of all applicants.** In addition to the information requested under subsections (b), (c) and (d) of this section applicants must also supply the following in their applications:

(1) Tax information. Applicant's Federal Identification Number, applicant's Connecticut Tax Registration Number, or a copy of applicant's application for a Connecticut Tax Registration Number, complete copies of applicant's most recent federal and state income tax returns and any amendments thereto and a statement explaining any outstanding tax delinquencies or unresolved disputes involving the applicant.

(2) Financial statements. A copy of the applicant's certified financial statements for the preceding fiscal year including copies of the management representation and lawyer's contingency letters provided to applicant's certified public accountant for the most recently completed financial audit. If certified financial statements are unavailable, a copy of the preceding fiscal year's financial statements attested to under oath.

(3) Venture cost and cost allocation. A statement giving the acquisition or construction cost of the legalized gambling venture including a detailed allocation of the cost to include such items as buildings, land, equipment, contracts, inventory, intangible items, etc. Copies of all appraisal documents, maps, plans, blueprints, deeds, detailed inventory listing, titles, guarantees, affidavits, leases, agreements, etc. which form the basis for the cost must be included with this statement.

(4) Sources and amounts of funding.

(A) A statement detailing the sources and amounts of funding of such cost including:

- (i) Sales or offers to sell stocks, bonds, or other securities.
- (ii) Investment by owners.
- (iii) Loans, notes, mortgages, installment sales.
- (iv) Sale and lease-back.
- (v) Other.

(B) Written copies of all financing documents indicating the names and addresses of the parties involved, the terms of financing/funding/capitalization, and the conditions of applicable payment or repayment.

(5) Acquisition documents.

(A) An index to and copies of all proposed acquisition documents and a certification by counsel that the division has been provided with a copy of all such documents.

(B) Within seven (7) days after acquisition is complete, an index to and copies of all fully executed acquisition documents and a certification by counsel that the division has been provided with a copy of all such executed documents.

(6) Budgets and pro forma financial statements.

(A) Detailed budgets and pro forma financial statements for the first five years of operation compared, in the case of an acquisition of a pre-existing facility, to the last completed fiscal year of operation of the facility.

(B) Footnotes to the pro forma statements which will indicate, if applicable, changes in expenses, prices, projected growth, and the projected number of operating performances to be requested.

(C) (i) A five-year cash flow forecast by fiscal year to include available cash projections, detailed sources of such cash and applications of cash including capital acquisitions, interest and debt payments, dividends, draws, and distributions.

(ii) Such a detailed cash flow forecast by the month for the first complete fiscal year.

(D) A five-year projection of detailed dark period costs by fiscal year, including the method or source of funds to cover such costs and indicating the duration of the anticipated dark period.

(E) A statement detailing any contingent liabilities, such as pending litigation, unresolved collective bargaining issues, regulatory rulings and decisions under consideration, etc., which may have a material effect on such operations.

(7) Major contractual services.

(A) The names and addresses of every person or business organization which provides (or will provide) major contractual services, as defined in these regulations, indicating the nature of such services rendered or to be rendered and equipment or property provided or to be provided.

(B) Relative to such contractual services disclosed in subparagraph (A) immediately above, copies of all pertinent written agreements or statements explaining the substance of oral agreements or understandings including the names and addresses of the parties with whom made and also stating whether such parties are related through control, family, or business association with the applicant, its partners, associates, officers, directors, and principal owners.

(8) Leases and use agreements. If any land, buildings, or equipment which constitute the facility will not be owned by the applicant, a statement providing the names and addresses of the owners of the land, buildings, or equipment, including copies of the agreements entered into for the use of the property; and indicating whether such owners are related through control, family, or business association with the applicant, its partners, associates, officers, directors, or holders of equity or debt.

(9) Concessionaires and other operations. A statement providing complete details relating to ownership, management, use or control of all concessions and other operations (fast foods, parking, restaurant, bar, and other revenue producing activities which take place at the facility and are a direct part of the facility's licensed operations) that will not be owned or managed by the applicant, including copies of all pertinent written agreements or statements explaining the substance of oral contracts and understandings, including the names and addresses of the party or parties with whom made, and also stating whether such party or parties are related through control, family or business association with the applicant, its partners, associates, officers, directors, and principal owners.

(10) Control. If applicant is directly or indirectly controlled by another person or business organization, a statement showing how such control is exercised and the extent of the control.

(11) Related party transactions.

(A) If any of the partners, associates, officers, directors, or principal owners of the applicant or licensee are related through family, or business association to any other person or business organization doing business with it or any legalized gambling entity and if the annual value of such goods or services supplied is or, in the exercise of reasonable business judgment, can be expected to be at least \$25,000

or 25 percent of such related party's gross annual receipts, a statement containing the names and addresses of the related parties, and a full description of the goods provided or services rendered indicating the dollar value and, where known, the percentage of business such represents. If a fee or other consideration was or is to be paid or received for these transactions, the value and recipient of such must be indicated in this statement.

(B) If any of the partners, associates, officers, directors, or principal owners of the applicant are related through control, family ownership, or business association to any other person or business organization through which the applicant provided or is to provide or received or is to receive mortgages, loans, leases, realty, or equipment (including totalisator) and if the annual value of such items provided or received is or, in the exercise of reasonable business judgment, can be expected to be at least \$25,000 or 25 percent of such person's or business organization's gross annual receipts, a statement containing the names and addresses of the persons or business organizations providing or receiving the aforementioned items, the names and addresses of the related parties, and a full description of the items provided or received indicating the dollar value. If a fee or other consideration was or is to be paid or received, the value and recipient of such must be indicated in this statement.

(12) Interests in other gambling activities. If applicant now has or has ever had any interest in or connection with a legalized gambling entity, has ever applied for a license relating to legalized gambling, has had a license application denied, has held a license, or had a license suspended or revoked, whether within or without the state of Connecticut, a statement fully disclosing:

(A) The names and addresses of the involved persons or business organizations;

(B) The nature of the interest or connection including the dates of such;

(C) The name under which such legalized gambling activity was conducted;

(D) A complete description of the legalized gambling activity and the licensing procedures; and

(E) Any administrative findings of violation relating to gambling on the part of such legalized gambling entity.

(13) Bankruptcies. If voluntary proceedings in bankruptcy have ever been instituted by or if involuntary proceedings in bankruptcy have ever been brought against the applicant, a full disclosure concerning the persons or business organizations involved, identifying the court and the proceeding by dates and file number, and stating the facts upon which the proceedings were based and the disposition of the matter.

(14) Contingent liabilities. A statement disclosing all current material (more than \$100,000) litigation, unsatisfied judgments, decrees, orders, and other liabilities including but not limited to tax assessments, surety or guarantorships, providing such details as dates, principal parties thereto, factual and legal basis; and explaining the impact such may have upon the applicant's operations if the applicant is rendered an unfavorable decision.

(15) Insurance. A copy of comprehensive liability insurance policies or binders naming the state of Connecticut, the board, and the division as additional insureds and including coverage for premises liability, operations liability, products liability, contractual liability, unknown hazards liability, property damage liability, and vehicle liability. Such coverage shall be under terms and in an amount approved by the board and the division.

(16) Surety. Evidence of surety coverage in an amount sufficient to cover such possible damages as the board and the division shall determine might result from

embezzlement, fraud, theft, forgery, misrepresentation, falsification of parimutuel records and operations, and for all taxes, fines, fees, revenues, or other monies which may be due or which under statute may revert to the state from parimutuel operations or otherwise from the association. Such surety shall be in form approved by the board and the division and may include bonds, pledged securities, restricted accounts, or other approved devices.

(17) Managers and supervisors. A statement listing the names and positions or titles of the applicant's managerial and supervisory personnel for the operation of the facility.

(f) **New facilities.**

(1) In addition to the information requested above applicants seeking a license for a new facility must submit as part of their application:

(A) Detailed specifications, surveys, studies and analyses by competent and qualified experts to ascertain such factors as proposed attendance, traffic flow, income, environmental impact, or any other matters necessary for the board to make a determination with respect to the matter of the application in accordance with the provisions of the act.

(B) Detailed plans, maps, specifications and surveys of the proposed facility and location.

(C) Written verification of the appropriate officials of the relevant federal, state, and municipal agencies that the proposed facility is in compliance with all required standards including those of the building and fire codes, and standards for zoning, wetlands, environmental, and related permits or that an application has been filed and approval is pending.

(2) The specifications of the facility shall be subject to board approval and the board may order, at applicant's expense, a reasonable expert examination of them. The construction of any facility shall be subject to inspection by the board and the division who may employ such inspectors, at applicant's expense, as they deem necessary for that purpose.

(g) **Applicant as lessee.** A license shall not be issued to an applicant if the applicant leases its facility or any part thereof from a person or business organization who would be unable to secure an association license under subsections (a) (4) (c) and (a) (4) (H) of this section. In addition to the information required under subsection (e) (8) of this section, applicant shall supply, as the case may require, that information required of an association applicant under subsections (b), (c) and (d) of this section for such lessor. Acquisition of an association affiliate license by such lessor shall fulfill the requirement of its subsection.

(h) **Conditions of licensure.**

(1) If a license is granted, the applicant agrees to abide by and comply with the provisions of the act and any rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt.

(2) If a license is granted, it will become the duty of the applicant/licensee to file with the board or the division such reports and financial data as may be required by the act or by such rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt and to make such payments as may be required by said act or rules and regulations. This duty shall continue for the entire duration of the license.

(3) All exhibits, statements, reports, papers, data, etc. submitted pursuant to an application for an association license shall be current, accurate, and complete. Applicant shall immediately provide the division with a full description of any

significant operational change in any of the information submitted as part of its application.

(4) Any license which may be granted to an applicant is predicated upon the information contained in its application which applicant verifies under oath. For any material false or misleading statement or answer in the application, said application may be denied, or if license has already been granted, the licensee may be fined or such license may be suspended or revoked or any combination thereof.

(5) All partners, trustees, shareholders, and other owners (including beneficial owners) of the applicant/licensee as disclosed under this section must be qualified under the act and these rules for appropriate licensure, either affiliate or occupational. Where such a party fails to be or to remain so qualified, any ownership in the association held by such party (including beneficial ownership) must be divested by that party no later than sixty days after an order from the board or the executive director. The association applicant/licensee shall include appropriate provisions in its organizational instruments to effect such divestiture. Nothing in this subdivision shall be deemed to limit the application of any other provision of these rules or of any provision of the act.

(i) **Nontransferability.** No license shall be transferable or assignable in any manner or particular.

(j) **Duration of licensure.** Association licenses issued by the board need not be renewed, however, holders of such licenses shall file statements revising application information as material changes in such information occur. If such information is to be disclosed pursuant to the provisions of Section 12-584 of the Connecticut General Statutes and Section 12-584-1 of these rules it need not be resubmitted. Failure to provide timely updates may violate these regulations and may subject the licensee to the penalty provisions contained herein.

(k) **Certification.** The license application shall be signed and attested to under oath before a notary public or Commissioner of the Superior Court by the applicant if applicant is an individual person, by all general partners if applicant is a partnership, or by an officer duly authorized by the board of directors if applicant is a corporation. A corporate applicant shall attach to its application a certified copy of the minutes or resolution of the board of directors specifically authorizing that officer to sign for the corporation. Said minutes or resolution shall be signed by the secretary of the corporation and the corporate seal shall be affixed thereto.

(Effective January 26, 1995)

Sec. 12-574-E4. Affiliate, totalisator, concessionaire, and vendor licenses

(a) Type of license.

(1) Association affiliate license. Any affiliate, as that term is defined in these regulations, of an association must obtain an association affiliate license from the board.

(2) Totalisator license. Any person or business organization that will provide totalisator equipment or services to any association licensee for the operation of a parimutuel system must obtain a totalisator license from the executive director.

(3) Concessionaire license. Any concessionaire, as such term is defined in these regulations, must obtain a concessionaire license from the executive director.

(4) Vendor license. Any vendor, as such term is defined in these regulations, must obtain a vendor license from the executive director.

(5) Affiliate of totalisator, concessionaire or vendor license. Any affiliate, as that term is defined in these regulations, of a totalisator, concessionaire, or vendor licensee must obtain the appropriate affiliate license from the division.

(b) Application.

(1) Application for a license shall be made on forms supplied by the division and shall be filed with the executive director of the division.

(2) Each applicant shall file such information as may from time to time be required by the division and as is hereinafter enumerated.

(3) In granting a license to any applicant the licensing authority will consider the applicant's financial standing and credit; the character, reputation, and criminal record of applicant or the persons identified with it, applicant's previous employment or business history, other gambling interests, business or personal affiliations, ownership of assets, and such other information as it deems pertinent to the issuance of such license in accordance with the provisions of the act.

(c) Hidden ownership.

(1) Notwithstanding anything in these regulations which may indicate the contrary, hidden ownership of an affiliate licensee is prohibited. All shareholders, bondholders, partners, associates, or other owners of an affiliate (either board or executive director licensed) as defined herein shall be individual persons, and no such ownership by business organizations shall be permitted. For example, an arrangement which would produce an affiliate of an affiliate is forbidden. Similarly no separation of legal and beneficial or equitable ownership of an affiliate shall be allowed. Ownership shall be held in the name of said shareholders, bondholders, partners, associates, or other owners. Bearer instruments and nominees shall not be used in holding such ownership interests. Any noncomplying ownership must be divested from the affiliate licensee within sixty days after an order to do so from the authority which granted its license. Affiliate licensees shall adopt appropriate amendments to their organizational instruments to permit compliance with this section.

(2) Subdivision (1) above of this subsection shall not apply to publicly traded corporations which hold debt or equity securities of an affiliate licensee.

(d) **Individual or sole proprietor.** An applicant who is an individual person may be required to file as part of his application a class II occupational license application.

(e) Corporations.

(1) A corporate applicant shall file as part of its application:

(A) A statement giving its name, trade name (if any), address and physical location, nature of business, date and location of incorporation, the name and address of an agent registered and authorized to receive services of process in any proceedings against applicant, and listing the other jurisdictions in which applicant does business and the nature of business conducted in such jurisdictions.

(B) Certified copies of the certificate of incorporation, bylaws, certificate of authorization (if a foreign corporation), and any other instruments under which applicant is organized and doing business.

(C) The name, legal residence, mailing address, social security number, date and place of birth, a ten-year employment history, and the office held by each officer of the applicant, of each member of the board of directors of the applicant, and of stockholders holding five percent or more of the applicant's stock.

(D) A statement showing the classes and numbers of shares of stock authorized, issued, and outstanding; designating the market value and vote per share; and giving a current list of the names, addresses, and numbers of shares held for all holders of outstanding shares.

(E) Where the beneficial owner of any stock is other than the owner or subscriber of record an explanation of such beneficial ownership including the name of the

owner or subscriber, the name of the beneficial owner and the conditions under which the owner or subscriber holds and votes or has subscribed for such stock.

(F) A statement explaining in full detail all stock equivalents which are authorized, issued, and exercisable to include a list of participant names, addresses, and amount of holdings.

(G) Copies of filings by the applicant with the Securities and Exchange Commission and any state agency regulating transactions of securities or business offerings as required and applicable for the preceding twelve month period.

(H) An explanation of any suspensions from trading or other action taken against any of applicant's securities or business offerings.

(2) Subject to the provisions of subsection (c) above, where a shareholder of five percent or more of the applicant's stock is a corporation, other than a publicly traded corporation, all of the information required of a corporate applicant under this subsection (e) must be supplied for that shareholder. Where a shareholder is a business organization other than a corporation, all of the information required of a business organization applicant under subsection (f) below must be supplied for that shareholder. Application for the relevant affiliate license shall fulfill the requirements of this subdivision for shareholders which qualify as affiliates.

(f) Applicant other than an individual or corporation.

(1) An applicant which is neither an individual person nor a corporation must file as part of its application:

(A) A statement giving its name, trade name (if any), address and physical location, nature of business, date and location of organization, the name and address of an agent registered and authorized to receive services of process in any proceedings against applicant, and listing the other jurisdictions in which applicant does business and the nature of business conducted in such jurisdictions.

(B) Certified copies of all instruments under which applicant is organized and doing business and of the certificate of authorization, if applicable for a foreign business organization.

(C) The name, legal residence, mailing address, social security number, date and place of birth, a ten-year employment history, the office held within the business organization, the percentage of ownership held, and a listing of three personal references for each business organization participant who owns five percent or more of applicant's equity.

(D) Copies of filing by the applicant with the Securities and Exchange Commission and any state agency regulating transactions of securities or business offerings as required and applicable for the preceding twelve month period.

(E) An explanation of any suspensions from trading or other action taken against any of applicant's securities or business offerings.

(2) Subject to the provisions of subsection (c) above, where a participant in the applicant which owns five percent or more of applicant's equity is a corporation other than a publicly traded corporation all of the information required of a corporate applicant under subsection (e) above must be supplied for that participant. Where a participant is a business organization other than a corporation, all of the information required of a business organization applicant under this subsection (f) must be supplied for that participant. Application for an association affiliate license shall fulfill the requirements of this subdivision for participants which qualify as affiliates.

(g) Requirements for all applicants. In addition to the information requested under subsections (d), (e) and (f) of this section applicants must also supply the following in their applications:

(1) Tax information. Applicant's Federal Identification Number, applicant's Connecticut Tax Registration Number, or a copy of applicant's application for a Connecticut Tax Registration Number, complete copies of applicant's most recent federal and state income tax returns, and any amendments thereto and a statement explaining any outstanding tax delinquencies or unresolved disputes.

(2) Financial statements. A copy of the applicant's financial statements for the preceding fiscal year including, where they exist, copies of the management representation and lawyer's contingency letters provided to applicant's certified public accountant for the most recently completed financial audit. If certified financial statements are unavailable, a copy of the preceding fiscal year's financial statements attested to under oath.

(3) Major contractual services.

(A) The names and addresses of every person or business organization which provides (or will provide) major contractual services, as defined in these regulations to applicant for purposes of its licensed activity indicating the nature of such services rendered or to be rendered and equipment or property provided or to be provided.

(B) Relative to such contractual services disclosed in subparagraph (A) immediately above, copies of all pertinent written agreements or statements explaining the substance of oral agreements or understandings including the names and addresses of the parties with whom made and also stating whether such parties are related through control, family, or business association with the applicant, its partners, associates, officers, directors, and principal owners.

(4) Control. If applicant is directly or indirectly controlled by another person or business organization, a statement showing how such control is exercised and the extent of the control.

(5) Related party transactions.

(A) If any of the partners, associates, officers, directors, or principal owners of the applicant are related through control, family or business association to any other person or business organization doing business with any legalized gambling entity by providing or receiving goods or services, and if the annual value of such goods or services supplied is at least \$25,000 or represents at least 25 percent of such related party's gross annual receipts, a statement containing the names and addresses of the related parties, and a full description of the goods provided or services rendered indicating the dollar value and, where known, the percentage of business such represents. If a fee or other consideration was or is to be paid or received for these transactions, the value and recipient of such must be indicated in this statement.

(B) If any of the partners, associates, officers, directors, or principal owners of the applicant are related through control, family ownership, or business association to any other person or business organization through which the applicant provided or is to provide or received or is to receive mortgages, loans, leases, realty, or equipment, and if the annual value of such items provided or received is at least \$25,000 or represents at least 25 percent of such person's or business organization's gross annual receipts, a statement containing the names and addresses of the persons or business organizations providing or receiving the aforementioned items, the names and addresses of the related parties, and a full description of the items provided or received indicating the dollar value. If a fee or other consideration was or is to be paid or received, the value and recipient of such must be indicated in this statement.

(6) Interest in other gambling activities. If applicant now has or has ever had any interest in or connection with a legalized gambling entity, has ever applied for a license relating to legalized gambling, has had a license application denied, has

held a license, or had a license suspended or revoked, whether within or without the state of Connecticut, a statement fully disclosing:

- (A) The names and addresses of the involved persons or business organizations;
- (B) The nature of the interest or connection including the dates of such;
- (C) The name under which such legalized gambling activity was conducted;
- (D) A complete description of the legalized gambling activity and the licensing procedures; and

(E) Any administrative findings of violation relating to gambling on the part of such legalized gambling entity.

(7) Bankruptcies. If voluntary proceedings in bankruptcy have ever been instituted by or if involuntary proceedings in bankruptcy have ever been brought against the applicant, a full disclosure concerning the persons or business organizations involved, identifying the court and the proceeding by dates and file number, and stating the facts upon which the proceedings were based and the disposition of the matter.

(8) Contingent liabilities. A statement disclosing all current, material (more than \$100,000) litigation, unsatisfied judgments, decrees, orders, and other liabilities including but not limited to tax assessment, surety or guarantorships; providing such details as dates, principal parties thereto, factual and legal basis; and explaining the impact such may have upon the applicant's operations if the applicant is rendered an unfavorable decision.

(9) Managers and supervisors. A statement listing the names and positions or titles of the applicant's managerial and supervisory personnel for the operation of the licensed activity.

(h) **Applicant owner of facility.** If applicant owns or will own any of the land or buildings which constitute the facility and provides such to the association, applicant must provide as part of its application:

(1) Cost and cost allocation. A statement giving the acquisition or construction cost of said land or buildings including a detailed allocation of the cost to include such items as buildings, land, equipment, contracts, inventory, intangible items etc. Copies of all appraisal documents, maps, plans, blueprints, deeds, detailed inventory listing, titles, guarantees, affidavits, leases, agreements, etc. which form the basis for the cost must be included with this statement.

(2) Sources and amounts of funding.

(A) A statement detailing the sources and amounts of funding of such cost including:

- (i) Sales or offers to sell stocks, bonds, or other securities.
- (ii) Investment by owners.
- (iii) Loans, notes, mortgages, installment sales.
- (iv) Sale and lease-back.
- (v) Other.

(B) Written copies of all financing documents indicating the names and addresses of the parties involved, the terms of financing/funding/capitalization, and the conditions of applicable payment or repayment.

(3) Acquisition documents.

(A) An index to and copies of all proposed acquisition documents and a certification by counsel that the division has been provided with a copy of all such documents.

(B) Within seven (7) days after acquisition is complete, an index to and copies of all fully executed acquisition documents and a certification by counsel that the division has been provided with a copy of all such executed documents.

(i) **Conditions of licensure.**

(1) If a license is granted, the applicant agrees to abide by and comply with the provisions of the act and any rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt.

(2) If a license is granted, it will become the duty of the applicant/licensee to file with the board or the division such reports and financial data as may be required by the act or by such rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt and to make such payments as may be required by said act or rules and regulations. This duty shall continue for the entire duration of the license.

(3) All exhibits, statements, reports, papers, data, etc. submitted pursuant to an application for an association license shall be current, accurate, and complete. Applicant shall immediately provide the division with a full description of any significant operational change in any of the information submitted as part of its application.

(4) Any license which may be granted to an applicant is predicated upon the information contained in its application which applicant verifies under oath. For any material false or misleading statement or answer in an application, said application may be denied, or if a license has already been granted, the license may be fined or such license may be suspended or revoked or any combination thereof.

(5) All partners, trustees, shareholders, and other owners (including beneficial owners) of the applicant/licensee as disclosed under this section must be qualified under the act and these rules for appropriate licensure, either affiliate or occupational. Where such a party fails to be or to remain so qualified, any ownership held by such party (including beneficial ownership) must be divested by that party not later than sixty days after an order from the board or the executive director. The applicant/licensee shall include appropriate provisions in its organizational instruments to effect such divestiture. Nothing in this subdivision shall be deemed to limit the application of any other provision of these rules or of any provision of the act.

(j) **Nontransferability.** No license shall be transferable or assignable in any manner or particular.

(k) **Duration of licensure and renewals.**

(1) Any license granted by the executive director shall be effective for not more than one year. Totalisator, concessionaire, vendor, and their affiliate licenses shall expire on the thirty-first day of August of each year. Previously licensed applicants or applicants for renewal shall provide currently updated application material but will not be required to resubmit historical data which is already available to the division.

(2) Association affiliate licenses issued by the board need not be renewed, however, holders of such licenses shall file statements revising application information as material changes in such information occur. If such information is to be disclosed pursuant to the provisions of Section 12-584 of the Connecticut General Statutes and Section 12-584-1 of these rules it need not be resubmitted. Failure to provide timely updates may result in penalty to such licensee or its allied association licensee.

(l) **Certification.** The license application shall be signed and attested to under oath before a notary public or Commissioner of the Superior Court by the applicant if applicant is an individual person, by all general partners if applicant is a partnership, or by an officer duly authorized by the board of directors if applicant is a corporation. A corporate applicant shall attach to its application a certified copy of the minutes or resolution of the board of directors specifically authorizing that officer to sign

for the corporation. Said minutes or resolution shall be signed by the secretary of the corporation and the corporate seal shall be affixed thereto.

(Effective January 26, 1995)

Sec. 12-574-E5. Occupational licenses

(a) **Generally.** No person may participate in this state in any activity permitted under Chapter 226 of the Connecticut General Statutes as an employee of an association, concessionaire, vendor, totalisator or affiliate licensee unless such person is licensed as a class I, class II or class III occupational licensee by the executive director. Greyhound owners and trainers must also obtain occupational licenses from the executive director.

An applicant's background will be investigated, and applicants will be required to supply information as to name, legal residence, address, social security number, date and place of birth, past employment, previous ourent involvement in the gambling industry, personal references, and any criminal record.

(b) **Class I: noncontrol persons.** Noncontrol persons will be required to certify on their applications their noncontrol status. Additionally, the licensed entity employing such persons shall submit a statement to the division certifying the noncontrol status of such employees.

(c) **Class II: control persons.** Whether located in or out of this state, no officer, director, partner, trustee or owner of a business organization licensed by either the board or the division may continue in such capacity unless such officer, director, partner, trustee or owner is licensed as an occupational licensee by the executive director.

An occupational license shall also be obtained by any shareholder, key executive, agent, or other person connected with any association, concessionaire, vendor, totalisator, or affiliate licensee, who in the judgment of the executive director will exercise control in or over any such licensee. Such person shall apply for a license not later than thirty days after the executive director requests him in writing to do so. The general manager, assistant general manager, and mutuel manager of an association as well as the player's manager of a jai alai fronton and the racing secretary of a racetrack shall be presumed to be control persons, and in this regard said positions will be determined by function and not necessarily solely by title.

An applicant's background will be investigated, and applicants will be required to supply:

(1) Applicant's name, legal residence, address, social security number, date and place of birth, past and present marital status.

(2) Names, addresses, dates of birth, and occupations of immediate family members.

(3) Past military history.

(4) A ten year employment history including salaries and other compensation and percentage of ownership both debt or equity in the employing business indicated.

(5) A statement indicating all business organizations of which the applicant is or has been an officer, director, partner, trustee, owner, principal stockholder, or other controlling person within the past ten years including salaries and other compensation and percentage of ownership both debt or equity in the business organization indicated. Information describing bankruptcies of any such business organizations must also be provided.

(6) If applicant now has or has ever had an interest in or connection with a legalized gambling entity, has ever applied for a license relating to legalized gam-

bling, has had a license application denied, has ever held a license, or had a license suspended or revoked, whether within or without the state of Connecticut, a statement fully disclosing:

(A) The names and addresses of the involved persons or business organizations;
(B) The nature of the interest or connection including the dates of such;
(C) The name under which such legalized gambling activity was conducted;
(D) A complete description of the legalized gambling activity and the licensing procedures; and

(E) Any administrative findings of violation relating to gambling.

(7) A statement disclosing and explaining licensure in any other regulated industry including but not limited to liquor, real estate, accountancy, law, medicine, pharmacy, securities, gambling or firearms.

(8) A detailed statement of financial position indicating all assets and liabilities and net worth.

(9) A detailed statement showing all assets pledged.

(10) A detailed statement showing income from all sources.

(11) Disclosure of bank accounts, securities accounts, and depositories.

(12) Complete copies of the applicant's most recent federal, state and municipal tax returns.

(13) A statement of compliance with the disclosure provisions of the act and these rules and regulations and an explanation of any noncompliance.

(14) A statement explaining any bankruptcy within the past six years and currently material (more than \$100,000) outstanding litigation and disclosable contingent liabilities providing such details as dates, names of principal parties, basis, and potential impact on applicant's financial position in the event of an unfavorable decision.

(15) (A) If the applicant is related through control, or family, or business association to any individual or business organization doing business with any legalized gambling entity by providing or receiving goods or services, a statement giving the names and addresses of the related individuals and a full description of the goods or services rendered indicating the dollar value and, where known, the percentage of business such represents. If a fee or other consideration was or is to be paid or received for these transactions, the value and recipient of such must be indicated.

(B) If any of the officers, directors, or controlling equity positions of the gambling entity are related through control, family ownership, or business association to any individual or business organization which has provided to or received from the applicant any mortgages, loans, leases, realty, buildings, or equipment, a statement containing the names and addresses of the individuals or business organizations providing or receiving the aforementioned items, indicating the names and addresses of the related individuals, and fully describing the items provided or received including dollar value. If a fee or other consideration was or is to be paid or received for these transactions, the value and recipient of such must be indicated.

(16) A statement explaining any outstanding tax delinquencies or unresolved disputes involving the applicant within the last five years.

(17) Except where otherwise prohibited by law, an explanation of any conviction of a crime other than a minor traffic violation; of any questioning or testimony by or before a law enforcement agency, commission, or committee, a court, or grand jury in the investigation of a crime involving gambling violations or a felony; and of any felony conviction of a member of applicant's household or other person who has a beneficial interest in applicant's interest in the legalized gambling venture.

Testimony given as a witness in ordinary proceedings before an administrative agency regulating legalized gambling need not be disclosed under this subdivision.

(d) **Class III: nonmanagement related persons.** Notwithstanding the provisions of subsection (b), above, a partner, trustee, shareholder or owner (including beneficial owners) of a business organization licensed by either the board or the division who in the judgment of the executive director does not substantially participate in the operation, management, or policy making decisions of the licensed business organization may be licensed as a class III occupational licensee.

(1) The class III license applicant's background will be subject to an investigation which shall consist of:

(A) A Connecticut criminal history search through the Connecticut State Police Bureau of Identification;

(B) A federal criminal history search;

(C) A review and examination of disclosure information; and

(D) Such other investigation as may be deemed appropriate.

(2) The applicant shall file on such forms as may be required for licensure under subsection (b) above and shall supply all informational requests cited therein. The applicant shall provide an affidavit or statement made under penalty of perjury of nonsubstantial involvement in the licensed business organization. In addition, similar affidavits or statements made under penalty of perjury shall be required from the licensed business organization invested in by the applicant certifying as to the applicant's nonsubstantial involvement except as an investor with said licensed business organization.

(3) Any partner, trustee, shareholder or owner of a licensed business organization who applies for a class II occupational license may be issued a conditional class III occupational license to be valid only until such time as the comprehensive background investigation is completed.

(4) The class III occupational licensee may share in the distributions of the business organization, but shall not substantially participate in its operation, management or policy making decisions.

(e) **Conditions of licensure.**

(1) If a license is granted, the applicant agrees to abide by and comply with the provisions of the act and any rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt.

(2) If a license is granted, it will become the duty of the applicant/licensee to file with the board and the division such reports and financial data as may be required by the act or by such rules and regulations as the division with the advice and consent of the board has adopted or may hereafter adopt and to make such payments as may be required by said act or rules and regulations. This duty shall continue for the entire duration of the license.

(3) All exhibits, statements, reports, papers, data, etc. submitted pursuant to an application for an occupational license shall be current, accurate, and complete. Applicant or licensee shall immediately provide the division with a full description of any significant operational change in any of the information submitted as part of its application.

(4) Any license which may be granted to an applicant is predicated upon the information contained in its application which applicant verifies under oath. For any material false or misleading statement or answer in an application, said application may be denied, or if a license has already been granted, the licensee may be fined or such license may be suspended or revoked or any combination thereof.

(5) Fingerprints and photographs shall be required of all applicants for an occupational license.

(f) License denials. The division shall deny an application for an occupational license to any applicant who is disqualified on the basis of the following criteria:

(1) Failure of the applicant to provide information, documentation and assurances requested by the division, or the failure of the applicant to reveal any fact material to qualification, or the supplying of information which is untrue or misleading as to a material fact pertaining to the qualification criteria; provided, however, that these disqualification provisions may not apply if the applicant failed to reveal one misdemeanor conviction, if such conviction did not occur within the 10 year period immediately preceding application for licensure or the conviction was the subject of a judicial order of expungement or sealing.

(2) The conviction of the applicant, or of any person who is required to be licensed, of any offense in any jurisdiction which would be a felony including classes a, b, c, d and unclassified felonies, under the Connecticut General Statutes as amended.

(3) Any other offense under Connecticut, or other state or federal law which would be inimical to gaming operations; including, but not limited to the following:

- (A) assault in the third degree
- (B) assault of a victim sixty or older in the third degree
- (C) fraudulent use of automatic teller machines
- (D) bad checks
- (E) coercion
- (F) commercial bribery
- (G) computer crime in the fourth degree
- (H) credit card crimes
- (I) criminal Impersonation
- (J) criminal simulation
- (K) cruelty to persons
- (L) defrauding secured party
- (M) disclosure of a bid or proposal
- (N) diversion from state of benefit of labor of employees
- (O) failure to appear in the second degree
- (P) false statements
- (Q) falsely reporting an incident
- (R) forgery in the third degree
- (S) forgery of symbols of value
- (T) intimidation based on bigotry or bias
- (U) larceny in the fourth, fifth or sixth degree
- (V) manufacture or possession of burglar's tools
- (W) money laundering in the fourth degree
- (X) possession of controlled substance
- (Y) possession, sale, etc. of gambling devices or records
- (Z) professional gambling
- (AA) prostitution
- (BB) reckless endangerment in the first and second degree
- (CC) rigging of contests
- (DD) sexual assault in the fourth degree
- (EE) unlawful use of slugs in coin machines
- (FF) stalking in the second degree

- (GG) tampering with private communications
- (HH) threatening
- (II) transmission of gambling information
- (JJ) unlawful discharge of firearms and other firearm related misdemeanors
- (KK) unlawful entry of coin machines
- (LL) unlawful restraint in the second degree
- (MM) wiretapping

provided, however, that these disqualification provisions may not apply if conviction did not occur within the 10 year period immediately preceding application for licensure or any conviction has been the subject of a judicial order of expungement or sealing; and provided further that the requirements of section 46a-80 of the Connecticut General Statutes are first followed.

(4) The pursuit by the applicant or any person who is required to be licensed, of economic gain in an occupational manner or context which is in violation of the criminal or civil public policies of this state, if such pursuit creates a reasonable belief that the participation of such person in legalized gaming operations would be inimical to the policies of the division. Occupational manner or context shall be defined as the systematic planning, administration, management or execution of an activity for financial gain;

(5) The identification of the applicant or any person who is required to be licensed as a career offender or a member of a career offender cartel or an associate of a career offender or career offender cartel in such a manner which creates a reasonable belief that the association is of such a nature as to be inimical to the policy of the division and to gaming operations. For purposes of this section, career offender shall be defined as any person whose behavior is pursued in an occupational manner or context for the purpose of economic gain, utilizing such methods as are deemed criminal violations of the public policy of this state. A career offender cartel shall be defined as any group of persons who operate together as career offenders;

(6) Contumacious defiance by the applicant or any person who is required to be licensed of any legislative investigatory body or other official investigatory body of any state or of the United States when such body is engaged in the investigation of crimes relating to gaming, official corruption, or organized crime activity;

(7) Financial unsoundness of an applicant, including excessive debt, that may enhance the chances of unfair practices or activities, when such applicant's financial difficulties are considered in relation to the position being applied for and that position's responsibilities.

(g) **Deferment.** If an applicant for an occupational license has criminal charge(s) pending for any crime as described in subsection (f) (2) of this section, the division may defer decision on the application until a reasonable time after final disposition.

(h) **Nontransferability.** No license shall be transferable or assignable in any manner or particular.

(i) **Duration of licensure and renewals.** Any license granted by the executive director shall be effective for not more than one year. Class I occupational licenses for noncontrol persons shall expire on the close of the 31st day of December of the year of the date of such license approval. Class II and class III occupational licenses shall expire on the close of the 31st day of August of each year. Each applicant for renewal shall provide currently updated application material but will not be required to resubmit historical data which is already available to the division.

(j) **Certification.** The license application shall be signed and attested to under oath before a notary public or Commissioner of the Superior Court by the applicant. (Effective January 26, 1995)

Sec. 12-574-E6. Regulation of licensees, penalties

(a) Association licensees.

(1) The board shall have the right to deny any application for a license for good cause, and the action of the board shall be final subject to subsection (e) (4) below of this section.

(2) If a license is granted, the board shall have the authority to fine said licensee in an amount not to exceed seventy-five thousand dollars, and suspend or revoke its license after a hearing held in accordance with Chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

(A) If a licensee makes any material false or misleading statement in any information filed with the board or the division.

(B) If a licensee fails to meet its financial obligations in a substantial manner.

(C) If the licensee or its affiliates violate the provisions of the act or the rules and regulations adopted pursuant thereto.

(D) If there has been a material change in the character and reputation of the person identified with the undertaking which the board determines is not in the best interests of the legalized gambling industry and the state of Connecticut.

(E) If the licensee fails to conduct performances during any day of its meeting without good cause.

(b) Association affiliate licenses.

(1) The board shall have the right to reject any applicant for a license for good cause, and the action of the board shall be final subject to subsection (e) (4) below of this section.

(2) If a license is granted, the board shall have the authority to fine said licensee in an amount not to exceed seventy-five thousand dollars, and suspend or revoke its license after a hearing held in accordance with Chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

(A) If a licensee makes any material false or misleading statement in any information filed with the board or the division.

(B) If a licensee fails to meet its financial obligations in a substantial manner.

(C) If the licensee violates the provisions of the act or the rules and regulations adopted pursuant thereto.

(D) If there has been a material change in the character and reputation of the persons identified with the licensee which the board determines is not in the best interests of the legalized gambling industry and of the state of Connecticut.

(3) In accordance with Section 12-574 (m) of the Connecticut General Statutes and Section 12-574-E6 (a) (2) (C) of these Rules of Licensing and Disclosure, the board may impose authorized penalties upon an association licensee for violations of the provisions of the act or the regulations promulgated thereunder by such association licensee's affiliate.

(c) Totalisator, concessionaire, vendor, and their affiliate licensees.

(1) The executive director or his designee may reject for good cause an application for a license.

(2) If a license is granted the executive director shall have the authority for good cause to fine said licensee in an amount not to exceed two thousand five hundred dollars and he or any unit head authorized by him may suspend or revoke any license issued by the executive director after a hearing held in accordance with Chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

(A) If a licensee makes any material false or misleading statement in any information filed with the board or the division.

(B) If a licensee fails to meet its financial obligations in a substantial manner.

(C) If the licensee or its affiliates violate the provisions of the act or the rules and regulations adopted pursuant thereto.

(D) If there has been a material change in the character and reputation of the persons identified with the undertaking which the board determines is not in the best interests of the legalized gambling industry and state of Connecticut.

(d) **Occupational licensees.**

(1) The executive director or his designee may reject for good cause an application for a license.

(2) If a license is granted:

(A) The stewards or judges of a meeting shall have the authority to impose upon class I occupational licensees for good cause for infractions within their jurisdiction a fine of up to five hundred dollars and to suspend for good cause for infractions within their jurisdiction for not more than sixty days the license of a class I occupational licensee under their jurisdiction following a hearing. Notwithstanding the foregoing, the division, through its executive director, reserves the right to assume initial jurisdiction of any matter coming within the purview of the stewards or judges of a meeting.

(B) The executive director shall have the authority for good cause to find any occupational licensee in an amount not to exceed two thousand five hundred dollars and he or any unit head authorized by him may suspend or revoke any occupational license after a hearing held in accordance with Chapter 54 of the Connecticut General Statutes for good cause for any one of the following reasons:

(i) If a licensee makes any material false or misleading statement in any information filed with the board or the division.

(ii) If the licensee violates the provisions of the act or the rules and regulations adopted pursuant thereto.

(iii) If there has been a material change in the character and reputation of the licensee which the executive director determines is not in the best interest of the state of Connecticut.

(C) If the board or the executive director finds that public health, safety, or welfare imperatively requires emergency action, and incorporates a finding to that effect in its order, summary suspension of a license may be ordered pending proceedings for revocation or other action. These proceedings shall be promptly instituted and determined by the board or the executive director.

(e) **Right of petition and appeal.**

(1) Any class I occupational licensee aggrieved by the imposition of a penalty by the stewards or judges of a meeting may petition the division for a hearing *de novo* conducted in accordance with Chapter 54 of the Connecticut General Statutes. The petition shall be submitted in writing to the division within three (3) days of official notice of the stewards' or judges' decision. The taking of a petition to the division shall automatically stay any penalty imposed by the stewards or judges.

(2) Any applicant aggrieved by the action of the executive director concerning an application for a license is entitled to a hearing before the executive director held in accordance with Chapter 54 of the Connecticut General Statutes. The aggrieved party may demand such a hearing or the executive director, on his own motion, may require that such a hearing be held. The executive director may permit a decision of his regarding a license application to be appealed directly to the board

without the holding of an evidentiary hearing before him. The board reserves the right, however, to remand such a direct appeal to the executive director for an evidentiary hearing.

(3) Any person or business organization fined by the executive director, any licensee whose license is suspended or revoked by the executive director or an authorized unit head, or any applicant aggrieved by the action of the executive director concerning an application for a license may appeal to the board in accordance with Section 12-574 (j) of the Connecticut General Statutes not later than fifteen days after the mailing or hand delivery by division personnel of the decision.

(4) Any person or business organization aggrieved by an action of the board may appeal such decision to the Superior Court in accordance with Section 4-183 of the Connecticut General Statutes.

(Effective January 26, 1995)

Sec. 12-574-E7. Conditional licenses; limitations on outstanding licenses

(a) **Temporary licenses.** Notwithstanding anything to the contrary in the administrative regulations of the division, the executive director or his designee may issue temporary class I occupational licenses subject to the owing conditions:

(1) Temporary licenses shall not be issued for a period greater than seven (7) days, however, they may be renewed at the discretion of the executive director or his designee for successive periods of not greater than seven (7) days, for good cause and upon the written request of the temporary licensee.

(2) Before a temporary license may be issued, an application for license must be filed.

(3) A temporary license may be revoked or suspended without cause upon notice to the temporary licensee.

(4) A temporary license shall not be valid unless a preliminary security clearance is obtained before the end of the next state business day following the issuance of the temporary license.

(b) **Durational licenses.** Notwithstanding anything to the contrary in the administrative regulations of the division, where the circumstances require, and where the executive director determines that it shall be in the best interest of the state of Connecticut and the legalized gambling industry, the executive director at his discretion may issue durational totalisator, concessionaire, and occupational licenses subject to the following conditions:

(1) Durational licenses shall not be issued for a period greater than ninety (90) days; however, they may be renewed for good cause.

(2) Before a durational license may be issued, an application for license must be filed.

(c) **Limitation on outstanding licenses.** In the interest of the public safety and convenience either the board or the executive director may at their discretion limit the number of outstanding licenses in a particular category.

(d) **Conditional licenses.** The power to license includes the power to attach reasonable conditions to the grant of a license. Where the board or executive director finds that it shall be in the best interests of the state of Connecticut, of the public safety and convenience, and of the legalized gambling industry, the board or the executive director may attach reasonable conditions to a license which they are authorized to grant. A conditional license may be issued pending final action on a license application. Such a license becomes automatically void upon disapproval of the application.

(Effective October 17, 1984)

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Operation of Greyhound Racing, Jai Alai and Off-Track Betting General Provisions

Sec. 12-574-F1. Definitions, constructions, interpretations

(a) In applying the provisions of sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies, the following definitions, constructions and interpretations shall apply:

(1) "Account holder" means a natural person authorized by an association to place bets by phone or any other means authorized by the division;

(2) "Affiliate" means a business organization, other than a shareholder in a publicly traded corporation, which may exercise control in or over an association, totalizator or concessionaire licensee;

(3) "Applicant" means any person seeking to obtain a license from either the board or the division;

(4) "Association" means any person licensed to conduct a recognized greyhound or jai alai meet or operate the off-track betting system;

(5) "Association kennels" means, in greyhound racing, owned or leased kennel structures operated by the association providing housing for the booked kennels, located at a facility or at an off-site location approved by the division. Any off-site kennel location shall be considered part of the facility's premises for regulatory purposes;

(6) "Board" means the five member Gaming Policy Board of the state of Connecticut established by section 12-557d of the Connecticut General Statutes;

(7) "Booking" means, in greyhound racing, a contract between the owner of a kennel of greyhounds and the association to provide racing greyhounds to an association;

(8) "Branding" means a capability of the totalizator cash-sell system by which a pari-mutuel ticket is imprinted with information identifying it as a canceled ticket or a cashed out-ticket and the transaction is automatically recorded within the system's memory;

(9) "Breakage" means the net pool minus the payoff;

(10) "Business organization" means a partnership, incorporated or unincorporated association, firm, corporation, trust or other form of business or legal entity, other than a financial institution regulated by a state or federal agency which is not exercising control over an association licensee;

(11) "Carom serve" means, in jai alai, a serve that strikes the side wall before hitting the front wall; may also be referred to as a two wall serve;

(12) "Cash voucher" means a ticket issued by a totalizator system terminal that is the equivalent of cash and is used for wagering purposes;

(13) "Cesta" means, in jai alai, the spanish name for the basket used to catch the pelota in the game of jai alai;

(14) "Close of betting" means the time designated by an association after which no bet shall be accepted in any particular pari-mutuel pool;

(15) "Commingling" or "combined pool" means the combination of wagers from different locations or jurisdictions into a single pool at a host track;

(16) "Commission" or "takeout" means that portion of the gross pool authorized by law and approved by the division that is deducted by the association prior to computing the payout to winning bettors, and from which the state tax is paid as specified in sec. 12-572(c) and (d)(1) and (2) and sec. 12-575(c) of the Connecticut General Statutes;

(17) “Concessionaire” means any person granted the right by an association to operate an activity in conjunction with an authorized meeting for the purpose of making a profit. Parking contractors, vending machine suppliers, restaurant or catering contractors, video contractors, program printers, handicappers, contractual kennel owners, and cleaning and maintenance contractors are concessionaires. Any other contractors whose sole business is that connected with an association’s licensed activity are also concessionaires. A contractor who delivers goods to a facility or provides services off the facility may be considered a concessionaire, in the discretion of the executive director;

(18) “Condition” means:

(A) In greyhound racing:

(i) Of a race, one of the characteristic elements of the race and may refer, for example, to items such as purse or stakes, qualifications of greyhounds to enter, distance, or other special features; or

(ii) Of a greyhound, the general health, training and fitness of the greyhound;

(B) In jai alai:

(i) Of a game, one of the characteristic elements of a game and may refer, for example to items such as prize money, qualifications of players for entry, whether the game is singles, doubles, triples, spectacular seven, or other special features; or

(ii) Of a player, the general health, training and fitness of a player;

(19) “Control” means the power to exercise authority over or direct the management and policies of a person or business organization;

(20) “Corporation - traded publicly” means any corporation whose stock is available for purchase by the general public in the open market on a regular and continuing basis or any corporation which is listed for trading with a national stock exchange or which has a security subject to registration under section 12 of the federal Securities Exchange Act;

(21) “Coupled entry” means two or more animals which are entered in a race and are owned or leased by the same owner or trained by the same trainer and are coupled for the purpose of pari-mutuel betting as one betting interest, and according to the requirement of the text, may include field;

(22) “Division” means the Division of Special Revenue within the Department of Revenue Services;

(23) “Electronic transmission or electronically transmitted” means any process of communication that is suitable for the retention, retrieval and reproduction of information by the recipient and which does not directly involve the physical transfer of paper;

(24) “Entry” means a horse or greyhound made eligible to run in a race or any wagering interest made eligible to participate in an authorized off-track betting event;

(25) “Equipment” means, as applied to a greyhound, muzzle, number blanket, and all other paraphernalia common or otherwise which must be used on or attached to a greyhound while racing. As applied to jai-alai, equipment means the helmet, cesta, numbered shirt, and all other paraphernalia common or otherwise, which may be used by the player while playing;

(26) “Established weight” means the racing weight established by the kennel owner or trainer as the greyhound’s racing weight;

(27) “Evening performance” means in greyhound racing and jai alai, a program of races or games conducted at a facility which begins at 6:00 P.M. prevailing time or later. For off-track betting, evening performance includes those race programs from tracks whose first race begins between 7:00 P.M. and 6:59 A.M. (Eastern time);

(28) “Facility” means the total real estate, land and buildings of an association or OTB facility operator, either owned or leased, utilized for the purpose of conducting a meet or off-track betting;

(29) “Field” means, in off-track betting, according to the requirements of the text:

(1) All the animals which compete in a race;

(2) A number of animals which are grouped together as a single betting interest for the purposes of pari-mutuel betting; or

(3) Animals or entries grouped or bracketed together to form various betting interests, as determined by the association and approved by the executive director;

(30) “Fraudulent or corrupt practice” means any attempt to enrich oneself or another, or to gain any advantage for oneself or another, through unfair, unlawful or dishonest behavior in connection with the racing of greyhounds, the playing of the game of jai alai or off-track betting;

(31) “Fronton” means, in jai alai, the building or enclosure in which is provided a playing court with three walls so designed and constructed for the playing of the game of jai alai;

(32) “Game” means, in jai alai, a contest between players for any purse, stake or reward conducted at any licensed fronton;

(33) “Game infraction” means, in jai alai, any violation of sections 12-574-F50 to 12-574-F56, inclusive, of the Regulations of Connecticut State Agencies by jai-alai players or officials occurring on the jai alai court or in the players quarters;

(34) “Greyhound owner” means the person in whose name a greyhound is registered to at the meet in accordance with section 12-574-F38 of the Regulations of Connecticut State Agencies and where applicable, will be the lessor of the greyhound;

(35) “Gross pool” means the total amount wagered in a specific pool less refunds and cancellations;

(36) “Handle” means depending on the context, the total amount of money wagered within a pool, a race, a game, a performance, or performances within a meeting;

(37) “Horse number, greyhound number or entry number” means a numeric or alphabetic designation assigned by an association to each horse, greyhound or entry on which the association is accepting bets;

(38) “Hub system” means a centralized computer system that provides totalizator service to more than one facility or association;

(39) “Independent pool” means a pool calculated based solely upon wagers made through the Connecticut OTB system;

(40) “Judges” means:

(A) In greyhound racing, judges are the three racing judges of the meet, or their deputies or substitutes, acting together or such of them as may be acting at any time. The racing judges include the division racing judge appointed by the executive director and the presiding racing judge and the associate racing judge appointed by the association conducting the meet. Racing judges have jurisdiction over all matters directly involving races, racing, and racing meet-related activity;

(B) In jai alai, court judges are the chief center court judge, a back court judge and a front court judge, all of whom are appointed by the association; or

(C) The board of administrative judges are the three members of the board of administrative judges, or their deputies or substitutes, acting together or such of them as may be acting at any time. The three judges are: (1) the division facility supervisor or designee, (2) the general manager or designee and (3) an additional

division representative. The Division of Special Revenue facility supervisor or substitute is the presiding judge of the board of administrative judges;

(41) “Kennel name” means;

(A) The name registered with the division which is used to identify a particular kennel of greyhounds participating in a race meeting;

(B) The registered name, under which licensed greyhound owners may race their in an association contracted kennel;

(42) “Kennel owner” means a person granted the right by an association and licensed by the executive director, to operate a kennel for racing greyhounds at a licensed facility;

(43) “Key executive and other control person” means any person, which includes corporations in the meaning of the term “person,” to which the terms “control,” “management,” “related” or “principal owner” apply;

(44) “Lead out” means the attendant that handles the greyhound exiting the paddock, while en route to the starting box;

(45) “Lessee” means the person or business organization to whom a greyhound has been leased and who holds a registered lease certificate for such greyhound in accordance with the National Greyhound Association;

(46) “Licensee” means any individual, or business organization licensed by either the board or the division to participate in greyhound racing, jai alai or off-track betting;

(47) “Lure” means a mechanical apparatus consisting of the following component parts: a stationary rail installed around the track; a motorized mechanism which travels on the rail; a pole which is attached to the mechanism and extends out over the track to which a decoy approved by the division is attached;

(48) “Management” means any persons having responsibility to manage, direct, or administer the affairs of a person or business organization. Management includes, but is not limited to, members of the board of directors of a corporation, officers in charge of principal business functions, or principal owners;

(49) “Matinee” means, in greyhound racing and jai alai, a program of races or games conducted at a racetrack or fronton which begins before 6:00 p.m. prevailing time;

(50) “Meet” or “recognized meet” means the entire consecutive period of days that has been granted to the association by the board to conduct greyhound racing or jai alai;

(51) “Minor” means any person under the age of majority as established by law;

(52) “Net pool” means the total amount wagered in a specific pool after refunds and cancellations, minus the commission;

(53) “OTB” or “off-track betting” means the acceptance of off-track betting wagers from the public on events held both within and without the state as authorized by the division;

(54) “OTB facility operator” means a jai alai or greyhound racing association licensee or a licensed concessionaire under contract with the OTB association licensee to operate an off-track betting facility as authorized by the division;

(55) “Off-track betting information” means information about racing events that shall be limited to past performance information, late changes in the racing event, handicapping tips, betting pool information, information about any steward’s inquiries, and official payout prices;

(56) “Operating procedures” means those practices established by an association which govern the daily conduct and administration of all association and OTB facility operator activities as approved by the division;

(57) “Outs” means winning tickets or tickets due refunds which have not yet been redeemed for payment;

(58) “Paddock” means, in greyhound racing, the area which includes the lock-out area (ginny pit), weighing-in/weighing-out area, paddock judge’s office, clerk of scale’s office and association veterinarians’ office;

(59) “Pari-mutuel” means the system of betting which returns to successful bettors the precise amount of money wagered by unsuccessful bettors plus their initial wager, after deductions for commission and breakage;

(60) “Parlay” means a series of bets whereby the bettor bets on one entry and bets the proceeds on a second entry, and the proceeds from the second bet on a third entry, and so on;

(61) “Partido” means a game of jai alai on which only win betting is allowed between two post positions to a designated number of points determined by the association and approved by the division;

(62) “Patrol judge” means, in greyhound racing, the racing official who supervises the lead outs from the paddock to the starting box;

(63) “Pelota” means the Spanish name for the ball used in the playing of the game of jai alai;

(64) “Performance” means:

(A) In greyhound racing and jai alai, a schedule of races or games to be conducted either as a matinee, at twilight (late afternoon post time), or in the evening on a particular day; and

(B) In off-track betting, the consecutive hours during which off-track betting is open to the public. Afternoon performances include those race programs from tracks whose first race begins between 7:00 a.m. and 6:59 p.m. (Eastern time). Evening performances include those race programs from tracks whose first race begins between 7:00 p.m. and 6:59 a.m. (Eastern time);

(65) “Performance line” means the information compiled by the chart writer, detailing the performance of a greyhound in an official race or schooling;

(66) “Person” means an individual or business organization;

(67) “Placing” means when used in connection with a race or game results, first, second or third, and in that order is called “win”, “place” and “show”;

(68) “Player” means a jai alai player who is under contract to a jai alai association, participates in any official game of jai alai, and holds a current valid license from the division;

(69) “Pool” means the total amount bet on a specific type of wager in a given race or game;

(70) “Post position” means:

(A) In jai alai, represents the number assigned by the player’s manager which appears to the left of a player’s name in the printed program and which represents the numerical order in which players will appear to play on the court at the commencement of a game; and

(B) In greyhound racing, represents the number randomly assigned to a greyhound to participate in any race and which appears opposite the greyhound’s name in the printed program;

(71) “Post time” means:

(A) In greyhound racing, the time set for the release at the starting box of the greyhounds in a race that is shown reasonably in advance of the race on a clock device, prominently displayed and clearly readable from the grandstand;

(B) In jai alai, the time set for the first serve in a game, which time is shown reasonably in advance of the game on a clock device prominently displayed and clearly readable by the spectators; and

(C) In off-track betting, the time set by the host track for the cessation of wagering;

(72) "Program" means the schedule of races as prepared by the racing secretary or the schedule of games as prepared by the player's manager and printed for the association for sale to the public;

(73) "Race" means a contest for purse, stakes, or entry fees on any course and in the presence of duly licensed racing officials. For off-track betting, race means any authorized off-track betting event;

(74) "Related" means of any persons or entities who are the reporting licensee; its affiliates; principal owners, management and members of their immediate families; entities for which investments are accounted for by the equity method; and any other party who has the ability to significantly influence, directly or indirectly, the reporting licensee from fully pursuing its own separate management operation policies. This includes any power of attorney or fiduciary capacity delegated to any of the persons in this subdivision;

(75) "Related party transactions" means any transaction between a parent company and its subsidiaries, transactions between or among subsidiaries of a common parent, and transactions in which the reporting licensee participates with other affiliated businesses, with management, with principal owners or principal stockholders;

(76) "Ruled off or ejected" means the act of denying a person from all racing privileges at a facility. A person who is ruled off or ejected is barred from all participation including patronage at pari-mutuel facilities. Persons ruled off or ejected in jurisdictions which recognize ejections by Connecticut authorities will be ejected in Connecticut;

(77) "Schooling" means an official race conducted in the presence of the racing judges, with a distance of no less than 5/16 of a mile, in which a greyhound exhibits its skill and ability in a race.

(78) "Scratch" means:

(A) In greyhound racing, the withdrawal of an entered greyhound from a race after the official program has been printed;

(B) In jai alai, the withdrawal of a player from a game after the official program has been printed. The scratched player is replaced by the official substitute listed in the program; and

(C) In off-track betting, the withdrawal of an entry by the host track;

(79) "Session" means a period of time established by the totalizator licensee to report the total betting and cashing activity for matinee, twilight and evening performances conducted on the same day;

(80) "Simulcasting" means the transmission of live audio and video signals of racing events pursuant to a contract, upon which pari-mutuel wagers are accepted; the transmission occurs simultaneously with the racing event from a host track to off-track betting facilities;

(81) "Starter" means, in greyhound racing, according to the requirement of the text:

(A) A greyhound is a starter for the race when the doors of the starting box open in front of it at the time the starter dispatches the greyhounds;

(B) The official who effects the proper start of the greyhounds in the race;

(82) "State" means the state of Connecticut;

(83) “Stock” means any security representing an ownership interest except as otherwise limited by chapters 226 and 226b of the Connecticut General Statutes;

(84) “Stockholders” means those persons whose names appear on the books of a corporation as the owners of the shares of stock and who are entitled to participate in the management and control of the corporation;

(85) “Telephone deposit center” means a facility for accepting wagers by telephone, or other electronic means approved by the division, on authorized off-track betting events;

(86) “Totalizator” means the complete integrated set of hardware and software elements which functions to issue, cancel and record wagers in pools, determine and validate winning wagers, calculate and display approximate odds and payoffs on winning wagers on an electronic display board or monitor for the public view, perform teller accounting, provide real-time and historical reporting, and perform other functions necessary for the operation of pari-mutuel gaming. This term also applies to a duly licensed company providing such a system;

(87) “Tout” means one who obtains information on race entries and their prospects and sells it to bettors by persistently or brazenly soliciting customers on the grounds of a pari-mutuel or OTB facility;

(88) “Track” or “racetrack” means, in greyhound racing, any parts of the plant of a racing association, including, but not limited to, the racing strip, the approaches and entrances, the stands and all other accommodations and facilities afforded to the public, the kennels, lockout, judges’ boxes, pari-mutuel offices, facilities and equipment, totalizator and public address system. For off-track betting, track or racetrack means a race course for conducting races with respect to which the association is accepting bets. A track may include any facility, association or system which conducts racing or accepts wagering;

(89) “Trainer” means a person responsible for the care of greyhounds in a kennel;

(90) “Twilight” means a performance whose first race or game begins in late afternoon;

(91) “Wagering” means the purchasing and cashing of tickets;

(92) “Wagering terminal” means any device approved by the division used to enter wagers into the totalizator system;

(93) Weighing-in weight. The weight of the greyhound taken at first weighing in; and

(94) Weighing-out weight. The weight of the greyhound just previous to post time of the race in which it was entered.

(Adopted effective October 3, 2001)

Sec. 12-574-F2. General provisions

(a) **Gaming policy board.** The board may delegate any duty to the division concerning the regulation of pari-mutuel wagering or off-track betting as long as such delegation is not in conflict with chapters 226 and 226b of the Connecticut General Statutes.

(b) **Applicability.** All licensees and all persons wagering at or through off-track betting or parimutuel facilities shall be bound by the provisions of chapters 226 and 226b of the Connecticut General Statutes and sections 12-574-F1 to 12-574-F65, inclusive of the Regulations of Connecticut State Agencies.

(c) **Waiver.** The gaming policy board or the executive director with the approval of the gaming policy board, in its discretion, may waive any regulation contained herein when such waiver shall be in the best interests of the state of Connecticut, greyhound racing, off-track betting or jai alai. Prior approval of the board shall not

be required for waivers within the jurisdiction of the executive director or where the executive director finds that public health, safety or welfare requires emergency action, or is necessary to facilitate the daily operations of the facilities, provided the board shall be apprised at their next scheduled meeting of the waiver and the circumstances surrounding it. The board may approve or disapprove the continuance of such waiver.

(Adopted effective October 3, 2001)

Sec. 12-574-F3. Operating dates, times, and number of games or races

(a) Jai alai and greyhound operating dates; number of games or races.

(1) Generally. The board shall approve the number of jai alai playing and greyhound racing days to be awarded, which shall not be less than one hundred (100) days in a year unless the board waives this requirement for an association's initial year of operation. Unless delegated to the division by the board in accordance with section 12-574-F2 (a) of the Regulations of Connecticut State Agencies, the board shall approve the actual days awarded, the number of performances, the post times of the first game or race for each performance and the number of games or races in each performance. Post times for games or races other than the first of each performance shall be established by management and normally adhered to within one minute. However, upon request from management, the division representative may approve extension of the betting period if such extension is required by the circumstances and is in the best interest of the public. Failure to comply with the post times or approved extensions shall constitute an infraction of the regulations which may subject the violating association to a fine, license suspension or both.

(2) Annual application. An association licensee shall annually apply for jai alai or greyhound racing dates and file such information as the board may direct. In awarding jai alai or greyhound racing dates the board shall consider the best interests of the state, the interests of the associations and any other pertinent considerations. The board shall as far as practicable avoid conflicts in the dates assigned.

(3) Sunday performances. With the approval of the legislative body of the town in which the meet is scheduled to take place and upon the request of the licensee, Sundays may be included in the period of days assigned for a greyhound or jai alai meet.

(4) Make-up performances. If for good cause, jai alai or greyhound racing could not be conducted during a meet, the executive director may award make-up performances to be conducted on such dates as the executive director may determine.

(b) OTB operating dates.

(1) Annual application. Unless waived by the board, the board shall approve the number of operating days to be awarded and the actual days awarded. The executive director shall approve the program of races for each performance, the time of the first race for each performance and the hours of daily operation. The association licensee shall annually apply for operating dates and file such forms as the board may direct. In awarding operating dates the board shall consider the best interests of the state, the interests of the association and any other pertinent considerations.

(2) Sunday operation. With the approval of the legislative body of the town in which the operation is scheduled to take place and upon the request of the licensee, the board shall include Sundays in the period of days assigned for operation.

(3) Make-up performances. If for good cause an OTB program could not be conducted the executive director may award makeup programs to be conducted on such dates as the executive director may determine.

(Adopted effective October 3, 2001)

Sec. 12-574-F4. Requirements of associations

(a) **Price notification.** The division shall be notified of the prices of admission, if applicable, to wagering facilities, to special enclosures and reserved spaces therein, to parking areas and of the prices of any other services, equipment or accommodations for wagering, handicapping or otherwise for the comfort, safety or convenience of patrons which might be made available within the facility.

(b) **Commission.** Any association conducting jai alai or greyhound racing shall submit to the division their proposed commission for all pari-mutuel pools. Any changes to the commission structure shall receive prior division approval. The commission shall be in accordance with chapter 226 of the Connecticut General Statutes. Upon request, the association shall make available the approved commission for all active pari-mutuel pools.

(c) **Offices for division.** Each association or OTB facility operator shall provide within its facility suitable offices and in close proximity to the facility suitable parking for the use of the division.

(d) **Information for division.** Associations and concessionaires shall promptly give to the division such information in writing as may be requested and shall freely and fully cooperate with the division in every way.

(e) **Program approval.** The division shall approve the contents of programs offered for sale at the facilities.

(f) **Handicappers.** Anyone who sells or promotes the sale of handicap sheets or other wagering advice or information to the public at a facility shall obtain, as the case may require, an occupational or concessionaire license from the division.

(g) **Race information.**

(1) Associations shall make sure the race or game information which they disseminate to the news media is accurate and shall make all reasonable efforts to make corrections whenever erroneous information is transmitted or whenever an erroneous publication is brought to the attention of the association.

(2) Associations and OTB facility operators shall provide within the facility a method to inform the public of the results of the previous day's performances and shall also maintain a telephone line for use within the state to afford the public with ready access to accurate race results. This line shall provide the correct placings the day following the performance and shall be open and available during business hours during a meet.

(h) **Erection, removal of structures.** Any plan to alter, construct or remove structures on or within facilities utilized by an association or OTB facility operator shall be approved by the division.

(i) **Inspection of racing facilities prior to meet.** At least fifteen (15) days before the start of the initial meet in any calendar year when a facility has been inoperable for a period of thirty days (30), the division shall make an inspection of the facility where the meet will be conducted.

(j) **Clean grounds.** An association or OTB facility operator shall keep and operate all of its facility, including leased areas and parking areas, if applicable, in a clean and safe manner at all times.

(k) **Penalties for illegal wagering.** Any licensee who participates in illegal wagering may be subject to ejection, fine(s), license suspension or license revocation. In the case of the owner of any greyhound, the entries of said owner shall be refused for all Connecticut tracks.

(l) **Video records.** An association shall cause all races to be videotaped in a manner approved by the division and shall carefully retain all tapes for a period approved by the division.

(m) **Complimentary services.** An association may establish procedures to award complimentary services to patrons. Such procedures and any software which interacts with the totalizator system are subject to the prior review, testing and approval of the division. In addition, the division shall have full access to any records and system reports of such services.

(n) **Unfettered access.** Members of the division and its designated representatives shall have the right of full and complete entry to any and all parts of the association's facilities and offices.

(o) **Chronic gamblers fund.** Pursuant to the provisions of section 17a-713(b) of the Connecticut General Statutes, each association or OTB facility operator shall pay a monthly fee for the funding of the chronic gamblers treatment and rehabilitation program. Said fee is to be paid to the division for deposit in the general fund. The previous month's fee shall be paid by each association or OTB facility operator by no later than the fifth business day of the following month.

(Adopted effective October 3, 2001)

Sec. 12-574-F5. Facility operations

(a) **Persons prohibited.** No persons who are apparently intoxicated or under the influence of illicit drugs, touts, persons making book on or about the premises, loiterers or disorderly persons shall be admitted to or permitted to remain in any facility and no such person shall be permitted to place a bet directly or indirectly in any such facility.

(b) **Fraud or interference.** No person shall alter, change, or interfere with any equipment or device used in connection with pari-mutuel operations, or cause any false, inaccurate or unauthorized information, data, impulse or signal to be fed into, transmitted over, registered in, or displayed upon such equipment or device with intent to obtain or enable any person to obtain any payment from the association to which the person is not lawfully entitled, or with intent to cause the association to make any payment not lawfully due, or with intent to defraud the association or any person.

(c) **Responsibility of employer on discharge of employee.** When an association or OTB facility operator discharges a licensed employee, or when such employee voluntarily leaves the employ of the association or OTB facility operator, the association or OTB facility operator shall immediately notify the division of such discharge or resignation. The failure to so notify the division may subject the association or OTB facility operator to a fine, license suspension or both.

(d) **Unlicensed activity forbidden.** No person requiring a license from the division shall carry on any activity whatsoever upon the premises of a facility, unless and until the person has been so duly licensed, except that any such person with the consent of the division representative may so act pending action on the application duly filed. Any person who employs anyone in contravention of these regulations may be fined or suspended.

(e) **Examination of badges.** All persons who have been issued a badge by the division must keep such badge in their possession, subject to examination by the division or its duly authorized representatives, or officials of an association or OTB facility operator, at any time they may deem necessary or proper. The division, at its discretion, may provide temporary badges to facilitate operations when an occupational licensee does not possess such badge for a given day or when final action is still pending on a license application. No licensee shall permit any other person to use the licensee's badge.

(f) **Reporting responsibilities.** Any irregularities or wrongdoing which may threaten the integrity of the facility operations shall be immediately reported to the division by any licensee or association or totalizator personnel having knowledge thereof.

(Adopted effective October 3, 2001)

Sec. 12-574-F6. Communication lines

(a) **Division approval.** No telephone, signal device, radio, television, or other method of electrical, mechanical, manual, or visual communication shall be installed within the association facility until approved by the division.

(b) **Closing telephones.** Notwithstanding the provisions of section 12-574-F6(d), all telephones in the association facility where a meet is being conducted, not specifically authorized by the division, shall be closed at post time for the first race of a performance. No external calls shall be initiated or received after the telephones are closed until after the conclusion of the performance except as authorized by division officials.

(c) **Approval for radio, television, press.**

(1) Any licensed association desiring to broadcast, televise or transmit race or game information by any means, in a manner not inconsistent with state or federal law, shall first obtain the approval of the division.

(2) Associations may permit, subject to the approval of the division, representatives of the media to send, for the exclusive use of such media, news items, and the official results of each race or game together with pertinent information.

(d) **Communication devices - cellular telephones.**

Associations may permit in designated areas as approved by the division, the use of communication devices including, but not limited to, cellular telephones, providing such use does not interfere with patrons or employees. At no time may any communications device be used in the immediate area where wagering is being conducted. If, in the opinion of the director of security or the division, a patron's use of a communication device becomes distracting to the facility's operation, the person shall immediately terminate the use of the device and may be prohibited from any future use.

(e) **Transmission of wagering information.** Unless prior division approval is received, no person shall transmit, receive or attempt to transmit or receive wagering information through the use of any communication device.

(f) **Electronic transmission.** No patron or employee shall receive or send any electronic transmission pertaining to wagering not generally provided by the association, which may be used for the purpose of placing wagers. This subsection is not intended to preclude an association from conducting normal business activities.

(Adopted effective October 3, 2001; amended February 10, 2003)

Sec. 12-574-F7. General rules of wagering

(a) **Approved wagers.** The definitions and the calculation and distribution rules for all wagers shall be approved by the gaming policy board and shall be maintained by the division in a manner approved by the executive director.

(b) **Separate pools.** Pools for each bet type have no connection with any other pool. All wagers for a specific bet type shall be calculated in a pool made up of all wagers for that bet type.

(c) **Refund.** If no ticket is sold that would require distribution of a pool, in accordance with the rule for the wager, the association shall make a complete and full refund of the entire pool upon surrender of the tickets so purchased.

(d) **Post positions.** Selections are made by post positions for jai alai and greyhound racing and by program numbers for horse racing.

(e) **Hold tickets.** Tickets shall be retained until the payouts have been declared official.

(f) **Denomination of tickets.** Tickets shall be sold only in denominations approved by the executive director. For commingled wagers, host track policy shall prevail.

(g) **Minimum entries.** There shall be at least one more contestant in a game or race than required by the number of runners or players in a specific wager, or the entire pool for that wager will be refunded.

(h) **Interrupted game.** If, for any reason, a jai alai game designated as a component of a wager begins and is not completed, said game shall be considered canceled.

(Adopted effective October 3, 2001)

Sec. 12-574-F8. Financial reporting

(a) **Scope.** This particular section of these regulations shall apply only to association, concessionaire, vendor and their affiliate licensees. When the term licensee is used in sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies, unless otherwise specified, it shall be deemed to include only those licensees. The division on its own or upon appropriate application may exempt a licensee from or modify the provisions of this section. The burden of proving that an exemption should be granted rests solely with the licensee.

(b) **Monthly.**

(1) Attendance schedules. Within ten (10) calendar days after the end of the month each licensee shall prepare and submit to the division on forms provided by the division, a schedule of paid and unpaid attendance for each facility at which an admission charge is customarily assessed, for each day of operation during the preceding month.

(2) Revenue schedules. Fifteen (15) calendar days after the end of the month or according to section 12-574-F8(c)(2) of the Regulations of Connecticut State Agencies, the division may require each licensee to prepare and submit to the division on forms provided by the division, simple schedules detailing by performance and price, the number of persons, vehicles or transactions, where applicable, and the dollar amount in receipts of the following revenue categories:

(A) Admissions (by type);

(B) Parking (by type);

(C) Fast foods;

(D) Programs, chart books, year books, etc;

(E) Bars;

(F) Restaurants;

(G) Boutiques and souvenirs; and

(H) Miscellaneous revenue segregated for pari-mutuel and nonpari-mutuel activities.

For all nonpari-mutuel related activities which result in revenue receipts or expenses of a licensee during a dark period, full details shall be provided to the division with this monthly information.

(3) Payroll reports. Each licensee shall upon request, provide the division with access to a copy of each payroll detailed by department, employee name, employee number and dollar amount of salary, commission and bonus, as applicable.

(4) Outs reconciliation. Pursuant to the provisions of section 12-574-F10 of the Regulations of Connecticut State Agencies, each association shall prepare and submit

to the division within fifteen (15) calendar days after the end of the month, such reconciliation of the amounts in the outbook to its account.

(5) Reduplication. With the division's permission, information which is submitted more frequently than monthly need not be reduplicated in the monthly report.

(c) **Quarterly.**

(1) Financial statement. Within forty-five (45) calendar days after the end of its fiscal quarters, each licensee as directed by the division shall prepare and submit to the division its quarterly financial statements prepared on an accrual basis in accordance with generally accepted accounting principles. Such statements are:

- (A) Balance sheets;
- (B) Statement of operations;
- (C) Statement of owner's equity; and
- (D) Statement of cash flows.

(2) Disclosure. Each licensee shall disclose changes to the following, if applicable, under the uniform reporting system schedules of the division:

- (A) Principles of consolidated or combined statements as prepared annually, if any;
- (B) Related party transactions:
 - (i) Nature of relationship (receivable, payable, revenue, expense, gain/loss and cash flow);

- (ii) Amount of investment in related parties;

- (iii) Description of the related party transactions involved; and

- (iv) Dollar value and terms of the related party transactions and the manner of settlement of such;

(C) Adjustments to develop combined or consolidated statements to prevent duplication in reporting and provide a fair representation:

- (i) Amounts that could be eliminated in related party transactions including non-licensees and licensees separately;

- (ii) Amounts of intercompany profit and loss which may be eliminated; and

- (iii) Disclosure of mark-up of cost or revenue, imputed interest rates or adjusted interest rates if favorable rates are provided to related parties.

(3) Reduplication. With the division's permission, information which is submitted in the monthly reports need not be reduplicated in the quarterly report. Licensees who submit monthly reports in lieu of the quarterly reports shall have thirty calendar days after the end of the month in which to submit the monthly report.

(d) **Annually.**

(1) Price structures. Each licensee shall provide the division with a list of prices for items and services by revenue category which shall be available as of the first day of operation each calendar year at such facility, and shall include a seating plan detailing the price per seat, the number of seats per price category and their location. The division shall be apprised of any subsequent change of such pricing information or changes in the sales mix and the effective dates thereof. If an association or any OTB facility operator anticipates providing group packages, such report shall be expanded to indicate total discounts offered, how the package price shall be detailed and recorded by revenue category and the anticipated volume of such packages to be sold.

(2) Annual report. By April 15 or within one-hundred and five (105) days after the close of its fiscal year, each licensee shall submit to the division a complete audit of its accounts prepared for the licensee and the division by a certified public accountant. Such audit shall consist of the financial statements required by a CPA report which shall include: (A) a balance sheet; (B) statement of operations; (C)

statement of owner's equity; and (D) statement of cash flows. Where the licensee is a subsidiary of a company which is subject to reporting to the Securities and Exchange Commission, or its successor agency, the complete audit of the parent company financial statements may be substituted in compliance with this requirement, provided there is also submitted complete unaudited financial statements for the licensee, along with a schedule reflecting the adjustments made in consolidating such subsidiary statements into the consolidated parent company financial statements. Such unaudited financial statements of the licensee shall be submitted on forms provided by or in a format acceptable to the division, and shall be accompanied by a statement signed by the licensee's chief financial officer verifying that, to the best of the signer's knowledge and belief, such financial statements have been prepared from the licensee's financial records and are true, correct and complete, and that in the opinion of management all adjustments necessary to present fairly the financial position, results of operations and cash flows as of and for the periods indicated have been made.

(3) Disclosure. In addition, the division may require the following under its uniform reporting system:

(A) Disclosure of all related party transactions as referred to in quarterly reporting;

(B) Organizational data (listing directors, officers and schedule of stockholders' holdings);

(C) Schedules as of year end or the year ended, for:

(i) Cash accounts by bank and balance;

(ii) Receivables;

(iii) Investments;

(iv) Insurance coverage (including the names and addresses of all companies with whom the policies have been placed as well as the agents with whom the policies have been placed);

(v) Prepaid expenses;

(vi) Fixed assets (detailing acquisition date and cost, asset life and depreciation rate used);

(vii) Loans or notes outstanding to and from the association licensee related parties;

(viii) Accounts payable;

(ix) Miscellaneous revenue in detail by source;

(x) Expenses for, or reimbursements to, employees, officers, stockholders, and directors other than salaries or wages;

(xi) Salaries and wages by department;

(xii) Salaries paid to officials and department heads;

(xiii) Legal, accounting, lobbyist and consulting fees;

(xiv) Travel and entertainment (in complete detail showing actual disposition of funds);

(xv) Contributions or donations;

(xvi) Taxes expensed or paid or both by type of tax;

(xvii) Advertising expense; and

(xviii) Depreciation and amortization;

(D) The results of the study and evaluation of internal control to include the procedures and tests and such other evidential matters utilized as the basis for the study and evaluation;

(E) The licensee's representation letter to the auditor for accounting information material to the financial statements and for matters relating to audit disclosure requirements;

(F) Access to articles of organization and any changes thereto, resolution, amendments to by-laws, minutes of annual corporate meetings, and schedules of percentage distribution of income; and

(G) Reconciliation of the differences between accounting and tax reports (e.g., timing differences) that shall include a concise explanation as to the difference.

(e) Licensees subject to reporting to the Securities and Exchange Commission.

(1) In addition to any other accounting system requirements imposed by these regulations, any licensee which is subject to reporting to the Securities and Exchange Commission, or its successor agency, shall be required to submit additional documents to the division.

(2) Each such licensee shall submit to the division a copy of its form 8k, form 10k, form 10-q, proxy statement and annual report to shareholders within fifteen (15) calendar days of filing with the Securities and Exchange Commission.

(f) **Contact person.** Each licensee shall designate individuals knowledgeable in and responsible for the licensee's accounting and reporting systems, as the contact person with the division to respond to accounting and other financially related questions or problems. In addition, each licensee shall provide a contact for each financial consultant and CPA firm utilized for financial advice, accounting or auditing functions, as applicable, and shall also provide a contact for the legal counsel or firm utilized. Such information as submitted to the division shall be updated for any changes.

(Adopted effective October 3, 2001; amended February 10, 2003)

Sec. 12-574-F9. Pari-mutuel operations

(a) **Mutuel manager.** The jai alai, OTB or greyhound association shall appoint a mutuel manager or equivalent who shall be licensed by the division. The mutuel manager and association are responsible for monitoring the accuracy of all pay-off prices. The mutuel manager is further responsible for the integrity of operations and the conduct of all members of the staff. In the case of OTB, the mutuel manager or equivalent is also responsible for the integrity of race control operations. Pool closing time shall be set, supervised and enforced by the mutuel manager.

(b) **Facility manager.** The association and any OTB facility operator shall appoint a facility manager or equivalent for each off-track betting facility who shall be licensed by the division. The facility manager is responsible for the accuracy of all pay-off prices, the integrity of facility operations and the conduct of all members of the staff. Pool closing shall be enforced by the facility manager.

(c) **Availability of pari-mutuel rules.** Such rules of pari-mutuel wagering as approved by the division shall be reproduced and made readily available to the public at each facility. The daily programs sold to the public by associations shall contain a prominent statement indicating that such rules are available.

(d) **Locations for sale of pari-mutuel tickets.** The sale of pari-mutuel tickets shall be permitted only in locations within the facilities accessible to the general public, subject to division approval.

(e) **Acting as agent for patron.** Licensed personnel shall not be permitted to serve as an agent or employee of a patron for the purpose of wagering. It is the duty of the association to enforce this regulation without exception.

(f) **Documentation required.** Payment of winning pari-mutuel tickets shall be made only upon presentation and surrender of such tickets, except in cases of claims based on alleged improperly cancelled tickets. No claims shall be allowed for lost, improperly cancelled, stolen, or destroyed tickets except upon the submission of proof satisfactory to the association that such claim is valid. The association shall

determine the validity of all such submitted claims and may order nonpayment or such payment as it may determine proper. Mutilated pari-mutuel tickets or those whose validity is questioned shall be submitted to the mutuel manager or the mutuel manager's authorized representative for inspection and disposition as to payment. Such mutilated tickets shall also be verified by the totalizator licensee. A decision of nonpayment by the mutuel manager may be appealed to the division whose finding shall be final. A record or log of all claims made and their disposition shall be maintained by the association.

(g) **Ticket presentation deadline.** All winning pari-mutuel tickets shall be presented for payment within one year of the date the race or game was conducted, or all rights to those winnings will be waived. All such unclaimed winnings shall revert to the association pursuant to section 12-575(j) of the Connecticut General Statutes. An association shall print in its daily program an association address at which all holders may present their unredeemed tickets during the period of limitation, or uncashed ticket vouchers for payment.

(h) **Notification of program changes.** For greyhound races and jai alai games, the mutuel manager shall be immediately advised by the racing judges or player's manager prior to the beginning of a wagering period of changes in the program affecting that period.

(i) **Payments-minimum payments.** Payments due on all wagers shall be made in conformity with the established practice of the pari-mutuel system. The practice is to work in dollars and not in number of tickets. The breakage permitted by chapter 226 of the Connecticut General Statutes is deducted in all the calculations arriving at the payoff prices; i.e., the odd cents (¢) of any multiple of ten (10) cents (¢) of winnings per dollar wagered are deducted and retained by the licensee, half of which is to be remitted to the state. The minimum pari-mutuel payoff by a greyhound or OTB association shall be \$2.10 on each winning \$2.00 wager and \$2.20 for jai alai wagers. In the event a minus occurs in any pool the expense of said minus pool shall be borne by the association, and the state shall maintain its percentage of total pool including half of the breakage of the remaining pool.

(j) **Minors prohibited from wagering.** No person under the age of majority shall be permitted to wager.

(k) **Persons prohibited from betting.**

(1) Persons prohibited from betting directly or indirectly at any OTB facility, or at any in-state facility supplying the association with simulcasting or racing information, or via a telephone betting account shall include the following:

(A) Any licensed employee of the pari-mutuel department of an association conducting off-track betting or supplying the association with simulcasting or racing information;

(B) Any licensed employee of the pari-mutuel department of an OTB facility operator;

(C) Any division employee;

(D) Any licensed employee of the totalizator company;

(E) Any association and OTB facility operator officials:

(i) Key executive or control person(s);

(ii) Director of security and assistant(s);

(iii) General manager and assistant(s);

(iv) Mutuel manager and assistant(s);

(v) Facility manager(s) and assistant(s);

(vi) Telephone betting manager and assistant(s); and

(F) Employees of the pari-mutuel department are not permitted to wager at any mutuel window of an association at which they are employed. This prohibition shall not preclude wagering by persons in connection with and as part of their official duties, if approved by the executive director.

(2) No division employee shall accept any gift or gratuity, directly or indirectly, from any person who places a bet at any off-track betting facility or facility supplying the association with simulcasting or racing information services, from any association, OTB facility operator, concessionaire or from any other licensee.

(3) The association, totalizator licensee or OTB facility operator shall be responsible for purchasing those tickets which are entered in pari-mutuel pools either through equipment malfunctions or pari-mutuel employee error and shall provide in the totalizator contract for the recognition and apportionment of this responsibility between them. Nothing in the prohibition of employee wagering shall preclude the responsibility of the association, totalizator licensee, OTB facility operator or the responsible employees of the association, to purchase those tickets which are the result of pari-mutuel employee error or the malfunctions of the ticket issuing terminals and the purchasers of those tickets shall be their owners. Any pari-mutuel employee who continuously punches out tickets in error may be subject to fine, license suspension or license revocation.

(l) **Opening of pari-mutuel terminals.** Pari-mutuel terminals shall be open during the hours of operation approved by the division. After the last race or game of a performance, mutuel cashiers' terminals shall remain open until all patrons in line have been afforded the opportunity to cash their winning tickets or to receive refunds.

(m) **Refunds.**

(1) Generally.

(A) If a race or game is declared off by the judges after wagering begins on that race or game, all money wagered on that race or game shall be refunded.

(B) If no greyhound finishes in a race, all money wagered on that race shall be refunded.

(C) If a greyhound race is marred by jams, spills, or racing circumstances other than accidents to the machinery while a race is being run, and three or more greyhounds finish, the racing judges shall declare the race finished, but if less than three greyhounds finish, the racing judges shall declare it "no race" and monies shall be refunded.

(2) Scratches.

(A) Greyhound racing

(i) If a greyhound is excused from a race for any reason whatsoever after wagering on that race has begun, the money wagered on that greyhound shall be refunded.

(B) Jai alai

(i) When for any reason, a player scheduled to play is unable to compete, the players' manager shall use the official substitute shown in the program to complete the game and all bets made on the scratched player or players shall remain in effect on the scratched player's position.

(ii) No refund shall be made on any player or team.

(C) OTB

(i) Refunds and scratches are based upon the host track rules.

(n) **Wagering terminals locked.** All pari-mutuel wagering terminals shall be lockable by electrical control. A locked terminal shall be incapable of accepting or recording wagers and issuing tickets on prior races and games or the race and game in progress. Each association shall provide and maintain in the judge's stand an

electrical device which shall directly control the locking of all pari-mutuel terminals. Such locking control shall be restricted to the judge's stand, the totalizator room or the hub. No other location shall be so equipped as to be capable of exercising such locking control. The machines shall be locked only by the division representative unless otherwise specifically authorized by the division and shall be locked prior to the opening of the starting box, or the first serve in any game. The time of locking of the terminals and the location from which such locking is initiated shall be recorded on the history log of the system.

(o) **Sales not completed.** No association or totalizator licensee shall be responsible for ticket sales not completed before the wagering terminals are locked. No further transactions on prior races or games or the race or game in progress shall be permitted after the wagering terminals are locked except that where equipment permits, time will be allowed, subject to division approval, for cancellations where the wrong ticket has been issued on the race or game just begun.

(p) **Display of odds.**

(1) The totalizator shall be so designed that it will aggregate the total amounts and the amounts on each program number wagered from time to time as the wagering progresses. There shall be operated in connection with such totalizator, one or more totalizator boards which shall prominently display within view of the public, winning odds on each program number as indicated during the progress of such wagering and at intervals of not more than ninety (90) seconds between each complete change of odds. The posting of the win odds shall begin immediately upon the commencement of wagering in the win pool. These odds will be approximate, and are not the exact figures used in the payoff. The odds to be posted shall be the odds on each program number to win in each race or game. The odds on each combination in quinella and perfecta wagering, if any, shall be posted on the television screens throughout the facility.

(2) The final approximate odds and the total amount wagered in each approved pari-mutuel pool shall be calculated and displayed immediately after the close of the pari-mutuel terminals and transmission of information from all remote locations. The totalizator equipment shall display on TV monitors throughout the facility at the end of each race, when the results have been declared official, the winning program numbers and the payout of every winning combination by pool.

(q) **Pool discrepancy on totalizator board.** Whenever there is a difference in any pool or pools, i.e., a difference between the sum total of the wagers on the individual entries as compared with the grand total as shown by the totalizator boards, or when ever the totalizator board fails and the amounts shown are obviously unreliable as to the amounts wagered, the payoff shall be computed on the sums wagered in each pool as reported by the totalizator licensee and reviewed and recomputed based upon division judgement of such circumstances. If an error is made in posting the payoff figures on the totalizator board, it shall be corrected promptly and only the correct amounts shall be used in the payoffs, irrespective of the error on the totalizator board. If because of a mechanical failure it is impossible to promptly correct the posted payoff, a statement shall be made over the public address system stating the facts and corrections.

(r) **Overpayment.** In the event that an association overpays to the public in a given race or game, the association shall bear the expense and report to the division such overpayment. The percentage to be given to the state pursuant to chapter 226 of the Connecticut General Statutes shall be derived from the actual amount wagered in the specific pool in which an overpayment occurs.

(s) **Reporting of equipment malfunction and totalizator breakdown.**

(1) As soon as a problem is discovered involving a malfunction of totalizator equipment, the division shall be furnished a verbal statement of the nature of the problem and its impact on the operation, which will then be followed by a detailed report thereof in writing signed by the totalizator manager. In all instances, the totalizator operator shall notify the affected associations as soon as a problem is discovered. At the discretion of the division a written report shall also be provided to the division and prepared by the mutuel manager detailing the reasons for, and the actions taken, because of equipment malfunction or totalizator breakdown.

(2) In the event of a breakdown of the totalizator or the ticket issuing machine, or both, which in the opinion of the division materially affects the operation of the system during the wagering on a race or game, the wagering for that race or game shall be declared closed. The mutuel manager shall refer to the general manager or designee who, with the approval of the division representative, shall determine whether a refund shall be made on the tickets purchased for that race or game, or whether the payoff for that race or game shall be computed on the sums already wagered in each pool or in the case of OTB, based upon the applicable provisions of the calculation rules as approved by the division. The association and the totalizator licensee shall provide for and ensure accuracy of the handle distribution by pool. Subject to the provisions of this subsection, the mutuel manager or designee and the division representative shall advise the general manager or designee whether payment shall be delayed until all relevant facts are determined and whether the remaining races or games shall be cancelled; or there shall be a suspension of wagering on any given pool until the totalizator system has been put in order. In the event of such a suspension, races or games may be run without wagering.

(t) **Posting of final approximate odds.** The printout on each pool, showing total amount wagered on each program number, shall be immediately available for inspection by the public. Such availability is to be made as soon as possible after the completion of the race or game and shall remain available until the close of the day's program.

(u) **Reporting of irregularities.** Any irregularities or wrongdoing involving pari-mutuel wagering shall be immediately reported to the division by any licensee or association or totalizator personnel having knowledge thereof.

(v) **Tax reportable winnings and withholding.** The association shall comply with all statutes, rules, regulations, rulings, and directives of the Internal Revenue Service and Department of Revenue Services regarding reportable winnings and withholding thereon. Federal and state reportable winnings information shall be provided to the division on a quarterly basis, using a media and a format specified by the division.

(w) **Wagering pools.** There shall be separate wagering pools for each type of approved pari-mutuel wagering with payoffs calculated independently of each other. From each pool there shall be deducted the amount specified by chapter 226 of the Connecticut General Statutes for the state and association, the remainder being the net pool for distribution.

(x) **Official results.** At the end of each race or game the judges shall verify with the mutuel department, by use of totalizator equipment or telephone, the official placement and payout of the program numbers. No payoffs shall be made until the receipt of such verification and the declaration that the result is official by flashing the word "official" on the totalizator board or announcing such on the public address system.

(y) **Emergencies.** Should any emergency arise in connection with the operation of the pari-mutuel department not covered by sections 12-574-F1 to 12-574-F58, inclusive, of the Regulations of Connecticut State Agencies and an immediate decision is necessary, the general manager, after consultation with the mutuel manager and division representative, shall determine the appropriate action and shall make a detailed explanation in writing immediately to the division.

(z) **Mutuel department.** The mutuel department of every association and facility operator shall be conducted in a strict, courteous, dignified and professional manner.

(aa) **Right to refuse payment.** In the event any wager is determined to have been placed after a race or game has officially started, the association, with division approval, may withhold payment on such wagers and calculate pay-off prices based on wagers placed prior to the start of the race or game.

(bb) **Sales of tickets.** All wagers shall be for cash at the time of sale and all cash transactions shall be made with United States currency.

(cc) **No wagering on credit.** No licensee shall extend credit in any form to any patron for the purpose of wagering. Checks accepted by an association or oth facility operator shall be immediately endorsed for deposit and not held for subsequent redemption by the issuer. Nothing in this subsection shall preclude the installation, subject to division approval, of a third party cash service at any facility.

(dd) **Use of printed slips.** The association or OTB facility operator may require that the bettor indicate on a printed betting slip in clearly legible handwriting, the racetrack, amount of bet, the type of bet, the race number, the wagering interest and such other information as may be specified by the association or OTB facility operator.

(ee) **Issuance of pari-mutuel ticket.** Upon receipt of the money to be wagered and the information set forth in subsection (dd) of this section, the association or OTB facility operator shall issue a ticket or receipt to the bettor which shall show the information submitted by the bettor. The issuance of such ticket or receipt shall constitute the acceptance of the bet, subject to subsection (ff) of this section and to said bet containing the information specified by the association or OTB facility operator. Provisions of this subsection notwithstanding, an association or OTB facility operator may implement procedures for betting by any other electronic means approved by the division.

(ff) **Acceptance of pari-mutuel ticket.** Except as otherwise provided in sections 12-574-F1 to 12-574-F58, inclusive, of the Regulations of Connecticut State Agencies, any person making a bet at a facility shall be deemed to accept the ticket or receipt issued. Cancellations of pari-mutuel tickets shall only be permitted under procedures determined by the association and approved by the division. Any claim by a person that a ticket or receipt issued is in error, bears an omission or they have received an incorrect amount of change shall be made before leaving the pari-mutuel ticket window.

(gg) **Patron complaints.** Patrons with complaints should register them with an authorized mutuel supervisor, or division representative who may direct the patron to the mutuel manager, their authorized representative or the division office for redress. The record of any complaint concerning any pari-mutuel transaction shall be reported immediately to the division representative by the mutuel manager or supervisor.

(hh) **Sale of wagers.** The method and manner of selling pari-mutuel wagers shall be approved by the division. The approval shall include, but not be limited to, the number, type, and distribution of wagering terminals.

(ii) **Faulty pari-mutuel ticket.** It is the burden of the bettor to verify all information on the ticket issued at the time of issuance. Once the bettor accepts an issued ticket, it is deemed to be valid. Where a ticket presented for payment is incomplete, or contains undecipherable characters or inconsistent data with respect to any particular bet thereon, to the extent that a correct payoff cannot be determined, the association may deny refund or payoff.

(jj) **Delay of payment.** The association may reserve the right to delay any payment until an official inquiry is made into the race or ticket in question.

(Adopted effective October 3, 2001)

Sec. 12-574-F10. Uncashed tickets

(a) **Outsbook.** The association shall carry an account called the outsbook which shows the total amount due for current and prior days outstanding unredeemed pari-mutuel tickets which represents: (1) the winning tickets not presented for payment; (2) the unredeemed refundable pari-mutuel tickets for canceled races, games or equipment malfunctions; (3) the unredeemed refundable pari-mutuel tickets for any pool of any race or game in which there is no winning ticket and such pool cannot be redistributed to other winning combinations as provided by the rules for the wager; and (4) scratched entries. A record of all current unpaid pari-mutuel tickets shall be prepared and retained by the data processing systems or computerized totalizator services utilized by the association at the end of each racing day as requested by the division. A copy of the outstanding tickets report prepared by the association or totalizator licensee showing the daily accumulation of the current outs totals shall be delivered to the division by the association at the close of each racing day. The association shall provide the division with a complete outs listing when so requested in a format acceptable to the division. Subject to division approval, no outsbook removed from memory files of the data processing or totalizator equipment shall exist in more than two copies. One copy is to be maintained by the association or totalizator licensee for outs activity. The other copy shall be provided to the division, which copy may have certain bet identification parameters suppressed. No other copies, extractions or access shall be made on uncashed ticket information unless so authorized in writing by the executive director.

(b) **Uncashed cash vouchers.** An association shall maintain proper records regarding all uncashed vouchers in order to comply with the requirements for unclaimed property in accordance with section 3-64a of the Connecticut General Statutes.

(c) **Requirements current.** The current day's outsbook shall include the date, performance, race or game, type of wager, amount wagered, winning combination, payoff amount, number of winning tickets outstanding and total amount outstanding for the day and shall be furnished in accordance with the requirements of this section. For systems that utilize a ticket identification code, at no time shall a decipherable ticket identification code appear in the outsbook.

(d) **Update.** The outsbook shall be updated at the end of each subsequent racing day by the reduction of the amount and number of tickets outstanding and the addition of outstanding tickets data for the racing day just ended. The supporting data utilized for such update shall be presented along with the update in a manner prescribed by the division.

(e) **Off-line cashing of tickets.** When the cashing of a ticket is not automatically recorded in the totalizator system's memory, within fifteen (15) days after the end of the month and subject to subsection (g) of this section, an association shall provide the division with a monthly summary of the outs activity for the month just ended that shall contain the beginning balance, the activity for the month

segregated for tickets cashed and other adjustments, and the ending balance. Such summary shall be signed by the association employee responsible for maintaining the outbook and shall indicate that a trial balance for the outs has been completed and is in agreement for such month. All adjustments in the outbook shall be initialed and shall indicate the time, date and reason for such adjustment.

(f) **Cashing tickets.** When cashing current day pari-mutuel tickets or pari-mutuel tickets which have been entered in the outbook, the association shall be responsible to see that the ticket is branded for systems with that capability or that on the back of each ticket is clearly stamped with the number of the cashier, the words “out ticket”, the date such ticket was cashed, and the name of each patron with federal and state reportable winnings. The regulations as set forth in sections 12-574-F9(f) and (g) of the Regulations of Connecticut State Agencies for ticket presentation and section 12- 574-F9(v) of the Regulations of Connecticut State Agencies for betting information shall apply.

(g) **Records to be retained.** All outstanding tickets cashed shall be grouped by cashing date and any outstanding tickets cashed for any outbook which is removed from the memory files of the data processing system or totalizer equipment shall be segregated from current performance tickets cashed. No records including updated records pertaining to pari-mutuel operations or cashed winning pari-mutuel tickets shall be destroyed without the permission of the division. Safe-guarding of these records is the association’s responsibility.

(h) **Limitations.** No tickets are to be honored for payment unless presented for payment within one year from the date of the event. At the expiration of this limitation period, the value of the uncashed winning pari-mutuel tickets shall be paid over to the association and a final update of the outs listing represented by the amount paid over to the association shall be submitted to the division.

(i) **Discrepancies.** It is the association’s responsibility to ensure the accuracy of transactions involving the outs account and to reimburse the account for any errors, misrepresentations, or discrepancies. Furthermore, the association shall immediately notify the division of any such errors, misrepresentations, or discrepancies and provide the division with a full explanation as soon as possible thereafter.

(j) **Money retained in operating account.** All money representing the value of the outbook shall be retained by the association in a regular or restricted operating account determined by the association subject to the surety required by the division. Investments may be purchased as surety subject to the conditions and approval of the division.

(k) **Certification.** The mutuel manager shall be responsible for the adequate and timely maintenance and reconciliation of the outbook and shall keep a record of the names of the individuals who have made entries in the outbook and the date of such entries. The mutuel manager shall further certify the validity of the entries and the accuracy of the computations in the outbook and shall include such certification in the final update that is submitted to the division.

(Adopted effective October 3, 2001)

Sec. 12-574-F11. Underpayments, fines, remittance

(a) **Underpayments.** All monies resulting from underpayment to the public of the mutuels payout irrespective of cause, shall be paid over to the state of Connecticut by each licensee by the close of banking hours the next banking day following the day of the session.

(b) **Fines.** Except where a stay is granted, upon official notification, all fines imposed upon licensees pursuant to chapter 226 of the Connecticut General Statutes

or any applicable regulations shall be paid over to the state within forty-eight (48) hours of notification of said fine.

(c) **Failure to comply.** Failure by any licensee to comply with this section may be cause for further administration action.

(Adopted effective October 3, 2001)

Sec. 12-574-F12. Officials

(a) **Designation of officials.** Officials shall include the following, as determined by the division:

- (1) Division officials:
 - (A) Division facility supervisor;
 - (B) Division judge;
 - (C) Division senior facility officer;
 - (D) Division liaison officer;
 - (E) Division veterinarians;
- (2) Association officials:
 - (A) Presiding racing judge;
 - (B) Associate racing judge;
 - (C) Court judges;
 - (D) General manager and assistants;
 - (E) Mutuel manager and assistants;
 - (F) Facility manager and assistants;
 - (G) Director of security and assistants;
 - (H) Association veterinarians;
 - (I) Players's manager and assistants;
 - (J) Racing secretary and assistants;
 - (K) Paddock judge;
 - (L) Chart writer;
 - (M) Kennel master;
 - (N) Operator of mechanical lure;
 - (O) Patrol judge;
 - (P) Clerk of the scales; and
 - (Q) Starter.

(b) **Approval by division.**

(1) At least thirty (30) days prior to the first day of a race or meet, the association shall submit in writing to the division the names of all association officials, and no association official shall be qualified to act until having been licensed by the division. In the event of incapacitation of any such approved association official, the association may, with the approval of the division, appoint a substitute who shall, within seven (7) days of appointment, obtain a license from the division. Any removal or transfer of association officials shall be reported to the division in writing prior to actual removal or transfer, detailing the reason for such action.

(2) All association officials enumerated in subsection (a) of this section shall be appointed by the association holding the race or meet. All appointments are subject to licensure by the division, which reserves the right to demand a change of personnel for good and sufficient reason. The division shall appoint the division officials.

(c) **Compensation.** All association officials enumerated in subsection (a) of this section shall be compensated by the association.

(d) **Dual jobs.** No operating official may hold more than one position at a facility unless written permission is obtained from the division.

(e) **Wagering prohibited.** No licensed greyhound official may wager on the result of a greyhound race conducted in Connecticut. No licensed jai alai official may wager on the result of any games played at a fronton in Connecticut.

(f) **Reports to division.** All observed violations of sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies shall be reported in writing by officials and their assistants to the division and the board of administrative judges. Any official or assistant having knowledge of, or information pertaining to any mistreatment or neglect of greyhounds, shall report to the division immediately and submit details in writing, in a timely manner thereafter for investigation and redress.

(g) **Prohibition.** No person employed or appointed by the division or the association shall have or maintain any interest, direct or indirect, in the ownership or leasing of a greyhound which participates at any licensed meet within Connecticut.

(h) **Respect accorded officials.** If any person licensed by the division uses abusive language to an official, state or division employee, or otherwise disturbs the peace at the facility said person shall be liable for a penalty, including ejection by the association which shall be immediately reported to the division, or a fine, license suspension or license revocation by the division.

(Adopted effective October 3, 2001)

Sec. 12-574-F13. Board of administrative judges for jai alai and greyhound racing

(a) **Composition and appointment.** The three member board of administrative judges shall be comprised of:

- (1) the division facility supervisor or designee;
- (2) the general manager or designee; and
- (3) an additional division representative.

(b) **Authority.**

(1) Majority rules. All questions pertaining to which their authority extends shall be determined by a majority vote of the board of administrative judges.

(2) Presiding judge. The division facility supervisor or the senior facility liaison officer shall be the presiding judge of the board of administrative judges.

(c) **Deputy and temporary racing judges.** No deputy or temporary racing judge shall sit on the board of administrative judges unless the permission for such substitution is received from the executive director.

(d) **Powers and duties.**

(1) The board of administrative judges shall have jurisdiction over all matters concerning allegations of regulatory infractions committed by patrons or division licensees.

(2) The board of administrative judges shall investigate and review any allegation of fraudulent or corrupt practices at the facility.

(3) The board of administrative judges shall investigate all complaints.

(4) The board of administrative judges shall have the power to conduct reinstatement hearings.

(5) The board of administrative judges shall have the power, following a hearing conducted in accordance with the division rules of practice and hearing procedures, to punish for violation of chapter 226 of the Connecticut General Statutes or sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies, any person subject to their control and in their discretion, to impose fines, license suspensions or both for said violations.

(6) The board of administrative judges may suspend for not longer than sixty (60) days anyone whom they have authority to supervise, they may impose a fine not exceeding \$500.00, or they may impose a combination of these penalties. They may also suspend any person, including greyhound racing authorities, racing judges of any other state or any other officials of the meet, found guilty of any corrupt or fraudulent practices. All such suspensions and fines shall be reported to the division. If the penalty capable of being imposed by them is not in their opinion sufficient, the board of administrative judges shall refer the matter to the division.

(7) Any party aggrieved by the imposition of a penalty by the board of administrative judges may petition the division for a hearing de novo conducted in accordance with chapter 54 of the Connecticut General Statutes. The petition shall be submitted in writing to the division within three days of official notice of the judges' decision. The taking of a petition to the division shall automatically stay any penalty imposed by the board of administrative judges.

(8) The division retains the right to assume jurisdiction over any matter within the purview of the board of administrative judges.

(e) **Exclusions.** In accordance with section 12-574-F19 of the Regulations of Connecticut State Agencies, the board of administrative judges shall order the exclusion from all places under their control of persons ruled off or ejected. In accordance with section 12-574-F19 of the Regulations of Connecticut State Agencies, they may also order the exclusion of any person declared guilty of any corrupt or fraudulent practices by authorities or judges of any other state or country. The names of all persons ordered excluded shall be promptly reported to the division.

(Adopted effective October 3, 2001)

Sec. 12-574-F14. Security

(a) **Director of security.** An association and any OTB facility operator shall employ a full time director of security who shall be licensed by the executive director. The director of security, the authorized representative or, in the absence of security, facility management shall be responsible to:

(1) Supervise the entrance to and exit from the OTB facilities, and supervise the entrance to and exit from every gate within the grounds of the association at all times during the scheduled meet of said association;

(2) Supervise all security personnel in the constant search for undesirables and expulsion of same from the facility;

(3) Investigate and report in a timely manner to both the division and the association any action or allegation of action on anyone's part which may endanger the honest operation of any facility; and

(4) Enforce sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies and association rules, whether the violator is a patron or employee, and assist in the apprehension of offending parties and expulsion of same, if requested by either the association or the division.

(b) **Crowd control.** At least fifteen (15) days before the start of the initial meet of any calendar year, the association or facility operator shall provide the division with a plan for crowd control and thereafter shall notify the division of any amendments to such plan, which are subject to the division's approval.

(c) **Daily security or incident report.** The track or fronton security department and any other law enforcement agency employed by the association to act in, on or about the licensed premises of any facility, shall furnish a copy of their daily security report, and any incident reports, together with any additional pertinent information, to the division. The copy shall be delivered to the division personnel

at the facility upon the close of each operating day, or furnished to the division immediately upon demand. The association shall likewise furnish the division with copies of any other police reports of which it comes into actual possession.

(d) Responsibility of association.

(1) Each association through its director of security shall police its grounds at all times in such a manner as to preclude the admission of any person in and around the kennels, paddock area, players' quarters, parking area or other restricted areas of a facility excepting those duly licensed by the division, and authorized by the association. If the division finds that the restricted areas of an association are not being properly policed and unauthorized persons are found in and around these areas, the division shall take all action appropriate under chapter 226 of the Connecticut General Statutes including, but not limited to, fine(s), license suspension or license revocation.

(2) A jai alai association, through its director of security, shall supervise all entrances to and exits from the players' quarters and shall secure such entrances at least one (1) hour before the start of the first game of a performance and shall insure that the hour remain secured throughout the performance.

(3) Each greyhound association through its director of security shall furnish as approved by the division complete security service night and day in and about all kennel enclosures and shall furnish to the division a complete list showing name, duty, place stationed and portions of enclosures supervised by such security officers.

(4) Each association through its director of security shall police its grounds in such a manner as to properly protect the public and maintain order, and to refuse admission to and eject from its premises any and all undesirable persons.

(e) No admittance without license. No unlicensed person shall be permitted to enter in or about any restricted areas or other areas requiring authorization from the division. Admittance to the kennels is prohibited unless a valid owner's, trainer's, kennel employee's, veterinarian's license or temporary badge has been issued by the division.

(f) Minors prohibited. No association or persons shall knowingly permit any minor to enter a facility nor shall any minor be permitted to place a bet, directly or indirectly, at any off-track betting facility or by telephone. The division, an association or an OTB facility operator shall have the right to require patrons to produce proof of age and identity. An association shall be fined not more than fifty dollars per violation if any minor is found at its facility in violation of this subsection. Any occupational licensee who violates this section shall be fined not more than twenty-five dollars per violation. Pursuant to section 12-576(e) of the Connecticut General Statutes, nothing in this subsection shall be construed to prohibit any minor from entering onto a parking area at any building or establishment when authorized off-track betting takes place or at any racetrack or fronton when any authorized meeting takes place for the purpose of attending an event at which gambling activities do not occur.

(g) Employment of minors. Minors sixteen years of age or older may be licensed by the division provided written permission from a parent or guardian is filed with the division.

(h) Written report of arrests. It shall be the duty of each association, through its director of security, to notify the division in writing, in a timely manner, of all ejections and arrests, giving names, addresses and offenses.

(i) Weapons, alcoholic beverages and drugs.

(1) No person shall carry or display on the premises of the association any firearm or other dangerous weapon, unless as a law enforcement officer or association security employee.

(2) No person shall possess at any facility, any alcoholic beverage unless the beverage is purchased on the premises.

(3) No person shall possess at any facility, any narcotic or other controlled substance unless under written prescription by a licensed physician.

(j) **Nightly log, recording disturbances.** Where applicable, a log shall be maintained by the association security stating in detail any disturbances, drunkenness or disorderly conduct in and about the kennel area, giving in detail where applicable the names, badge numbers and license numbers of any persons committing any offenses whatsoever.

(k) **Kennel and compound security.**

(1) All incidents relating to improper activities or suspicious occurrences in kennels and compounds shall be immediately reported by owners, trainers or other kennel employees to the director of security or other track officials as well as to the duly authorized representative of the division.

(2) A copy of the association security rules shall be posted inside every kennel or furnished to every kennel owner or trainer.

(3) No person shall be permitted in the kennel area proper except the owner, trainer, kennel operator, kennel helpers, association representatives and authorized division personnel.

(4) Trucks and trailers shall be driven only by licensed kennel personnel and shall be inspected by them prior to the loading of greyhounds.

(5) The division reserves the right to disapprove the type, quality or grade of food delivered for use in the kennels. Food deliveries shall be made directly to kennel personnel and shall be properly secured upon delivery. Food purveyor personnel shall secure a signed delivery receipt from a licensed kennel employee at the time of each delivery.

(l) **Trespassers to be ejected.** Any person going upon the surface of the race track or into the winners enclosure without the permission of the racing judges, shall be ejected promptly from the premises of the association.

(Adopted effective October 3, 2001)

Sec. 12-574-F15. Patron complaints

Complaints by patrons against any officials or employees, or complaints of corrupt practices or other questionable incidents shall be made to the division at its offices. Such complaints shall be in writing, and the division shall forward a copy of any complaint to the association or OTB facility operator. A written copy of any patron complaint made to the association or an OTB facility operator shall be immediately forwarded to the division. A written copy of the association's or OTB facility operator's disposition shall also be immediately forwarded to the division.

(Adopted effective October 3, 2001)

Sec. 12-574-F16. Violations of rules and regulations

(a) **Liability.** Any licensee of the board or division violating chapter 226 of the Connecticut General Statutes or any of sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies shall be liable for the penalties herein provided, unless otherwise provided. It is the duty and responsibility of all such licensees to know these rules. Nothing in sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies shall be deemed to

lessen the primary responsibility of a licensed association to enforce these rules and regulations.

(b) **Penalties.** The penalties for violation of chapters 226 and 226b of the Connecticut General Statutes or sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies shall be as follows:

(1) The board:

(A) For good cause, may impose upon a licensee authorized to conduct a meeting or operate the off-track betting system a fine of up to seventy-five thousand dollars per violation;

(B) For good cause, may impose upon any other licensee a fine of up to five thousand dollars per violation;

(C) For good cause, may revoke, suspend, or deny licenses granted by it;

(D) In the case of a license revocation, may bar its licensees from all pari-mutuel operations in Connecticut; and

(E) May impose a combination of these penalties.

(2) The executive director:

(A) For good cause, may impose on his licensees a fine of up to two thousand five-hundred dollars per violation;

(B) For good cause, may deny any license application, and the executive director, deputy, any unit head, assistant unit head or executive assistant, so authorized by the executive director, may suspend or revoke for good cause any license issued by the executive director;

(C) May deny his licensees under suspension admission to or attendance at one or more pari-mutuel facilities;

(D) May eject or bar from all pari-mutuel operations in Connecticut any licensee who has had his license revoked; and

(E) May impose a combination of these penalties.

(3) Penalties by the racing judges are covered under section 12-574-F23(j) (8) of the Regulations of Connecticut State Agencies.

(4) Penalties by the board of administrative judges are covered under section 12-574-F13(d) (6) of the Regulations of Connecticut State Agencies.

(c) **Payment of fines.** All fines assessed shall be paid in accordance with section 12-574-F11(b) of the Regulations of Connecticut State Agencies. Any licensee who pays a fine imposed on another licensee may be penalized by the appropriate authority, except in accordance with applicable law.

(d) **Right to hearing.** All parties cited for violations will be given opportunity for a hearing in accordance with these regulations and the division rules of practice and hearing procedures.

(e) **Right to appeal.** All sanctions imposed by the division are appealable to the board and shall be appealed within fifteen (15) days of the mailing or hand delivery by division personnel of the division's decision. All decisions of the board may be appealed pursuant to section 4-183 of the Connecticut General Statutes.

(Adopted effective October 3, 2001)

Sec. 12-574-F17. Corrupt practices and disqualification of persons

(a) **Corrupt practices.** The following are deemed to be corrupt practices:

(1) Giving, offering or promising, directly or indirectly, a bribe in any form to any person licensed by the board or executive director;

(2) Soliciting, accepting, or offering to accept a bribe in any form by a person licensed by the board or executive director;

(3) Failure of a licensee to notify the board of administrative judges of an offer, promise, request, or suggestion for a bribe made to the licensee or of any other improper or fraudulent practice;

(4) Willfully entering, causing or permitting to be entered, or started in a race, a greyhound which the person knows or has reason to believe to be disqualified;

(5) Offering or receiving money or any other benefit for declaring an entry from a race;

(6) Soliciting bets from the public by any one other than an association;

(7) Tampering, or attempting to tamper with any greyhound, or aiding such tampering in any way;

(8) Committing or conspiring to commit or assisting in the commission of or conspiracy to commit any improper, corrupt or fraudulent act or practice in relation to racing, jai alai or the operation of off-track betting; or

(9) Attempting knowingly to fraudulently establish the identity of a greyhound.

(b) **Use of live animals prohibited.** Any person licensed by the division found guilty of using or permitting the use of live animals in the training of active racing greyhounds shall be fined or their license suspended or revoked.

(c) **Effect of ejection, suspension, or revocation.** Anyone who has been ejected or whose license has been suspended or revoked by the division, the racing judges, the board of administrative judges or by the highest official regulatory body having jurisdiction where the offense occurred, shall be denied admission to all facilities licensed by the board until duly reinstated, or until the matter has been otherwise determined by the division.

(d) **Discretion of board of administrative judges.**

(1) The board of administrative judges shall have the power to declare any act which they deem to be improper, or any act which would tend to mislead the wagering public, or any act which they deem to be detrimental to the best interest of jai alai or racing, a corrupt practice and they shall have power to impose penalties, including, but not limited to fine, ejection or license suspension, and they shall report any such action to the division.

(2) If any alleged corrupt act occurs which may not be provided for in sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies, the board of administrative judges shall investigate, and they shall act upon said investigation in a manner which is just and in conformance with the integrity of jai alai or greyhound racing.

(e) **Penalties.** Anyone committing a corrupt practice shall be immediately ejected from the facility and subject to the attendant consequences of ejection and any other penalty permitted by sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies and the laws of the state of Connecticut. Ejections shall be subject to the provisions of section 12-574-F19 of the Regulations of Connecticut State Agencies. Involvement of a licensee in a corrupt practice shall be deemed sufficient hazard to the public health, safety, and welfare to warrant summary suspension of such licensee's license pending a hearing to be held within seven (7) days of such suspension.

(f) **Fraud, return of prize.** When a licensee is convicted of any fraudulent practice in relation to a particular greyhound, wholly or partly belonging to said licensee, they shall return all money or prizes which such greyhound has fraudulently won.

(Adopted effective October 3, 2001)

Sec. 12-574-F18. Appearance of licensees as witnesses at hearings

The board, the division, the racing judges and the board of administrative judges of a meet shall have the authority to order any licensee to appear as a witness at any hearing conducted by them. Failure to appear may subject the licensee to a fine, license suspension or license revocation.

(Adopted effective October 3, 2001)

Sec. 12-574-F19. Formal ejection of persons

(a) **Formal ejection.** Through its director of security or duly authorized representative(s), an association or OTB facility operator shall eject from its grounds all unauthorized persons, known undesirables, touts, persons believed to be bookmakers or connected with bookmakers, persons whose licenses are revoked or under suspension, ejected persons or persons whose conduct may be detrimental to jai alai, greyhound racing, OTB or the public welfare. Likewise, the division on its own initiative may eject such aforesaid persons.

(b) **Division notification.** It shall be the duty of each association or OTB facility operator through its director of security, to notify the division of all formal ejections and arrests, giving the name and address of the ejectee and the specific nature of the offense.

(c) **Formal ejectee notification.** Every person formally ejected by the association or the division shall be notified in writing of the ejection and the specific reasons therefore. All ejection notices shall contain appropriate language informing the person ejected of their right to a hearing and the procedures involved. If ejected by an association or OTB facility operator, a copy of the ejection notice issued by the association shall be immediately filed with the division.

(d) **Ejection hearing.** Any person formally ejected by either the association, OTB facility operator or the division shall have the right to a hearing by the division concerning the propriety of such ejection upon written request to the division within seven (7) days of the ejection. Such hearing shall be held pursuant to division rules of practice and hearing procedures. The division, or the board of administrative judges, as the case may be, in either ejection hearings held pursuant to this subsection, or reinstatement hearings held pursuant to subsection (e) of this section, may issue orders as part of its decision as to limitations concerning any additional reinstatement hearings to be afforded said ejected persons. Any ejected person may petition for an additional patron reinstatement hearing pursuant to subsection (e) of this section upon showing that new or additional evidence exists concerning the facts of said persons' original ejection or upon a showing of a significant change in circumstances from those which appertained at the original ejection or reinstatement hearing.

(e) **Ejectee reinstatement.**

(1) Any person formally ejected by the association, OTB facility operator or the division shall have the right to a hearing to show reasons why he should be readmitted to the association facility and such ejection should be terminated. Such hearing shall be held by the board of administrative judges or the division pursuant to division rules of practice and hearing procedures.

(2) The board of administrative judges has the authority to conduct a reinstatement hearing either on its own motion or upon the written petition of the party ejected. As soon as practicable the board of administrative judges shall schedule a hearing and notify the ejectee of the place, date, and time thereof and the procedures involved.

(3) The board of administrative judges may order the appearance of any licensee at this hearing who in its opinion may be necessary for the efficient administration

of justice. After the hearing the board of administrative judges may either uphold the ejection, modify it in any manner or order the ejectee's reinstatement. In any case written notice of the board of administrative judges' findings and decision thereon shall be promptly delivered to the ejected person and the association.

(4) An association or OTB facility operator may on its own reinstate a person, and will immediately file a copy of its reinstatement notice with the division. The division reserves the right within five (5) business days of receipt of notice to approve or disapprove said reinstatement and no association reinstatement will be effective until the end of this period. Any person whose association reinstatement has been disapproved shall be so notified in writing by the division. This notice shall inform said person of his right to a hearing before the board of administrative judges or the division concerning the circumstances of the ejection and the division's determination to disapprove reinstatement.

(f) **Effect of ejection.** Anyone who has been formally ejected or whose license has been suspended or revoked by the official regulatory body having jurisdiction where the offense occurred, whether within or without the state of Connecticut, shall be denied admission to or attendance at any or all facilities licensed by the division until duly reinstated or until the matter has been otherwise determined by the division.

(g) **Association rights.** Nothing in this section shall infringe upon the rights of an association to exclude persons from its grounds for reasons not related to the conduct or integrity of racing or wagering. The length and scope of any such exclusion from association property shall be at the discretion of an association. An association may exclude persons engaged in behavior including, but not limited to, lewd or immoral behavior, using profane or indecent language, or engaging in boisterous or disorderly conduct. The association shall inform the division of any such exclusion. The division may, after reviewing the circumstances of an exclusion, formally eject any such excluded person.

(Adopted effective October 3, 2001)

Sec. 12-574-F20. Disorderly conduct

No person shall use profane or indecent language to an official, or to any employee representing the division. No person shall in any manner, or at any time disturb the peace on the grounds of an association. Anyone engaging in such conduct may be excluded by an association or formally ejected from the facility and subject to the attendant consequences of ejection and any other penalty permitted by sections 12-574-F1 to 12-574-F65 inclusive, of the Regulations of Connecticut State Agencies and the laws of the state of Connecticut.

(Adopted effective October 3, 2001)

Operation of Greyhound Racing

Sec. 12-574-F21. Requirements of greyhound association

(a) **Purses.** Each association conducting a racing meet shall keep a separate bank account to be known as the "kennel account" with sufficient funds at all times to cover all monies due greyhound owners for purses, stakes, rewards and deposits. Withdrawals from this account shall at all times be subject to audit by the division.

(b) **Track size.** A license for a meet will be granted by the board only for a racing facility affording a course of a quarter mile or more in circumference.

(c) **Illumination for evening racing.** In the event evening racing is held, an association shall have lighting equipment which must be approved by the division.

(d) **Identification system.** Each association shall keep and maintain during its meeting a card index system or computerized system of identification of each greyhound racing for the association, and all cards or computerized system shall be legible and thoroughly identifiable for each individual greyhound. The cards or computerized system shall show the name of the kennel, the color, sex, tattoo identifications located in each ear, and characteristic markings, scars and other identification features of the greyhound. The cards shall be completed and filled out by the paddock judge. Cards and records maintained by the paddock judge shall not be given to any trainer, greyhound owner or kennel owner when a greyhound is removed but shall be placed in an inactive file for a minimum period of six (6) months. The provisions of this subsection shall not preclude the use of a microchip system of identification.

(e) **Greyhound identification, examination.** A system of greyhound identification and physical examination shall be instituted and diligently maintained by associations and all greyhounds shall be identifiable by means of tattoo or microchip.

(f) **Restriction on movement of greyhounds.** An association may voluntarily prohibit the flow of all greyhounds in and out of a facility. The division reserves the right, at any given time, to restrict the flow of greyhounds in or out of a facility for good cause.

(g) **Notification of financial assistance.** If an association provides any financial assistance to a person operating or establishing a kennel, the association shall report the nature of the assistance given and all details of the agreement. Assistance includes, but is not limited to, any supplement to purse(s).

(Adopted effective October 3, 2001)

Sec. 12-574-F22. Equipment and facilities for greyhound racing

(a) **Maintenance of track.** Racing associations shall at all times maintain their race track in good, uniform condition and with special consideration to the interest and safety of the public, the greyhounds and of all those whose attendance is required by official duties.

(b) **Detention area.** The association shall provide and maintain a detention area in a location approved by the division for the purpose of securing for analysis such specimens of greyhound body fluids and eliminations as shall be directed.

(c) **Floodlights patrol system.** Associations shall maintain such security systems as the division may require including floodlights to adequately illuminate the kennel areas at night.

(d) **Finish line system.** Racing associations shall install at the finish line and shall adequately maintain two finish line systems, to be approved by the division, to automatically record the finish of the races. One such system is to be held in reserve for emergencies. The racing judges shall keep a file of all recorded finishes thereof for not less than five (5) years.

(e) **Association kennels.** The association shall own or lease kennel structures in which all greyhounds racing at the association facility shall be housed. These kennels shall be operated by the association and shall be subject to the approval of the division as to size, location and security. The association also shall meet all requirements of a commercial kennel.

(f) **Kennel standards.** The following minimum standards shall apply to kennels:

- (1) All exterior doors shall have security locks as approved by the division;
- (2) Kennels shall have at least one floodlight (150 watt minimum) on all sides of the building;
- (3) Fuse boxes and cut-off switches shall be inside the kennel building;

(4) Medicine cabinets and exterior food refrigerators shall have hasps and locks and shall be locked when not in use;

(5) All kennel perimeters shall be enclosed with a six foot chain link fence or fencing approved by the division. All runways and open exercise areas shall be enclosed by chain link fencing not less than four feet high. Enclosure gates shall be equipped with secure locking devices;

(6) Entrance and exit to all compounds shall be by one double gate;

(7) A guardhouse with a telephone system shall be constructed at each entrance gate of all compounds;

(8) Perimeter fences and all areas within the kennel compound shall be amply lighted by floodlights or mercury lamps;

(9) Kennels shall be kept clean and reasonably uncluttered at all times; and

(10) Kennel buildings must have all openings, including doors and windows, screened with both fly screen and heavy mesh wire.

(g) **Video records.** The association shall cause all races to be videotaped in a manner approved by the division and shall carefully retain all tapes for one year. An association shall when requested surrender any of these tapes and all ownership rights therein to the division, and the division shall reimburse the association for the cost of any surrendered tapes. The association shall provide appropriate facilities for the viewing of these tapes by the racing judges or other authorized division representatives. Pari-mutuel payouts and results are final and no evidence discovered on videotapes shall affect that finality.

(h) **Starting boxes.** During the period of its meet and when greyhounds are exercised, each association shall provide and maintain at least two starting boxes approved by the division. Associations shall periodically inspect these boxes as required by the division and shall have in attendance, whenever said boxes are in use, one or more persons skilled and qualified to keep them in good working order.

(i) **Stands for race officials.** Stands for racing judges, timers and the lure operator shall be maintained in division approved positions with an uninterrupted view of the entire racing strip.

(j) **Devices to be approved.** All devices pertaining to racing which are installed at racetracks must be approved by the division before installation and shall not be removed except with the approval of the division.

(Adopted effective October 3, 2001)

Sec. 12-574-F23. Judges

(a) **Number, appointment, compensation, license.** There shall be three (3) racing judges: the division racing judge, appointed and compensated by the division, and the presiding racing judge and associate racing judge, appointed and compensated by the association. The three (3) racing judges shall be held responsible for the proper conduct of the race meet, and shall have general supervision over the direct conduct of the races. The presiding racing judge shall make reports of any actions by the racing judges, when a report is required under sections 12-574-F21 to 12-574-F49, inclusive, of the Regulations of Connecticut State Agencies, and shall transmit said reports to the division. All such reports submitted shall be signed by a majority of the racing judges. All racing judges and deputy racing judges shall be licensed by the division.

(b) **Deputy and temporary racing judges.** The association shall appoint two (2) deputy racing judges to serve in the absence of the presiding racing judge or associate racing judge. In the event of an emergency, where a deputy racing judge who is called to duty is absent or cannot be present in time, the association may

appoint a temporary racing judge from the licensed officials employed by the association. The association shall notify the division of the replacement(s). Appointments of temporary racing judges and utilization of deputy racing judges shall be made only with the full knowledge and consent of the duly authorized representative of the division at the track. Appointments of temporary racing judges are valid only for the day of their appointment. Likewise, the division shall appoint a deputy racing judge to act in the absence of the division racing judge. In the event that the division racing judge or deputy is absent, the rules governing temporary racing judges appointed by the association shall apply as necessary to temporary racing judge appointments made by the division.

(c) Emergency substitute.

(1) When vacancies occur among the officials, other than the racing judges, and the association has not filled such vacancies or notified the racing judges prior to the post time of the first race of the day, the racing judges shall fill such vacancy immediately, said appointment to stand for the day only.

(2) Should the vacancy occur after the racing for the day has started, the racing judges shall fill the vacancy at once, the appointment standing for the day only, unless the association fails to fill the vacancy on the following day and notifies the racing judges of their action one hour before the post time for the first race, in which case the appointment will continue from day to day as required.

(3) Emergency substitutes shall be persons holding a license from the division as an official.

(d) Wagering prohibited. No racing judge may directly or indirectly wager on the result of a greyhound race conducted in Connecticut.

(e) Vision requirements. All persons licensed as a racing judge or deputy racing judge shall possess corrected vision of 20/30 or better.

(f) Division racing judge. The division racing judge shall supervise the conduct of the racing officials. Any infraction or violation of the sections 12-574-F21 to 12-574-F49, inclusive, of the Regulations of Connecticut State Agencies or chapter 226 of the Connecticut General Statutes shall be immediately reported to the division.

(g) Laws, rules. The laws of the State of Connecticut and sections 12-574-F21 to 12-574-F49, inclusive, of the Regulations of Connecticut State Agencies supersede the conditions of a race and the rules of a race meet, and, in matters pertaining to racing, the orders of the racing judges supersede the orders of the officers of the association.

(h) Interpretation.

(1) The racing judges shall have the power to interpret the rules of greyhound racing and to decide all questions within their jurisdiction pertaining to racing not specifically covered in them.

(2) Should any case occur which may not be covered in the rules of greyhound racing here outlined, it shall be determined by the racing judges in conformity with custom, precedent, justice and in the best interest of racing.

(i) Majority rules. All questions pertaining to the rules of greyhound racing shall be determined by a majority of the racing judges.

(j) Powers and duties.

(1) All questions pertaining directly to racing which arise during the period of the meet shall be determined by the racing judges, but should they be unable to reach a decision in seventy two (72) hours, the case shall be reported to the division for such action as it deems proper.

(2) The racing judges shall have jurisdiction over kennel owners, trainers and other persons attending to greyhounds and also over all other officials and licensed personnel of the meet directly involved in racing activities.

(3) The racing judges shall have control over and free access to all stands, weighing rooms, enclosures and all other places in use for the purpose of racing.

(4) All entries and declarations are under the supervision of the racing judges and they may, without notice, refuse the entries or the transfer of entries of any person.

(5) The racing judges shall have the power to determine all questions arising with reference to entries and racing.

(6) Persons entering greyhounds to run on licensed Connecticut tracks agree in so doing to accept the decision of the racing judges on any questions relating to a race or to racing, subject to their right of petition to the division.

(7) Following a hearing conducted in accordance with the division rules of practice and hearing procedures, the racing judges shall have the authority to impose fines, suspensions or both upon licenses for violation of chapter 226 of the Connecticut General Statutes or sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies.

(8) The racing judges' authority shall be limited to a suspension for no longer than sixty (60) days for anyone under their jurisdiction and a fine not exceeding \$500.00 or they may impose a combination of these penalties. They may also suspend any person found guilty of any corrupt or fraudulent practices by greyhound racing authorities or judges of any other state. All such suspensions and fines shall be reported to the division. If the penalty capable of being imposed by the racing judges is not in their opinion sufficient, the racing judges shall refer the matter to the division.

(9) Any party aggrieved by the imposition of a penalty by the racing judges may petition the division for a hearing de novo conducted in accordance with Chapter 54 of the Connecticut General Statutes. The petition shall be submitted in writing to the division within three days of official notice of the judges' decision. The taking of a petition to the division shall automatically stay any penalty imposed by the racing judges.

(10) The racing judges shall have the power to disqualify a greyhound.

(11) The racing judges shall have the power to investigate for proof that a greyhound is neither itself disqualified in any respect, nor owned, wholly or in part, by a disqualified person. Failure to prove ownership of the greyhound to the satisfaction of the racing judges may result in the disqualification of the greyhound.

(12) The racing judges shall have the power at any time to order an examination by a veterinarian licensed by the division of any greyhound entered for a race or that has run in a race.

(13) The racing judges shall have the power to review the grading and schooling of all greyhounds. Any greyhound may be placed on the schooling list by the racing judges at any time.

(14) The racing judges shall report and investigate any questionable conduct directly related to racing.

(15) The racing judges shall investigate promptly and render a decision on every objection and on every complaint made to them.

(16) The racing judges shall take notice of corrupt racing and other questionable transactions on the track. Complaint thereof may be made by any person. If the complainant is a kennel owner or trainer and the charge is determined to be frivolous,

the complainant may be liable for a suspension or fine. The postponement or cancellation of performances shall be supervised by the racing judges.

(17) The racing judges shall determine the official race results.

(18) The racing judges shall supervise weighing and starting procedures.

(19) All scratches and substitutions shall meet the approval of the racing judges.

(20) The racing judges shall have the power to review any matter referred to the racing judges by the board of administrative judges.

(k) Report to division.

(1) The racing judges shall report all objections and complaints to the division as soon as received by them and shall promptly report in writing to the division of their investigation and disposition of such objections and complaint(s).

(2) The racing judges shall each day report in writing to the division all infractions of the rules and of all rulings of the racing judges upon matters coming before them.

(l) **Complaints against officials.** Complaints against officials shall be made to the division in writing, and be signed by the complainant(s).

(m) Display of winners.

(1) The racing judges shall promptly display the numbers on the totalizator board of the first three greyhounds in each race in order of their finish. If the racing judges differ in their placing, the majority shall prevail.

(2) Whenever it is considered advisable to inspect a reproduction of the finish of the race, the racing judges may post, without waiting for a reproduction, such placements as are in their opinion unquestionable and after inspecting the reproduction make the other placements. However, in no case shall the race be declared official until the racing judges have determined the greyhound finishing first, second and third.

(3) Nothing in section 12-574-F9 of the Regulations of Connecticut State Agencies shall be construed to prevent the racing judges from correcting an error before the display of the sign "official" or from recalling the sign "official" in case it has been displayed through error.

(n) Finish line reproduction. On all tracks an approved finish line reproduction system shall be installed as an aid to the racing judges; however, in all cases the camera and its reproduction are merely aids, and the decision of the racing judges shall be final. The type of equipment used and its installation shall be approved by the division. Each association shall retain for five (5) years from the date of the race each reproduction of each race. The reproduction of each finish shall be posted or displayed in at least one conspicuous place as promptly as possible after each race.

(o) Jams, spills.

(1) If a race is marred by jams, spills or racing circumstances other than accidents to the equipment while a race is being run, and three or more greyhounds finish, the racing judges shall declare the race finished and official, however, if less than three greyhounds finish, the racing judges shall declare "no race" and all monies wagered on said race shall be refunded.

(2) It shall be the duty of the racing judges to keep all races free from unnecessary interferences and jams caused by unruly or fighting greyhounds.

(p) Make up of cancellations, report. A "no race" for any reason shall be immediately reported to the division by the racing judges, with a detailed explanation as to its cause. The association may, at its discretion, apply to the division for a "make up" race to replace the "no race".

(q) Infraction of rules by racing judges. In the event that an infraction of the rules of greyhound racing is charged against one of the three racing judges conducting

the meet, the other two remaining racing judges shall immediately refer the matter to the division, which may hear the matter on its own or permit the two remaining racing judges as a panel to hold a hearing. This rule shall apply regardless of whether the infraction is charged against one of the racing judges acting in an official capacity as a judge, acting as an individual in no official capacity, or acting in some other official capacity.

(Adopted effective October 3, 2001)

Sec. 12-574-F24. Starter

(a) **Duties.** The starter is responsible for securing a fair start to each race in accordance with the rules of greyhound racing

(b) **Starting box.** The greyhound shall be started from a type of starting box approved by the division and there shall be no start until, and no recall after, the doors of the starting box have opened, except in the case of a false start in accordance with subsection (d) of this section.

(c) **Delay.** The starter shall report any causes of delay to the racing judges.

(d) **False start.** A start, hampered by faulty action of the starting box, or other interference is void. In such case the greyhounds will be started again as soon as practicable, or, where necessary, the race may be cancelled at the discretion of the racing judges.

(Adopted effective October 3, 2001)

Sec. 12-574-F25. Racing secretary

(a) **Duties.** Each association shall appoint a racing secretary who shall discharge all duties whether expressed or implied by the rules of greyhound racing. The racing secretary shall report to the racing judges, as the case may demand, all violations of these rules or of the track procedures brought to their attention, and shall keep a complete record of all races. The racing secretary or assistant shall be present during live racing. The racing secretary shall receive all stakes, entrance money and arrears and pay over all monies so collected to those entitled to receive them, and shall receive all entries and declarations.

(b) **Inspection of documents.** The racing secretary shall inspect owners' and trainers' licenses and all papers and documents dealing with trainers and owners, partnership agreements, the appointment of authorized agents, and the adoption of assumed names and may demand their production in order to be satisfied as to their validity, authenticity and compliance with greyhound racing rules. These papers shall also be available to the division at all times.

(c) **Conditions of races.** Conditions of races shall not conflict with greyhound racing rules.

(d) **Viewing race.** When practical or requested the racing secretary or assistant shall view the running of each race or the videotape thereof.

(e) **Listing entries.** Each day, as soon as the entries have closed and have been compiled and the declarations have been made, the racing secretary shall post in a conspicuous place a list of such entries. Prior to accepting a greyhound entry the racing secretary shall ascertain that all relevant kennels, owners and trainers have been properly licensed.

(Adopted effective October 3, 2001)

Sec. 12-574-F26. Clerk of the scales

(a) **Duties.** The clerk of the scales shall weigh greyhounds in and out on a scale sealed by the state sealer of weights and measures and shall exhibit the accurate

weight of each greyhound. The established racing weight and the weighing-in and weighing-out weight shall be promptly posted for the information of the public.

(b) **Variations of weight.** The clerk of the scales shall record as soon as the weights are exhibited, any variation from the weight appearing on the weight sheet.

(c) **Report to division racing judge.** The clerk of the scales shall deliver to the division a copy of the weight sheet before each performance.

(d) **Uniform weighing.** All greyhounds shall be weighed in a uniform manner approved by the division.

(e) **Report infractions.** The clerk of the scales shall promptly report to the racing judges any infraction of the rules as to weight or weighing.

(f) **Time on scales.** The clerk of the scales shall require a greyhound to remain on the scales until such time as there is no more than one-quarter pound "jump" in scale action caused by motion of the greyhound being weighed.

(g) **Lead-out requirement.** The clerk of the scales shall require the person acting as lead-out for the greyhound being weighed to step back from the scales and allow at least a 6" sag in the lead-out leash.

(Adopted effective October 3, 2001)

Sec. 12-574-F27. Paddock judge

(a) Identification of greyhounds.

(1) No greyhound shall be permitted to start in an official schooling or purse race unless said greyhound has been tattooed or microchipped, fully identified and checked against the card index system or other system of identification approved by the division and maintained by each association. The identification cards shall be filled in and completed by the paddock judge before greyhounds are entered for an official schooling or for a purse race.

(2) The paddock judge shall fully identify and check against the system of identification maintained by the association, all greyhounds starting in schooling and purse races. All tattoos shall be identifiable by the paddock judge.

(3) The system of identification must be complete and accurate at all times.

(4) The paddock judge shall report to the racing judges any greyhound not conforming to the system of identification.

(b) **Identification tag.** As each greyhound is weighed-in there shall be an identification tag attached to its collar indicating the number of the race in which the greyhound is entered and its post position. This tag shall not be removed until the greyhound has been weighed-out and blanketed.

(c) **License required.** The paddock judge shall not allow anyone to weigh-in a greyhound for racing unless that person has in legal possession a valid kennel owner's, trainer's, assistant trainer's or kennel helper's license issued by the division.

(d) **Security of lock-out.** After the greyhounds are placed in the lock-out kennels, no persons other than racing officials or persons approved by the division shall be allowed in or near the lock-out kennels.

(e) **Identification in paddock.** The paddock judge shall verify the proper identification of the greyhound while in the paddock before post time.

(f) **Equipment.** Before leaving the paddock for the starting box, every greyhound shall be equipped with a regulation muzzle and blanket. The muzzle and blanket used shall be approved by the paddock judge and shall be carefully examined by him in the paddock before the greyhound leaves for the post parade.

(Adopted effective October 3, 2001)

Sec. 12-574-F28. Kennel master duties

Under the supervision of the paddock judge, the kennel master shall unlock the kennels immediately before weigh-in time to see that the kennels are in perfect repair and that nothing has been deposited in any of the kennels for the greyhounds' consumption. The kennel master shall see that the kennels are sprayed, disinfected and kept in proper sanitary condition. The kennel master or assistant must receive the greyhounds from the trainer, one at a time, and see that the greyhounds are placed in their kennels where they will remain until removed for racing. The kennel master or assistant shall remain on guard in the paddock area from that time until the greyhounds are removed for the last race.

(Adopted effective October 3, 2001)

Sec. 12-574-F29. Timer for races

(a) **Time of race.** The start of the race shall begin immediately upon the opening of the doors of the starting box.

(b) **Automatic timer.** Each association shall be required to install an automatic timing device approved by the division and the time shown on the timing device shall be the official time of the race.

(c) **Stopwatch.** The association shall provide a stopwatch to be utilized in the event of a failure of the automatic timer, for the purpose of timing the race. When the stopwatch time is used as the official time of the race, it shall be so announced to the public.

(Adopted effective October 3, 2001)

Sec. 12-574-F30. Chart writer

(a) **Duties, post position numbers.** The chart writer shall compile the information necessary for the program which shall be printed for each racing day. The names of the greyhounds that are to run in each of the races for that day shall appear in the program in the order of their post positions, which post positions are to be designated by numerals placed at the left and in line with the names of those greyhounds. These numerals shall also be prominently displayed on each greyhound. Post positions shall be color coded as follows:

No. 1 - RED

No. 6 - YELLOW

No. 2 - BLUE

No. 7 - GREEN AND WHITE

No. 3 - WHITE

No. 8 - YELLOW AND BLACK

No. 4 - GREEN

No. 9 - PURPLE

No. 5 - BLACK

(b) Program charts.

(1) Program charts or form sheets shall state the correct name, color, sex, date of whelping, breeding, racing weight, distance, time, track record, post position and finish, name of owners, kennel and trainer, number of times finished first, second, and third and such other information as will enable the public to properly judge the greyhound's ability. "Weight" refers to post weight on past performance.

(2) Program charts or form sheets shall carry at least two (2) past performances of said greyhound at the track where it is to race. However, if a greyhound has raced within ten (10) days at any track under the jurisdiction of a regulatory body not less than two past performances of said greyhound at that track may be carried on the program or form sheet.

(3) All past performances as shown in the program shall be listed beginning with the most recent race.

(c) Changes in name. If the name of a greyhound is changed, the new name together with the former name, shall be published in the official entries and program until after the greyhound has started six (6) times.

(Adopted effective October 3, 2001)

Sec. 12-574-F31. Veterinarians

(a) **License.** All veterinarians referred to in this section shall be licensed to practice in the state of Connecticut by the state Board of Veterinary Registration and Examination, and association veterinarians shall be licensed by the division.

(b) **Division veterinarian.** The division shall retain a veterinarian who shall be responsible for administration and coordination of all activities under sections 12-574-F21 to 12-574-F49, inclusive, of the Regulations of Connecticut State Agencies which pertain to the division veterinarian.

(c) **Association veterinarian.** Each association shall employ one or more veterinarians to carry out the duties enumerated in this section. The association veterinarians shall be paid by the association at whose track the services are rendered.

(d) **Treating veterinarian.**

(1) Only veterinarians who have been licensed by the executive director may practice veterinary medicine at an association facility and may treat greyhounds at such facility.

(2) No veterinarian licensed to practice at any association facility shall in any manner furnish to any person any hypodermic syringe, hypodermic needle or other device which could be used for injection or other infusion of any substance into a greyhound without first securing written permission from the judges. Only one-time disposable syringes and infusion tubes are authorized for use in the treatment of greyhounds at the facility of an association.

(3) No kennel owner or trainer shall obtain the services of any veterinarian at a facility who has not been duly licensed. The association shall exclude all unlicensed veterinarians. The veterinarians shall make daily reports to the division veterinarian and to the racing judges of all active greyhounds under treatment by them and the medication given. If a kennel owner or trainer leaves the facility and obtains for an active greyhound the services of a veterinarian not licensed by the executive director to practice within the facility, the kennel owner or trainer must file a written report on a form provided by the division with the division veterinarian and racing judges within forty-eight (48) hours of such treatment.

(e) **Requirements of association veterinarian.**

(1) The veterinarian shall perform a visual examination of each greyhound at weighing in time.

(2) Any greyhound the veterinarian does not consider in proper physical condition shall be reported to the racing judges who shall order said greyhound scratched.

(3) Any greyhound that vomits between weigh-in and weigh-out as determined by the veterinarian may be scratched, and if scratched a written report shall be filed with the division.

(4) Any greyhound that has diarrhea or hematuria shall be scratched unless the veterinarian determines upon examination that the racing performance or health of said greyhound will not be affected. A written report shall be filed with the division.

(5) It shall be the duty of the veterinarian to make a final examination and inspection of all greyhounds during the time they are in the paddock before they leave for the track. If the veterinarian finds any greyhound not in proper physical condition such greyhound shall be reported to the judges who shall order said greyhound scratched.

(6) Lactating bitches and bitches in season are not permitted on the racing strip for any purpose.

(7) Bitches coming in season during the racing meet shall not be accepted for entry for thirty (30) days after coming in season.

(8) The association veterinarian may treat or prescribe, provide or administer medication of any form to any greyhounds under the charge, custody or care of any kennel running greyhounds at the race track of the association employing said veterinarian, subject to such restrictions and conditions as may be required by the division.

(9) Each association shall safeguard the health of all greyhounds housed at its licensed facility by requiring a periodic vaccination of each greyhound against diseases deemed by the division veterinarian to be communicable to other greyhounds at the facility. The vaccination requirements of each association shall be approved by the division veterinarian. Records of vaccinations of all greyhounds shall be maintained by the association.

(10) Greyhounds without proof of vaccination sufficient in the judgement of the division veterinarian shall not be permitted at a racing facility under any circumstances. If a greyhound without sufficient proof of vaccination is found at a facility, said greyhound shall, in the judgement of the division veterinarian, be either immediately vaccinated or removed from the facility, and the owner or trainer of that greyhound shall be liable to a fine, license suspension or both.

(Adopted effective October 3, 2001)

Sec. 12-574-F32. Drugs and medication

(a) Action taken by judges - prohibited medication and drugs.

(1) If the board of administrative judges shall find that any drug or substance other than one specifically approved by the division veterinarian has been administered or attempted to be administered, internally or externally, to a greyhound before a race, which is of such a character as could affect the racing condition of the greyhound in such race, the board of administrative judges shall either immediately refer the matter, together with all pertinent details to the division or impose such punishment and take such other action as they may deem proper.

(2) A positive identification of any drug or substance other than one specifically approved by the division veterinarian, shall constitute prima facie evidence that the greyhound was administered such drug or substance. The identification of any substance that is not a normal constituent of the body fluid of a greyhound constitutes a positive test.

(b) **Procedure in event of positive test.** The following procedure shall apply in the event that a laboratory analysis of body fluid or other sample taken from the greyhound indicates the presence of a prohibited drug or substance:

(1) The board of administrative judges shall cause an investigation of all positive test results to be conducted immediately and shall cooperate fully in any division investigations;

(2) Whenever the laboratory test results in the identification of a positive substance, there shall be a rebuttable presumption that the trainer of the greyhound was responsible for the administration of the prohibited drug or substance. At any hearing conducted to determine responsibility for the administration of any prohibited drug or substance, unless other evidence of sufficient credibility and weight is presented to the contrary, the board of administrative judges or the division may make a finding in accordance with the presumption;

(3) Within a reasonable period of time after a positive test result has been received from the laboratory, the board of administrative judges or the division shall hold a hearing to determine the reasons and responsibility for any alleged medication violation. The hearing shall be conducted pursuant to the division rules of practice and hearing procedures;

(4) Pending a hearing, the division may summarily suspend any person;

(5) Whenever a medication violation occurs as provided in section 12-574-F32(a)(2) of the Regulations of Connecticut State Agencies, the board of administrative judges or the division may take disciplinary action against any of the following persons:

(A) Any person responsible for the proper care and protection of a greyhound if the board of administrative judges or division find the person or persons to have been negligent, reckless, or willful in failing to prevent the administration of the prohibited drug or substance in question;

(B) Any person found by the board of administrative judges or the division to have administered or to have attempted to administer any prohibited drug or substance; or

(C) Any person found by the board of administrative judges or the division to have conspired in the administration or attempted administration of any prohibited drug or substance;

(6) Whenever the board of administrative judges or the division determine that a prohibited drug or substance has been administered to any greyhound that has raced, the owner of the greyhound may be precluded by the board of administrative judges or the division from participating in the purse distribution of the race in question, and a redistribution of that purse may be ordered by the board of administrative judges with the greyhound in question being last unless the board of administrative judges or the division finds that the relevant circumstances surrounding the administration of such prohibited drug or substance, including reference to the nature of said prohibited drug or substance, are such that the administration of such drug or substance was clearly unintentional. The origin of said drug or substance shall be determined before the board of administrative judges or division concludes that the administration was clearly beyond the control of said trainer; and

(7) Any kennel or greyhound owner who has received a purse payment and fails to return any purse as required in subsection (b)(6) of this section shall be liable for the payment of a fine, license suspension or license revocation.

(c) **Track record void.** When a greyhound has established a track record in a race, and it is later determined that a prohibited drug or substance was used, the track record shall be null and void.

(d) **Proper protection to be provided for greyhounds.** The trainer and any other person having charge, custody or care of greyhounds, are obligated to properly guard and protect them against the administration or attempted administration of prohibited drugs or substances. If the board of administrative judges finds that any such person has failed to properly protect the greyhounds, they shall either refer the matter to the division or may impose a fine, license suspension or both.

(e) **Bottles, containers to be labeled.** The trainers shall insure that all bottles and other containers kept in or about the kennel shall bear a label stating plainly the name of each drug or substance contained therein, unless the containers bear regular prescription labels with pharmacists' numbers, names and addresses and the names of the prescribing veterinarians.

(f) **Right to search for and seize drugs and injection devices.** No person within the facility of an association shall have in or upon the premises which they occupy

or control or have the right to occupy or control or in their personal property or effects, any hypodermic syringe, hypodermic needle or other device which could be used for the injection or other infusion into a greyhound of a drug or substance without first securing written permission from the board of administrative judges. Every association is required to use all reasonable efforts to prevent the violation of this regulation. Every association, the division or the board of administrative judges, shall have the right to permit a person or persons authorized by any of them to enter into or upon the buildings, kennels, rooms or other places within the facility of an association and to examine the same and to inspect and examine the personal property and effects of any person within such places. Every person who has been granted a license by the division, by accepting the license, does consent to such search and to the seizure of any hypodermic syringes, hypodermic needles or other devices or any prohibited drugs or substances so found. The written permission of the board of administrative judges for the possession of a hypodermic syringe, hypodermic needle or other device as herein described shall be limited in duration as the board of administrative judges may determine, upon presentation of a prescription written by a veterinarian duly authorized to practice veterinary medicine, but in no case shall its duration extend beyond the racing season in which it is granted. No such similar permission granted by judges of a meet in any other state or country shall have any validity in the state of Connecticut.

(g) **Responsibility for greyhound's condition.** Trainers and assistant trainers are responsible for the condition of greyhounds in their care and must take all appropriate steps to ensure the general health, welfare and well-being of those greyhounds. Any treatment or neglect which the division veterinarian deems inhumane, or failure to obtain treatment for a greyhound when ordered by the division veterinarian may subject such trainer, assistant trainer and the kennel employing them to penalty including ejection.

(Adopted effective October 3, 2001)

Sec. 12-574-F33. Testing

(a) **Admittance to detention area.** No one shall be admitted at any time to the building or part thereof utilized by the division taking specimens of greyhounds except the staff immediately in charge of such work, the division representatives, the racing judges, the board of administrative judges, and the kennel owner, trainer or such other persons as may be authorized in writing by the division.

(b) **Division collectors.** The division shall employ personnel who shall be responsible for the collection of greyhound test specimens.

(c) **Greyhounds tested.** Samples containing the body fluids of the greyhounds shall be collected either prior to a race or at the conclusion of the race. The designated greyhounds shall be detained until released by the division inspector in charge. In the event no sample or an insufficient sample is obtained a report on a form provided by the division shall be filed with the division veterinarian. Said form will be properly completed by the division inspector in charge.

(d) **General testing.** The division inspectors shall when so directed by the division judges, require that any or all of the specimens referred to in this section be taken from any greyhound kenneled at the track at any time during a meet.

(e) **Presence of kennel owner or owner's representative.** The kennel representative may be present in the detention area when specimens of body fluids and eliminations are taken from greyhounds under their control and shall sign such required forms acknowledging the taking of the specimens. Willful refusal to allow the taking of any such specimens, or any act, threat or intimidation designed to

impede or prevent or otherwise interfere with the taking of a specimen shall subject the person responsible to a fine, license suspension or license revocation.

(f) Taking of specimen.

(1) All specimens taken by or under the direction of the division representatives shall be delivered to the laboratory designated by the division for official analysis. Each specimen shall be marked by number and date and bear such information as may be determined by the division. The identity of the greyhound from which the specimens were taken or the identity of its owner or trainer shall not be revealed to the laboratory. The container of each specimen shall be sealed by the division representative as soon as the specimen is placed therein.

(2) All containers used for specimens shall be approved by the division.

(g) Authority to take samples at facility. The division or its representatives may take samples of any drugs, substances or other materials suspected of containing prohibited drugs or substances found at the facility of an association and which might affect the condition of a greyhound, or which might serve to render an inaccurate test upon the body fluids or eliminations of a greyhound.

(Adopted effective October 3, 2001)

Sec. 12-574-F34. Contract kennel owners

(a) Commercial kennel requirement. All kennels licensed by the executive director are required to be licensed by the Department of Agriculture as a commercial kennel in accordance with Section 22-344 of the Connecticut General Statutes and must adhere to all standards and requirements of the Department of Agriculture while operating at any association facility.

(b) Filing of roster. All licensed kennel operators and kennel owners must file with the division and the association a roster of their trainers, assistant trainers and other employees, together with their license numbers not later than five (5) days before the opening of each racing meet. All changes in such personnel thereafter made during that meet shall be filed with the division.

(c) Responsibility. Kennel owners are responsible for providing sufficient funds and supplies for the operation of their kennel. This responsibility is to assure that the trainer under their employment has adequate resources for the care of greyhounds in their kennel in conjunction with the wishes of the greyhound's owner. Failure to provide such funding may result in a fine, license suspension or license revocation.

(d) Discharge of employee. When a kennel owner or trainer discharges a licensed employee, or when such employee voluntarily leaves the employ of a kennel owner or trainer, the kennel owner or trainer shall immediately notify the division of such discharge or resignation. The failure to so notify the division shall subject the kennel owner or trainer to a fine, license suspension or both.

(e) Corrupt practice. No kennel owner shall accept directly or indirectly, any bribe, gift or gratuity in any form which is intended to or which might influence the results of any race.

(f) Limitations on starters. A kennel owner shall not be permitted to race more than one greyhound in any race, nor shall more than one greyhound conditioned by the same trainer be permitted to enter or start in the same race, provided, however, that:

(1) This subsection shall not apply to one nightly feature race; to any stake race to which the owners of greyhounds contribute to the purse and to which money or other prize is added; or to any consolation race held in connection with a stake race;

(2) In all other purse races the following conditions shall apply: No double entries shall be allowed until all single interests are used and the kennel owner shall have

agreed to a double entry, except when no other single entry is available the racing secretary may use a double entry without the permission of the kennel owner. Greyhounds designated for any distance over 5/16 mile are subject to double entry without permission of the kennel owner; and

(3) In each of the cases outlined in subdivision (f)(1) of this section, when two greyhounds from the same kennel, owned by the same owner or conditioned by the same trainer are entered or start, they shall not be coupled in wagering.

(g) **Abide by laws, rules.** Kennel owners and their employees shall abide by sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies and the laws of the state of Connecticut and shall accept, subject to their right of petition to the division, the decisions of the racing judges on any questions to which their authority extends.

(h) **Unwarranted complaints.** Kennel owners who make unwarranted complaints may be liable for a fine, license suspension or license revocation.

(Adopted effective October 3, 2001)

Sec. 12-574-F35. Trainers

(a) **Absolute insurer - trainer.** The trainer shall be responsible for and shall be the absolute insurer of the condition of greyhounds under their care regardless of the acts of third parties. The trainers and assistant trainers are presumed to know sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies and shall also submit to an examination for qualification as determined by the division.

(b) **Condition of kennel.** The trainer as the sole insurer of greyhounds under his care is responsible for the conditions of the kennel where said greyhounds are housed. This responsibility includes, but is not limited to:

(1) The kennel is to be kept clean and free of clutter on the interior and exterior of the building, including turn out areas;

(2) Exterior doors are to be locked and secured unless personnel are present in the kennel;

(3) Crates are to be kept clean with adequate bedding. Any worn or damaged areas are to be repaired;

(4) Medicine cabinets and exterior refrigerators are to be locked;

(5) Windows are to be screened where applicable;

(6) All containers are to be clearly labeled, whether prescription or non-prescription;

(7) No injectable devices or substances of an illegal nature shall be present;

(8) No unauthorized personnel shall be present;

(9) Turnout pens shall be clean and inspected by the trainer or their representative immediately before each turnout;

(10) Truck and trailer crates are to be inspected by the trainer or their representative immediately before racing greyhounds are loaded to be transported to any location;

(11) Greyhound trainers shall furnish the racing secretary and the duly authorized representative of the division a list of all persons employed by the kennel prior to the racing meet, and notification of any deletions or additions will be made within twenty-four (24) hours after the personnel change occurs;

(12) Any trainer or owner employing unlicensed kennel help shall be subject to a fine, license suspension or license revocation; and

(13) The trainer must file a notice of removal for all greyhounds transported from their racing kennel as required by the division.

(c) **Notification of abuse.** Any licensed trainer, assistant trainer or kennel helper shall report to the division and racing secretary any action by an individual that endangers the health and welfare of a greyhound. This shall include, but not be limited to, a kennel owner's failure to properly supply the kennel with adequate supplies for the kennel's daily operation.

(d) **Veterinarian reporting.** Trainers may not request the euthanasia of a greyhound under their care at the facility unless the greyhound has sustained a track injury and it is necessary to relieve the greyhound's pain and suffering, as determined by a licensed veterinarian. Veterinarians shall report to the division the euthanasia within 72 hours.

(e) **Absence of trainer.**

(1) When a trainer is to be absent from a kennel and the facility where a kennel owner's greyhounds are racing, the kennel owner shall notify the division of the licensed trainer or licensed assistant trainer who will assume complete responsibility for the greyhounds.

(2) The trainer shall not be relieved of the responsibility provided for in subsection (a) of this section until the division has approved the licensed trainer, licensed assistant trainer or licensed authorized agent designated by the kennel owner to assume complete responsibility for the greyhounds the kennel owner is racing and the so designated person named by the kennel owner has indicated in writing to the judges and division that he will assume full responsibility as trainer under sections 12-574-F21 to F49, inclusive, of the Regulations of Connecticut State Agencies.

(f) **Corrupt practice.** No trainer, assistant trainer, racetrack employee or other person shall accept directly or indirectly, any bribe, gift or gratuity in any form which is intended to or which might influence the results of any race.

(g) **Greyhounds to report on time.** Every trainer who does not have his greyhound at the weighing-in room by the time designated by the racing judges may have his greyhound scratched. Said trainer shall also be subject to a fine.

(h) **Greyhounds condition - report.**

(1) Trainers shall report to the racing secretary, who shall immediately notify the racing judges, of greyhounds under their care that are off racing form or in poor physical condition. Greyhounds so reported shall not be eligible to enter or to start until approved by the association veterinarian(s) and schooled to the satisfaction of the racing judges.

(2) Bitches in season shall be reported to the racing judges and the association veterinarian. Kennel owners and trainers failing to report this condition promptly shall be fined or suspended.

(3) Kennel owners and trainers shall retire greyhounds off form or in poor condition. Failure to do so may result in the suspension of said greyhounds for a period to be decided by the racing judges.

(4) Greyhounds that have been retired for conditioning or worming shall be brought back to racing weight before being entered.

(5) It shall be the responsibility of the trainer to insure that any greyhound on the grounds of a facility or any greyhound that is registered as being on the grounds of a facility which expires shall be reported to the division veterinarian within seventy-two (72) hours on forms provided by the division.

(6) Disposal of the remains of any greyhound shall be by a method approved by the division veterinarian.

(i) **Masking identification marks.** No medicine, antiseptic, fluid or any matter containing any color that would mask identification marks shall be used on any part of a greyhound.

(j) **Unwarranted complaints.** Trainers who make unwarranted complaints may be liable for a fine, license suspension or license revocation.

(k) **Abide by laws, regulations.** Trainers and their employees shall abide by sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies and the laws of the state of Connecticut and shall accept, subject to their right of petition to the division, the decisions of the racing judges and the board of administrative judges on any questions to which their authority extends.

(Adopted effective October 3, 2001)

Sec. 12-574-F36. Greyhound owner

(a) **Greyhound owner's responsibility.** All licensed greyhound owners shall accept responsibility for post racing career care of all their greyhounds racing at a board licensed facility. Such care shall include the placement of said greyhound through a recognized adoption program. At no time shall the owner grant permission for the euthanasia of a greyhound at a facility, unless the greyhound has sustained a track injury and it is necessary to relieve the greyhound's pain and suffering as determined by a licensed veterinarian.

(b) **Ownership of greyhounds - prohibited.** An association, its owners, officers, directors and stockholders, and association and division veterinarians shall not be permitted to race any greyhound directly or indirectly owned or leased by any or all of them at any track operated by an association in the state of Connecticut.

(c) **Owners - registration of greyhounds.** All greyhounds shall be registered in the name of the legal owner or owners with the racing secretary of the racing association at which such greyhounds are intended to race. Ownership shall be construed to also include beneficial ownership.

(d) **Ineligibility of greyhound of suspended owner.** When a greyhound owner is ruled off a track, ejected or suspended, every greyhound owned in whole or in part by said greyhound owner shall be ineligible for entry in any race until said greyhound has been made eligible either by the rescission of the owner's penalty or the greyhound's transfer through bona fide sale to an ownership acceptable to the racing judges.

(e) **Ineligibility of greyhounds under suspended trainer.** When a trainer is ruled off a track, ejected or suspended, every greyhound which is under the trainer's care, management, training or superintendence shall not be qualified for entry in any race until said greyhound has been made eligible by the rescission of said trainer's penalty or by the transfer of the greyhound to a licensed trainer with the approval of the racing judges.

(f) **Scope of suspension.** When an owner, trainer, greyhound or kennel of greyhounds is suspended by the judges at one track such suspension shall immediately become effective on all other greyhound tracks under the jurisdiction of the division.

(Adopted effective October 3, 2001)

Sec. 12-574-F37. Lead-outs

(a) **Duties.** Owners, trainers or attendants will not be allowed to lead their greyhounds from the paddock to the starting box. The greyhounds shall be led from the paddock to the starting box by licensed lead-outs provided by each association for that purpose. The lead-outs must put their greyhound in its proper box before the race and then retire to their assigned place.

(b) **Dress, decorum.** Lead-outs are required to present a neat appearance and conduct themselves in an orderly manner and shall be attired in clean uniforms provided by the association.

(c) **Prohibition.** No lead-out shall have any interest in the greyhounds racing at the association track.

(d) **Assignments.** The paddock judge shall assign lead-outs to post positions by lot before each race and shall maintain a record of such assignments.

(e) **Conversations prohibited.** Whether in the paddock, enroute to the starting post or while returning to the paddock, lead-outs are prohibited from holding any conversation with the public.

(f) **Smoking.** Smoking by lead-outs while in uniform and performing their duties is prohibited.

(g) **Wagering prohibited.** Lead-outs are prohibited from wagering on any greyhound racing at the track where they are assigned.

(h) **Training classes.** Lead-outs shall be required to attend training classes prior to the meet for which they have been employed and it shall be the responsibility of the paddock judge to see that the lead-outs are properly trained.

(i) **Food and beverages.** Except when in the approved lead-outs' lounge, lead-outs may not consume or carry food or beverages at any time while performing their duties or when in the paddock area.

(Adopted effective October 3, 2001)

Sec. 12-574-F38. Registration

(a) Requirements.

(1) No greyhound shall be entered, permitted to race, schooled or kenneled at any racetrack licensed by the board unless it has been tattooed and properly registered in the stud book maintained and kept by the National Greyhound Association in the name(s) of all owners.

(2) The National Greyhound Association shall be recognized as the official breeding registry of all greyhounds and the Greyhound Publications Inc. Information System shall be recognized as the official report keeping agency of the past performance lines on every greyhound raced at an official track licensed by a racing jurisdiction. The division may certify any greyhound whose lack of registration with the approved registry is attributable to arbitrary, discriminatory or other unreasonable action or inaction on the part of the National Greyhound Association.

(b) **Filing of certificates.** A certificate of registration for each greyhound shall be filed with the racing secretary at the racetrack where said greyhound is to be officially schooled, entered or raced. The last six performance lines, if applicable, and the racing history of the greyhound shall also be made available to the racing secretary.

(c) **Availability of certificates.** All certificates of registration shall be available at all times for inspection by the division.

(d) **Transfers.** Any transfer of any title to, leasehold or other interest in greyhounds schooled, entered or racing at any track under the jurisdiction of the division shall be registered and recorded by the National Greyhound Association. No transfer of title shall be effective until a copy of the transfer certificate is returned from the National Greyhound Association.

(e) **Sale of greyhound.** Any sale of a greyhound shall be documented, detailing any conditions of the sale. All owners shall be licensed before the greyhound is eligible to be entered in a race.

(f) **Leases.** All leases or assignment of leases in greyhounds schooled, entered or racing at any track under the jurisdiction of the division shall be registered and recorded with the National Greyhound Association.

(g) **Requirement - recognition of interest.** No title, leasehold or other interest, in any greyhound will be recognized by the division until such title, leasehold or other interest is evidenced by written instrument duly filed with and recorded by the National Greyhound Association and certified copies thereof filed with the division and the racing secretary at the racetrack where said greyhound is to be schooled, entered or raced.

(Adopted effective October 3, 2001)

Sec. 12-574-F39. Kennel names

(a) **Registration.** A licensed owner wishing to race under a kennel name may do so by registering for the calendar year or racing season with the division and by paying the prescribed fee.

(b) **Trainer requirement.** A trainer, who is also a licensed owner or part owner, may use a kennel name as owner or part owner. However, no trainer may be licensed as trainer other than in their legal name.

(c) **True identity.** In applying to race under a kennel name the applicant must disclose the identity or identities behind a kennel name.

(d) **Partnerships.** If a partnership is involved in the identity behind a kennel name, the identity of each of the partners shall be disclosed to the division and there shall be compliance with the requirements of section 12-574-F61(a) of the Regulations of Connecticut State Agencies.

(e) **Corporations.** If a corporation is involved in the identity behind a kennel name, the identity of all officers and shareholders shall be disclosed to the division and there shall be compliance with the requirements of section 12-574-F61(e) of the Regulations of Connecticut State Agencies.

(f) **Changes in identities.** Changes in identities involved in kennel names shall be reported immediately for division approval.

(g) **Abandonment.** A licensed owner who has registered under a kennel name may at any time abandon the name, after giving written notice to the division.

(h) **Changes in name.** A kennel name may be changed at any time by registering a new kennel name and by paying the prescribed fee.

(i) **No duplication.** A licensed owner cannot register as their kennel name one which is then registered by any other owner.

(j) **Limitations.** A licensed owner cannot register as their kennel name one which is the real name of any owner of greyhounds racing nor one which is the real or assumed name of any prominent person not owning greyhounds.

(k) **Similarities prohibited.** A kennel name shall be plainly distinguishable from that of another duly registered kennel name.

(l) **Right of refusal.** The division reserves the right to refuse any corporation the privilege of registering a kennel name.

(Adopted effective October 3, 2001)

Sec. 12-574-F40. The race

(a) The race.

(1) If a greyhound bolts the course, runs in the opposite direction or does not run the entire prescribed distance for the race, it shall forfeit all rights in the race; and no matter where it finished, the racing judges may declare the finish of the race the same as if said greyhound were not a contender. For the purpose of section 12-574-F42(u) of the Regulations of Connecticut State Agencies, said greyhound shall be considered a "starter".

(2) The lure shall be operated consistently. No race shall be called official unless the lure is in advance of the greyhounds at all times during the race and if at any time during the race any greyhound touches or overtakes the lure the racing judges shall declare it a “no race” and all monies shall be refunded. However, when a greyhound bolts the course or runs in the opposite direction during the running of the race and in so doing said greyhound in the opinion of the racing judges does not interfere with the race in any manner, the racing judges shall declare the race “official”. The decision of the racing judges shall be final.

(3) If it appears that a greyhound may interfere with the running of the race because of failure to leave the starting box, because of accident or for any other reason, any person under the supervision of the racing judges and stationed around the track may remove said greyhound from the track. For the purpose of section 12-574-F42(u) of the Regulations of Connecticut State Agencies, said greyhound shall be considered a “starter”.

(b) Muzzles, blankets.

(1) All greyhounds shall wear a racing muzzle and numbered blanket while racing.

(2) Muzzles and blankets shall be carefully examined in the paddock by the paddock judge before the greyhounds leave for the post, and shall be examined again by the patrol judge in front of the racing judges at the racing judge’s stand or by the starter in the starting box.

(c) **Exhibited in paddock.** All greyhounds shall be exhibited before post time of the race in which they are entered.

(d) **Exclusions from track.** After the greyhounds leave the paddock on their way to the starting box, and until the racing judges direct the track gates to be reopened, all persons except the racing officials and necessary attendants, shall be excluded from the track.

(e) **Lure operator responsibility.** The racing judges shall closely observe the operation of the lure and hold the lure operator to strict accountability for any inconsistency of operation.

(f) **Post positions.** The post positions of greyhounds in starting shall be assigned by lot or drawing after all entries are drawn and all races filled in their entirety. The drawing shall be supervised by the division representative and racing secretary three (3) days previous to the running of the race. Kennel owners or trainers are permitted to be present for the draw.

(g) **Starters in purse races.** In purse races not less than five (5) greyhounds, racing in the names of five (5) licensed kennels, shall be entered.

(h) **Substitutions.** Substitutions and replacements drawn from the official leftover list may be allowed by the racing secretary until twenty-four (24) hours prior to race time in the event of greyhound injury or illness.

(Adopted effective October 3, 2001)

Sec. 12-574-F41. Weights and weighing

(a) **Time for weighing-in.** The weighing-in of all greyhounds in a day’s program shall be completed at least one hour before the post time of the first race of that performance. The time period established for the weighing-in of all greyhounds shall be determined by the racing judges.

(b) **Delivery.** Greyhounds shall be brought to the weighing-in room by either the kennel owner, trainer, assistant trainer or kennel helper.

(c) **Established racing weight.** Before any greyhound is allowed to school or race at any track, the owner or trainer shall establish the racing weight with the clerk of the scales of each greyhound entered.

(d) Variations prohibited at weighing-in.

(1) At weighing-in time, should a greyhound's weight vary more than two (2) pounds either way from its established racing weight, the racing judges shall order said greyhound scratched.

(2) If at weighing-in time, should there be more than two (2) pounds variation between the greyhound's present weight and the weight at the weighing-in time of its last race, the racing judges shall order said greyhound scratched.

(e) Variations prohibited at weighing-out. At weighing-out time, if a greyhound has lost weight in excess of two (2) pounds while in the lock-out kennels, the racing judges shall order said greyhound scratched. However, upon certification from the veterinarian that such loss of weight while in the lock-out kennels does not impair the racing condition of the greyhound, the racing judges may allow said greyhound to race.

(f) Printed in program. The weight regulations provided in subsections (a), (b), (c), (d) and (e) of this section shall be reproduced in the daily program.

(g) Changes in established racing weight. The established racing weight of a greyhound may be changed from time to time upon written notification by the kennel owner or trainer to the racing judges, provided such change is made three (3) days before the greyhound is allowed to race at the new weight.

(1) All greyhounds with an established weight change of more than one (1) pound shall be schooled at least once or more at the discretion of the racing judges at the new established weight before being eligible for starting.

(2) Greyhounds that have not raced or schooled officially for a period of three (3) weeks will be allowed to establish a new racing weight with the written consent of the racing judges and may be schooled officially immediately upon receipt of said written consent.

(h) Discretion of racing judges. The racing judges shall have the authority to weigh a greyhound entered in a race at any time during the period from when the greyhound is entered in a race until post time.

(Adopted effective October 3, 2001)

Sec. 12-574-F42. Entries

(a) Abide by rules. Every person who enters a greyhound, or in any way participates in any race or racing is subject to sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies.

(b) Racing secretary receives entries. The racing secretary shall be the only person authorized to receive entries and declarations for any race.

(c) License requirement. No greyhound shall be permitted to be entered in a race unless all persons having an ownership or interest in its earnings are in possession of a current greyhound owner's license.

(d) Official program requirement. The name of the kennel and the names of all persons having ownership or interest in a greyhound together with the greyhound's past performance record shall be printed in each official program of races in which that greyhound is entered.

(e) Requirements. Every entry in a race shall be entered in the name or kennel name of the registered owners. The full name of every person having an ownership in a greyhound or having any interest in its winnings shall be registered with the racing secretary before the greyhound is entered in a race. Any change in ownership shall also be registered with the racing secretary. Failure to comply with subsections (c), (d) and (e) of this section will result in a fine, license suspension or both. If an objection is made and is proven correct against a greyhound that has run in a

race, the greyhound shall not participate in the purse distribution of the race in question and a redistribution of the purse shall be required. Any purse redistribution shall in no way affect the pari-mutuel payoff for the race.

(f) **Entrance fees.** The entrance to a race shall be free unless otherwise stipulated in its conditions, in which case an entrance fee shall accompany the entry as determined by the racing secretary.

(g) **Joint entries.** Joint entries may be made by one or more of the owners. In the event that ownership interests are equally divided, however, all partners shall be jointly and severally liable for all fees and forfeits.

(h) **Proof of ownership.** Racing officials or division representatives shall have the right to call on any person in whose name a greyhound is entered to produce proof that the greyhound entered is not the property either wholly or in part of any person who is disqualified; or to produce proof of the extent of their interest or property in the greyhound. Failing such proof the racing judges shall declare the greyhound out of the race.

(i) **Prohibitions on entries.**

(1) No greyhound shall be permitted to start that has not been fully identified.

(2) No disqualified greyhound shall be allowed to enter or to start in any race.

(3) The entries of any person or the transfer of any entry may be refused with or without notice or reason being given.

(4) No greyhound shall be permitted to enter unless it is conditioned by a licensed trainer.

(5) No greyhound on the official schooling list or the veterinarian's list shall be qualified to be entered.

(6) Any greyhound that has been the object of corrupt practices may be disqualified by the board of administrative judges of the meet for a period not longer than the duration of the meet, and the board shall report the circumstances to the division.

(j) **Posting.** Entries which have closed shall be compiled without delay by the racing secretary and conspicuously posted.

(k) **Alterations.** No alteration other than the correction of an error shall be made in any entry after the closing of entries.

(l) **Starters - if excess entries.** In the event the number of entries to any purse race is in excess of the number of greyhounds that may, because of track limitations, be permitted to start, the starters for the race shall be determined by the racing secretary.

(m) **Races declared off.** If any race fails to fill and is declared off, the names of all greyhounds that were entered therein shall be publicly posted in the racing secretary's office not later than 9:00 p.m. of the same day.

(n) **Refunds.** If an entry is received from any person or of any greyhound that is suspended or expelled, such entry shall be void and any entry fee paid shall be refunded.

(o) **Prohibition - inconsistent racing.** A greyhound whose entry is ordered refused at any recognized meet because of inconsistent racing or erratic racing performance shall not be permitted to race on any track.

(p) **Prohibition - underage greyhound.** No greyhound under the age of twelve (12) months shall run in any official race other than races conditioned for greyhounds of the same age.

(q) **Filing claims.** The holder of a claim of any kind against a greyhound shall be required to file the same with the racing secretary prior to the time the greyhound

is entered. One who fails to do so shall forfeit their rights in the winnings of the greyhound prior to the time the claim is properly filed.

(r) **Changes in unclosed race.** The association shall have the right to withdraw or change any unclosed race.

(s) **Postponements, refund.** In case of fire, accident or for other reasons, after due public notice all races or stakes may be postponed or declared off and when so declared off, all entrance fees shall be refunded.

(t) **Closing of entries.** Entries for purse races shall close 24 hours prior to post time and no entry shall be received after that time, except when races fail to fill or in the case of printing errors, when additional time may be granted. There shall be no “also eligible” entries.

(u) **Starters.** Every greyhound entered for a purse must be a starter unless it is scratched.

(v) **Special races and stake races.** An association may conduct a race or series of races for a designated prize upon approval of the division. The association’s request should include the source of purse monies to be paid, wagering format, qualification for entrance and the manner in which the purse will be distributed. All races conducted under such request shall be held in conformance with sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies.

(w) **Reserve payment.** An association may reserve payment of any purse money until after the results of drug testing are determined.

(x) **Credit payment before starting.** Before a greyhound can start, any person not having money to their credit with the association must pay to the association (in cash, if required), all entrance money, stakes and arrears then due the association on the greyhound intended to start.

(y) **Sale to disqualified person.** If a greyhound is sold to a disqualified person said greyhound’s racing engagements shall be void as of the date of sale.

(Adopted effective October 3, 2001)

Sec. 12-574-F43. Grading

(a) **Approval of division.** Each association conducting greyhound racing shall submit their grading and racing rules. These rules and conditions shall meet with division approval at least fifteen (15) days prior to the opening date of the association’s meet. Any amendments or changes to the grading or racing rules shall be approved by the division.

(b) **Responsibility of racing secretary.**

(1) The racing secretary shall be responsible for the proper grading of greyhounds. Before the opening of a racing meet, the racing secretary, after sufficient schooling of all greyhounds and consideration of their past performances, shall classify and assign them to their proper grades.

(2) The racing secretary shall determine the grades of the various races.

(c) **Printing of rules in program.** Each association shall have printed the grading rules it has adopted in a conspicuous place in its program.

(Adopted effective October 3, 2001)

Sec. 12-574-F44. Qualifying time

(a) **Establishment of qualifying time.** Each association licensed by the board shall establish qualifying times for its 5/16 mile distance. Each association licensed by the board may establish qualifying times for distance greater than 5/16 of a mile.

(b) **Qualifying distance.** A greyhound may race at the distance at which it qualifies.

(c) **Qualifying times, posting.** Each association shall notify the division at least three (3) days before the first day of official racing of the qualifying times established and such times, while in effect, shall be continuously posted on the notice board at the track. Any changes in qualifying times established, during the course of the meet, shall become effective three (3) days after notice of said changes has been posted on the notice board at the track and filed with the racing judges.

(d) **Period of time open for qualification.** The period of time open for race qualifications of greyhounds shall not be longer than from the commencement of the official schooling to one week before the close of the meet.

(e) **Non-qualified greyhounds.** Any greyhound that fails to meet the qualifying times as established shall not be permitted to start in any race.

(Adopted effective October 3, 2001)

Sec. 12-574-F45. Schooling

(a) **Requirements.** Greyhounds shall be properly schooled at least twice at the racetrack in the presence of the racing judges and shall, in the opinion of the racing judges, be sufficiently experienced before they can be entered.

(1) All official schooling races shall be at a distance no less than the distance nearest to 5/16 mile in use at the track.

(2) Greyhounds which transfer from an authorized track operating under the jurisdiction of a state regulatory body need not school if they have raced in an official race or in an official schooling race within ten (10) days at said greyhound track.

(3) Each official schooling race must consist of at least six (6) greyhounds. However, if this condition creates a hardship, less than six (6) may be schooled with the permission of the division racing judge.

(4) No hand schooling shall be considered official.

(5) Lead-outs shall be used for official schooling.

(6) Any greyhound that has not been entered for a period of ten (10) racing days, or more, shall be officially schooled at least once at its racing weight before being eligible for entry.

(7) All greyhounds in official schooling races shall be raced at their established racing weight and started from the box wearing blankets and muzzles.

(8) Any greyhound may be ordered on the official schooling list by the racing judges at any time. Any greyhound ordered on the official schooling list by the racing judges will be schooled officially and satisfactorily before being allowed to enter a race.

(9) Each association shall provide a method to reproduce the finish of a race, approved by the division, to be in operation at all official schooling races.

(10) A greyhound which, by the decision of the racing judges, falls or is involved in a serious jam in a race, may be required to be schooled in an official schooling race to the satisfaction of the racing judges before being allowed to enter or start again.

(Adopted effective October 3, 2001)

Sec. 12-574-F46. Declarations

(a) **Irrevocable.** The declaration of a greyhound out of a race is irrevocable.

(b) **Sweepstakes.** Declarations in sweepstakes shall be made to the racing secretary in the same manner as entries. The racing secretary shall record the day and hour of receipt of and promptly publicize the declaration.

(c) **Purse races.** Declarations in purse races shall be made by the owner, trainer or authorized agent to the racing secretary or assistant at least one-half hour before

the time designated for the drawing of post positions or at such time as the racing secretary may appoint.

(Adopted effective October 3, 2001)

Sec. 12-574-F47. Scratches

(a) **Sufficient cause.** To scratch a greyhound from a race, sufficient cause shall be given to satisfy the racing judges. All scratches and their cause shall be reported immediately to the racing judge.

(b) **Penalties.** Any scratches that occur as a result of a violation of section 12-574-F21 to 12-574-F49, inclusive, of the Regulations of Connecticut State Agencies shall result in a fine or suspension of said greyhound for a period of six (6) racing days. Scratches for other causes shall be reviewed by the racing judges who may decide to take further disciplinary action. If any owner or trainer fails to have a greyhound programmed to start appear at the track at the appointed time for weighing-in, and as a result said greyhound is scratched, the racing judges shall impose a fine, license suspension or both.

(c) **Cancellation.** If three or more greyhounds are withdrawn or scratched from any one race, the racing judges may cancel said race.

(d) **Discretion of racing judges.** The racing judges may scratch a greyhound from a race for any sufficient cause.

(e) **Withdrawals.** Any withdrawals or scratches shall be made with the racing secretary before noon on the day before the races for matinee programs, and before 6:00 p.m. the day before the races for evening programs.

(Adopted effective October 3, 2001)

Sec. 12-574-F48. Dead-heats - purses

(a) **Distribution of money.** When greyhounds run in a dead heat for a place, all monies, and prizes to which those greyhounds would have been entitled shall be divided equally between them. This applies in dividing prizes whatever the number of greyhounds running a dead heat. For example, two greyhounds dead heating for first would divide first and second monies. Two dead heating for second would divide second and third monies, and two dead-heating for third would divide third and fourth monies. Similarly three greyhounds which run a dead heat for first would divide first, second and third monies; three running for second would divide second, third and fourth monies.

(b) **Distribution of non-divisible prize.** If the dividing owners cannot agree as to which of them is to have a cup or other prize which cannot be divided, the question shall be determined by lot by the presiding racing judge.

(Adopted effective October 3, 2001)

Sec. 12-574-F49. Objections

(a) **Requirements.** All objections shall be made to the racing judges in writing, signed by the objector and a copy thereof sent immediately to the division.

(1) Permission of the racing judges is necessary before an objection can be withdrawn.

(2) The racing judges shall decide every objection pertaining to the race, and report their decision to the objector and the division in writing before the conclusion of the performance. The objector may appeal this decision to the division in writing within forty-eight (48) hours of official notification by the racing judges.

(3) Objections to a greyhound engaged in a race may be made to one of the racing judges by the owner or trainer of some other greyhound engaged in the same race, or by an official of the meet.

(4) Objection to any decision of the clerk of the scales shall be made before the greyhounds leave the paddock for the start of the race.

(5) Pending a decision on an objection, any prize which the greyhound may have won in the race shall be withheld until the objection is determined.

(6) Objections shall be filed with the racing judges within forty-eight (48) hours (exclusive of dark days) from the time the race is run. In all cases of fraud or willful deception, the time limitation shall not apply provided the racing judges are satisfied that the allegations are bona fide.

(7) If an objection to a greyhound which has won or which has been placed in a race is declared valid, that greyhound is disqualified and the placings of the other greyhounds in the race will be adjusted accordingly.

(Adopted effective October 3, 2001)

Operation of Jai-Alai

Sec. 12-574-F50. Requirements of a jai alai association

(a) **Prize money to jai alai players.** All payments to jai alai players regarding prize money shall be made by check payable not less than monthly. A record of the prize money and the payment shall be made and filed with the division at such time and in such manner as the division may prescribe.

(b) **Conditions for games-contracts.** At least fifteen (15) days before the start of a meet the association shall submit to the division conditions for all games it proposes to hold together with the purses or rewards. A copy of the player's contract shall be submitted to the division along with a resume detailing the player's personal background including his playing ability and any other information requested by the division. Reasonable notification to the division shall be required prior to effecting changes in the player roster.

(c) **Daily records.** The association shall file and maintain accurate daily records of all players and their placings. Such records shall be furnished to the division at such time and in such manner as the division may prescribe.

(d) **40 player roster.** Each association shall maintain a minimum of 40 players on its roster unless the division determines otherwise.

(e) **Videotape games.** The association shall cause all jai alai games to be videotaped in a manner approved by the division and shall carefully retain all tapes for a period of one year from the date of the game. The association shall when requested surrender the original of any of these tapes to the division, and the division shall reimburse the association for the actual cost of any surrendered tapes. The association shall provide appropriate facilities for the viewing of these tapes by the board of administrative judges or other authorized division representatives. Pari-mutuel payouts are final and no evidence discovered on videotapes shall affect that finality.

(f) **Handicappers.** Anyone who sells or promotes the sale of handicap sheets or other wagering advice or information to the public at a facility shall obtain, as the case may require, the appropriate occupational or concessionaire license from the division. The granting and maintenance of such license shall be conditional on the handicapper's meeting division standards for accuracy.

(g) **Game information.**

(1) The association shall make sure the game information which it disseminates to the news media is accurate and shall make all reasonable efforts to make corrections whenever erroneous publication is brought to the attention of the association.

(2) The association shall provide within the fronton a method to inform the public of the results of the previous day's performances and shall also maintain a telephone line for use within the state to afford the public ready access to accurate game results. This line shall provide the correct placings the day following the performance and shall be open and available as designated by the division during a meet and such notification shall be published in the daily jai alai program.

(h) **Players' contracts.** The association shall within fifteen (15) calendar days after the end of each month, provide the division with access to a schedule listing all players under contract including their playing status in Connecticut at such facility during the month, their playing status elsewhere during the month, the amount of bonuses and prizes earned and paid and the balance of advances made to such players including month-end balances. In addition, the aforementioned information shall be furnished for all players added to or removed from the roster during such month and at the time of such action.

(Adopted effective October 3, 2001)

Sec. 12-574-F51. Equipment and facilities

(a) **Playing court.** The dimensions of the playing court shall be approved by the division. The playing court shall have three walls, a front wall, a back wall and a side wall. The approximate size of the court shall be 175 feet long, 40 feet high and 50 feet wide. The underserve line (4), the overserve line (7) and the serve line shall be plainly marked on the playing court. All walls and the playing court floor shall be constructed of concrete or other similar solid substance. The entire playing court shall be separate from any other part of the fronton but in view of the public.

(b) **Display of winning numbers.** The association shall install and maintain electronic equipment for the purpose of displaying the winning order of finish at the conclusion of each game.

(c) **First aid stations, nurse.** The association shall provide a first aid station in the players' quarters with the necessary medicines and equipment. The association shall also provide a physician or registered nurse licensed by the state of Connecticut who shall report to the fronton one-half hour before the post time of the first game and who shall remain on duty until the final scheduled game is completed for each performance.

(d) **Sanitary facilities for players.** The association shall provide clean and sanitary facilities for the use by players as may be required by the division.

(e) **Program.** A program shall be printed for each performance conducted by the association. This program shall contain the names and numbers of the players who are to compete in each game for that performance. Such names and numbers are to appear in the order of post position, and said post positions are to be designated by numerals at the left and in line with the name of the players in each game. The program shall also include the names of the official substitutes for each game. The association shall ensure the correctness of the information contained in the program and any errors shall be immediately corrected by announcement over the public address system and posting in the wagering areas of the fronton. Furthermore, the program shall contain, along with any other information that is deemed necessary by the division, the names of the members of the board, the executive director and the head of the gambling regulation unit within the division.

(f) **Time clock.** The association shall prominently display a time clock indicating the correct time of day and the post time of the next game. Such post time shall be displayed immediately after the results of the preceding game are official and shall be adhered to unless otherwise authorized by the division.

(g) **Exclusion from players' quarters.** The association shall exclude from the players' quarters all persons except authorized association personnel and those having special permission from the division. A list of such authorized persons shall be forwarded to the division, and the division reserves the right to restrict such admittance.

(Adopted effective October 3, 2001)

Sec. 12-574-F52. Judges

(a) **Appointment and number.** There shall be three (3) court judges on the playing court during the game at all times; a front court judge and a back court judge and a chief (center) court judge all appointed by the association. The association shall appoint and have licensed no less than two alternate judges who shall be available to act as court judges if illness or injury should occur to any of the court judges. The alternate appointed judges cannot be members from the active or inactive official player roster.

(b) **Division judges.** The executive director shall appoint division judges who are responsible for the official score-keeping of all games, including supervising the officiating of the games. The division judge shall report all questionable decisions and actions of the court judges or players which is observed. The division judge reports to the facility supervisor or designee. The division judge may sit as a member of the board of administrative judges.

(c) **Stations, signals, whistle.** The chief court judge and a front and back court judge shall be stationed on the playing court prior to the start of each game. The front and back court judges' duty shall be to report by signal or otherwise to the chief court judge any irregularities or fouls made while a game is in progress. All judges shall be equipped with a whistle or other audible signaling device to be used to immediately signify when a foul has occurred. The court judges shall signify all fouls and points of play according to a standard set of signals approved by the division. Decisions by the court judges shall be easily recognizable and quickly communicated to the general public. To stop the game after the whistle is blown or other audible signal is made, the standard signals as officially posted shall be employed. All standard signals utilized by the judges shall be reproduced in legible type and permanently displayed in readily visible locations in the fronton. The daily jai alai programs sold to the public by the jai alai association shall contain a prominent statement indicating that such signals are posted.

(d) **Court judges' authority.** The court judges' authority extends over the rules of the game, as enumerated in section 12-574-F55 of the Regulations of Connecticut State Agencies, and involves the calling of fouls and interference, the citation of players for game infractions, and the recommendation of penalties therefore to the board of administrative judges.

(e) **Decisions final.** The final decision of any court judge is not subject to appeal or review after the official award of a point.

(f) **Rulings.** If a court judge notices an infraction within his jurisdiction, he must immediately signal it. The chief court judge will make the final decision if necessary after consulting with the front and back judges.

(1) The rulings of the court judges shall be final relative to the playing of the game.

(2) Any player who plainly exhibits displeasure at a judge's decision will be cited for a game infraction.

(3) In any play involving alleged errors of rotation, the chief court judge may at his own discretion or upon the request of the division judge, prior to the official award of a point, review the videotapes of any portion of the play in question for

guidance in making a final decision on such play. If it becomes clear to the chief court judge that an error of rotation has occurred, he shall immediately have the point replayed beginning at the first occurrence of the error in rotation.

(4) In any play involving alleged improper return by a member of the same team, the chief court judge, may at his own discretion or upon the request of the division judge, prior to the official award of a point, review the videotapes of any portion of the play in question for guidance in making a final decision on such play. If it is clear to the chief court judge that an improper return has occurred, he shall immediately award the point to the opposing post position.

(5) No game shall be declared official except by the division judge acting as official scorer. In the event there should arise any question concerning the proper declaration of an official game, the division judge may communicate with the chief court judge or the players' manager or assistant players' manager prior to the declaration of an official game.

(g) **Remain on court, posting number.** The court judges shall not leave the court until the official win, place and show is posted on the payoff board at the end of each game. It is the chief court judge's responsibility to see that the proper numbers are posted and to signify to the division judge his agreement as to the posted results. A player shall respectfully bring to the attention of the judges through the players' manager or assistant players' manager any matter within his knowledge which may have been overlooked by the judges during a play.

(h) **Qualifications for court judges.**

(1) Those appointed as judges or alternate judges shall be of unquestioned integrity, familiar with the game of jai alai and sections 12-574-F50 to 12-574-F56, inclusive, of the Regulations of Connecticut State Agencies and shall not be under contract as a player at the fronton. Scratched or injured players shall not act as court judges. Court judges shall be in excellent physical condition and shall be required to pass an annual physical and visual examination and possess corrected vision for 20/30 or better while officiating.

(2) In addition to the qualifications listed above the chief court judge shall be able to speak English.

(i) **Judges separate facilities.** Each association shall furnish facilities separate from players and the public for use by the judges for offices, lounging and clothes change. Judges shall not socialize with players at any time during a performance and shall limit their relations with players to those required by the judges' official duties.

(j) **Conduct.** While on the court, judges shall at all times conduct themselves in a professional manner consistent with the best interests of jai alai.

(k) **No communication.** Court judges shall not be permitted to contact, talk to or signal to any patron at any time during a performance.

(Adopted effective October 3, 2001)

Sec. 12-574-F53. Players' manager

(a) **Duties.** The players' manager or assistant shall attend, observe and maintain a record of the play-by-play scoring of each game and shall be on call during a performance to the chief court judge or division judge, except when a game is actually in play. The players' manager shall discharge all duties imposed on him by sections 12-574-F50 to 12-574-F56, inclusive, of the Regulations of Connecticut State Agencies and report to the division judge, as the case may demand, any violations of sections 12-574-F50 to 12-574-F56, inclusive, of the Regulations of Connecticut State Agencies coming under their notice. The players' manager shall keep a complete record of all games and shall report to the division judge any

violations, scratches or changes in the program as soon as he becomes aware of them. If there is an additional change in the program while the games are in progress, such change and the reasons for it shall be reported immediately to the division judge and the mutuel manager. The players' manager shall have the right to inspect all players and players' room attendants' licenses. The players' manager may also sit as a member of the board of administrative judges and as such shall have the power to cite any jai alai player or game official for game infractions and recommend the penalties to be imposed therefore as set forth in section 12-574-F13(d) of the Regulations of Connecticut State Agencies.

(b) **Players' quarters.** The players' manager shall be in complete charge of the players' quarters. It is his duty to see that all players are identified properly before the start of every game and to preclude the admission of any person not authorized by the division to the players' quarters excepting those duly licensed by the division. Any irregularities shall be immediately reported to the division.

(c) **Restriction against brothers, fathers and sons.** The players' manager shall see that neither brothers nor fathers and sons play in the same game against each other.

(d) **Matchmaker program.** Notwithstanding section 12-574-F12(d) of the Regulations of Connecticut State Agencies, the players' manager shall be responsible for matchmaking and shall file with the chief court judge and the division a proposed program of games not less than twenty-four (24) hours in advance of the performance. It shall be the responsibility of the players' manager to insure that all games are competitive. The players' manager shall so list an official substitute player or players for each game who shall be used in the event that a player scheduled to play has to be replaced due to injury, disqualification or other extraordinary circumstances.

(e) **File daily program.** The player's manager or designee shall maintain a signed program of games played, describing the history of the game.

(Adopted effective October 3, 2001)

Sec. 12-574-F54. Players

(a) **No pooling of prize money.** Any pooling of the prize money among the players is strictly prohibited.

(b) **Uniform.** All players shall be dressed in clean, regulation uniforms before the start of their first game.

Post position shirts shall be as follows:

No. 1 - red

No. 5 - black

No. 2 - blue

No. 6 - yellow

No. 3 - white

No. 7 - brown

No. 4 - green

No. 8 - purple/orchid

(c) **Safety helmet.** Protective helmets shall be worn by all players while on the court.

(d) **Practice.** All players who are to participate in a game shall appear on the playing court and shall practice prior to the start of the game, thereby enabling the public to observe the players who are to compete in the following game unless permission is granted by the players' manager excusing a player from practice. Such exception and its reason shall be immediately reported to the division representative.

(e) **Positions.** Players shall take their positions off the playing court and near the starting point of each game in numerical order to be determined by the post positions appearing in the program.

(f) **Selection of ball.** The player who is to serve at the start of each point shall have the right to select the ball, and the receiver can only reject the ball if it is

damaged. The players' manager may require that all servers in any given game preselect the balls for that game.

(g) **No smoking.** Smoking shall be prohibited in the players' cage.

(h) **No communication.** Players shall not contact, talk to or signal to any spectator at any time during a performance.

(i) **Best efforts rule.** Jai alai being a game of skill, the winning or losing of a point depends entirely on the individual player's skill and ability, and it shall be the duty of each player at all times to make every possible effort to complete a play. If in the opinion of the court judges or the division representative, a player shows lack of interest and does not use his best efforts while competing in an official game, the offender shall be in violation of the best efforts rule.

(j) **Scratches.** Each player shall compete in and complete the games scheduled except when the player is scratched for any reason. In such case the players' manager shall use the official substitute shown in the program to complete the game and all bets made on the scratched player or players shall remain in effect on the scratched player's post position.

(k) **Wagering prohibited.** No player under contract at a fronton, his wife or blood relatives, may wager money or any other thing of value on the results of any game played at any board licensed fronton.

(l) **Conduct.** While on the court or in the players' cage, players shall at all times conduct themselves in a professional manner consistent with the best interests of jai alai.

(m) **Releases and admissions.** Players may arrive at the fronton after the first game has begun or may leave the fronton upon completion of their last scheduled game at the discretion of the players' manager. If released the player must leave the premises completely and not return until the performance is completed. The players' manager may at any time release and admit players in emergency situations and shall report such occurrences to the division judge immediately, to be followed by a report in writing and in sufficient detail.

(n) **Physical condition.**

(1) **Physical examination.** All players under contract at a fronton shall be required to pass an annual physical examination approved by the division. A copy of the physician's report for each player shall be filed with the division before a player may be entered in any official game. Players entered for a game are subject to physical examination by a physician upon request by the association or the division. The examination shall be performed by a physician chosen by the association and licensed to practice in Connecticut. The physician's determination of the player's physical condition shall be final. A player claiming illness or physical unfitness may request a physical examination by a licensed physician or registered nurse to determine the illness or unfitness. A copy of any physician's report on a player shall be filed with the division. Players who claim temporary illness or unfitness not requiring medical attention may be excused from one performance upon the order of the player's manager.

(2) **Return to play after unfitness.** When any player has been prevented and removed by illness or unfitness from play, he shall not thereafter be entered in a game unless the players' manager shall have secured a certificate of fitness from a licensed physician or registered nurse appointed by the association. If a player is scratched during a performance, he shall not be allowed to return to play during the performance in which he was scratched. The certificate shall be furnished by the player's manager to the division on the day that the player returns to play.

(o) **Drug testing.**

(1) Players and court judges shall be required to participate in an unannounced drug testing program as a condition of licensure pursuant to section 31-51y(c) of the Connecticut General Statutes.

(2) Each player or court judge shall submit to periodic drug testing in accordance with procedures established by the division. Said procedures shall set forth the process for the collection of the specimens for testing and the list of drugs or substances for which players shall be tested.

(3) A positive identification of any drug or substance other than one specifically prescribed by a licensed physician and approved for use by the Federal Drug Administration shall constitute prima facie evidence that such drug or substance has been used.

(4) The division may issue a summary suspension of a player's or court judge's license if an illegal drug or substance is identified through testing. Penalties imposed may include a fine, license suspension or license revocation.

(p) **Player substitutions.** Substitutions shall be reported by the association to the division, in writing, within twenty-four (24) hours, including the reason for the substitution, the performance and game in which the substitution occurred, the names and post positions of the players, and accompanied by the signature of the player's manager and the date of the report.

(q) **Players waiting in rotation.** All players waiting in rotation shall remain in the players cage at all times during the playing of a point. Players shall not be allowed to stand outside the players' cage while a point is in progress.

(Adopted effective October 3, 2001)

Sec. 12-574-F55. Rules of the game

(a) **Cancellations.** The association may, in an emergency, postpone or cancel any game. The association shall immediately notify the division judge of any change and the reasons therefore, in writing, and said notification shall be filed with the division within twenty-four (24) hours after taking effect.

(b) **Termination of game.** Except as provided herein when a game is started, it cannot be terminated until win, place and show positions have been officially posted. In the event of a player or players competing out of rotation before the win position has been determined, rotation being the point by point progression of any game, the game shall be declared "off" by the division judge and a full and complete refund made on all wagers for that game. However, if a player or players compete out of rotation during a playoff for place or show the division judge shall cause the game to be returned to the situation prior to the rotational error, and play shall resume with the position(s) determined prior to the rotational error intact. However, in the case where a game is completed and the official results determined, and where it is subsequently discovered that errors of rotation had occurred in that game, the official results shall stand and the payouts shall be made accordingly.

(c) **Start of game.** When a game is started, the player representing post position one and the player representing post position two shall appear on the playing court. When signaled by the chief judge, the player in post position one shall serve the first ball from the service line. In accordance with section 12-574-F55(e) of the Regulations of Connecticut State Agencies, the game shall have been officially started.

(d) **Defective ball.** Should a ball become defective during the playing of a game, any player on the court shall have the right to call said defect to the attention of

the chief court judge and if in the opinion of the chief court judge it is defective another ball shall be put in play at the conclusion of a point.

(e) **The serve.**

(1) A designated uniform serve area approved by the division shall be specified on the playing court. A ball shall be served from this area and failure to do so shall cause the server to forfeit the point to his opponent.

(2) If the server for any reason does not complete a serve or should the ball touch any article of clothing or anything on the person of the server or his partner before being caught by the cesta, the server shall forfeit the point to his opponent.

(3) Only one serve shall be allowed for each point in all games, except partido matches when one (1) overserve is permitted for each point played. No carom serves shall be permitted in singles games.

(f) **Ball in play.** Upon the serve hitting the front wall, a ball shall be in play and the ball shall be ruled in play until a point or a judges' ruling is made.

(g) **Interference.** Should the ball hit any of the server's opponents, the chief judge shall decide whether it is a foul or whether the server should be credited with the point. The judges shall also decide, in the case of a contender obstructing a play of his opponent, whether it was done intentionally or accidentally. Should it be an intentional interference, the player who caused it shall forfeit the point. If accidental or unavoidable, the point shall be played over. The judges cannot rule interference if, in their opinion, the player could not complete the shot if the interference had not occurred.

(h) **Official games.** Official games shall be known as elimination singles, elimination doubles, elimination triples, spectacular seven, spectacular nine and two team partidos to twelve or more points or any other game format approved by the division. Only official games shall be eligible for pari-mutuel wagering.

(i) **Elimination games.** In elimination singles, elimination doubles, elimination triples and spectacular seven games, all players, with the exception of those in first and second positions, shall be seated on a bench in the rear of the court according to their post position. When the game has started, players occupying first and second positions shall compete for the first point until one of the players is eliminated. The player winning the point shall then become the server and his opponent shall be that player which is next in line on the front of the bench. The player who has just been eliminated is to take the rear seat on the other end of the bench until such time as all other players seated on the bench have had an opportunity to play through elimination of one another, and he becomes the first man on the bench again. These games are ruled by the elimination of players until the total required points are scored to decide the win, place and show positions.

(j) **Points to win.** In elimination singles, elimination doubles, elimination triples and spectacular seven games, the number of points required to decide the winner shall be one less than the number of post positions competing in the game. Spectacular seven shall be an eight-post position seven-point game in which all points are doubled after each post position has been on the court once.

(k) **Play-off.**

(1) After a winner has been declared, playoff rules to decide place and show positions vary according to the number of points scored by the participating players or teams and shall be played according to the players' or teams' rotating position (not post position) i.e. in the order in which they were defeated.

(2) When there still remain five or seven players or teams, all of which are tied without a point to their credit, the play-off shall be for a goal of one point less than the number of post positions represented in the play-off.

(3) When there still remain five or seven players or teams, all of which are tied with one point or more, the play-off shall be continued until one player or team reaches the number of points designated for the game.

(4) In case of two ties after a winner has been declared official, and there are still two players or teams tied with the same number of points, the place position shall be awarded to the player or team making the next point, and show position shall go to the loser of said point.

(5) In the case of three ties after a winner has been declared official, and there remain three players or teams tied for place or show, or both, the play-off shall be through elimination, according to their rotating position. If at any time during a play-off a player or team reaches the designated number of points that the game calls for, said player, or team, shall immediately be awarded the place or show position, as the case may be, and the remaining players or teams shall forfeit the right to play for said position.

(6) In case of four or six ties after a winner has been declared official and there remain four or six players or teams, tied for place or show, or both, the play-off shall be through elimination according to their rotating position. The first two players or teams will play the first point. The next two players or teams will play for one point, and the remaining (in case of six) players or teams will also play for one point. Winners of these points will play additional points to decide place or show position, as the case may require. If at any time during a play-off a player or team reaches the designated number of points that the game calls for, said player, or team shall immediately be awarded the place or show position, as the case may be, and the remaining players or teams shall forfeit the right to play for said position.

(l) **Notice of cancellation, substitutions.** When for any reason a change shall be made by substitution of one or more players, or should a game be canceled for any reason, official notice thereof shall be made and posted in the lobby near the parimutuel windows. Announcements shall also be made over the public address system, notifying the public of any such changes. Said notices and announcements shall be made as soon as possible before the start of the game.

(m) **House rules.** The game of jai alai shall be played only in accordance with sections 12-574-F50 to 12-574-F56, inclusive, of the Regulations of Connecticut State Agencies. Association modifications or "house rules" shall have prior division approval.

(Adopted effective October 3, 2001)

Sec. 12-574-F56. Fouls

(a) **Foul areas.** Foul areas shall be indicated by steel frame, wire, wood or padding and distinguished by a color different from the playing court.

(b) **Fouls committed - points.** If a foul is committed by a player the point shall be awarded to the player in the opposing post position. The fouls are:

(1) When the ball strikes the screens or any other indicated foul area before it touches the front wall.

(2) When the ball strikes the screens or any other indicated foul area after it touches the front wall, and before it touches the playing floor.

(3) When the ball hits the wooden floor on its first bounce after striking the front wall.

(4) When a player catches a ball after its second bounce.

(5) **Holding.** This occurs when a player retains the ball in the cesta longer than a reasonable time in his attempt to make a play. The reasonable time is to be determined by the court judges.

(6) **Control foul.** This occurs when a player fails to maintain one continuous motion clearly establishing, in the opinion of the court judges, that the player has lost control of the ball.

(7) **Change of posture or direction.** This occurs when a player, after initiating one motion, changes his momentum and uses an alternative motion in returning the ball.

(8) A served ball not bouncing between lines four (4), the underserve and seven (7) the overserve lines on the playing court.

(Adopted effective October 3, 2001)

Operation of Off-Track Betting

Sec. 12-574-F57. OTB facility operations

(a) **Notice of hours.** A notice shall be displayed in a conspicuous location in every off-track betting facility setting forth the hours during which said facility shall be open for business.

(b) **Sale or exhibition of off-track betting information.** In each off-track betting facility, there shall be exhibited or offered for sale off-track betting information. The off-track betting information is solely for the convenience of the betting public.

(c) **Declaring the facility closed.** Notwithstanding any other provision of sections 12-574-F1 to 12-574-F65, inclusive, of the Regulations of Connecticut State Agencies, the managing employee of each off-track betting facility may declare the facility closed for receiving bets on any pari-mutuel pool, race, group of races or closed for all betting.

(d) **Payments on winning tickets.** Payments on winning tickets shall be made by check or in United States currency at any off-track betting facility upon proper presentation and surrender of a valid winning ticket. However, payouts in excess of twenty-five thousand dollars (\$25,000) may be delayed one (1) business day.

(e) **Payments to be verified.** Off-track betting facility personnel shall not make a payment in any amount other than that indicated by the official off-track betting race result sheet conspicuously posted at the facility or by the computer terminal equipment installed at the off-track betting facility for ticket cashing purposes.

(Adopted effective October 3, 2001)

Sec. 12-574-F58. Pool calculations

(a) **Combined pool.** When a payoff by the OTB association is made on the basis of a combined pool, such payoffs shall be made in accordance with the applicable rules in effect at the host track at the time the race is run.

(b) **Independent pool.** Whenever a payoff by the OTB association is made independently of any other pool, the pari-mutuel pools shall be calculated and distributed as follows:

(1) Win, place, show, daily double or any type of wagers accepted by the OTB association from separate wagering pools with payoffs calculated independently of each other.

(2) From each pool there shall be deducted the appropriate percentages as provided by Chapter 226 of the Connecticut General Statutes, the remainder being the net pool for distribution less breakage.

(Adopted effective October 3, 2001)

Sec. 12-574-F59. OTB pari-mutuel betting

(a) **Generally.** The OTB association shall conduct pari-mutuel betting on any recognized meeting held within or without the state as the OTB association may determine, subject to the prior approval of the executive director.

(b) **Pools.** The OTB association shall conduct pari-mutuel betting either in a combined pool or in an independent pool as the association may determine on any recognized meeting held within or without the state.

(c) **Telephone betting.** The association may conduct pari-mutuel betting by telephone. Such telephone betting shall be in accordance with section 12-574-F60 of the Regulations of Connecticut State Agencies.

(d) **Types of betting.** The OTB association may accept wagers on such types of pari-mutuel betting as it shall determine subject to the approval of the board.

(e) **Location of ticket sales.** Off-track betting pari-mutuel tickets shall be sold only at off-track betting facilities.

(f) **Limits on betting.** The executive director with the advice and consent of the board shall approve minimum limits on betting.

(g) **Minimum payments.** The OTB association shall pay not less than two dollars and ten cents for each two dollar winning bet in the distribution of any pari-mutuel pool.

(h) **Commencement of betting.** The OTB association shall commence accepting bets for any particular pari-mutuel pool at such times as the executive director may approve.

(i) **Close of betting.** The close of betting shall be set at such times as the executive director may approve or as designated division personnel may determine based upon operational circumstances.

(j) **Locking of pari-mutuel terminals.** Pari-mutuel terminals shall be lockable by electrical control to render them incapable of accepting or recording wagers and issuing tickets on prior races or a race in progress.

(k) **Field.** Whenever two or more horses starting in the same race constitutes a field they shall be combined for purposes of any off-track betting pari-mutuel pool as follows:

(1) One or more horse number(s) shall be provided which shall represent horses in the field. A bettor who bets on a field shall be deemed to have bet on all the horses in that field irrespective of whether or not the particular horses running in that field are determined when the bet is placed. If that entire field is scratched or removed from betting there shall be a refund. However, if part of that field is scratched or removed from betting but there is at least one starter, there shall be no refund;

(2) In the event that a bettor bets on a horse which is later placed in a field, he shall be deemed to have bet on that field except that if the horse upon which he has bet is removed from the race or removed from betting prior to the close of betting, the bettor shall receive a refund;

(3) Upon recommendation of the association, the executive director may approve alternative methods of grouping animals together to constitute a common betting interest.

(l) **Coupled entry.** Whenever, in accordance with the rules of the track, two or more horses starting in the same race constitute a coupled entry for purposes of pari-mutuel betting at the track, they shall be coupled for purposes of any off-track betting pari-mutuel pool and a bet on one shall be a bet on all, as follows:

(1) A horse number may be provided which shall represent each coupled entry. A bettor who bets a coupled entry shall be deemed to have bet on all the horses irrespective of whether or not the particular horses running in the coupled entry are determined when the bet is placed. If the entire coupled entry is scratched or removed from betting there shall be a refund. However, if part of a coupled entry is scratched or removed from betting but there is at least one starter, there shall be no refund;

(2) In the event that a wager is placed on a horse which is part of a coupled entry, the wager shall be deemed to have been on the coupled entry except that if the horse upon which the wager was placed was separately designated and is then removed from the race or removed from betting prior to the close of betting, the wager shall be refunded.

(m) **Refunds.** All bets received on an entry which does not start or on a race which is canceled or postponed may be independently calculated or shall be refunded on the basis of the refund policy in effect at the track.

(n) **Refusal to accept bets.** The OTB association shall have the right to refuse to accept bets on a particular entry or entries or in any or all pari-mutuel pools for what it deems good and sufficient reason. In the event that the association shall prohibit further betting on an entry or entries in a pari-mutuel pool for which it has previously accepted bets, bets on such entry or entries shall be refunded.

(o) **Track refusal to accept bets.** In the event that the track refuses to accept bets on a particular entry or entries, the OTB association shall automatically remove from its pools all bets placed on said entry or entries, and said bets shall be refunded.

(p) **Cancellation of track pool.** In the event that a pari-mutuel pool is canceled by the track, the corresponding off-track betting pari-mutuel pool may be independently calculated or shall be refunded.

(q) **Change of entries.** Until the track posts the official entries of a race, the OTB association may add to the entries and accept public wagering on such entries as it believes shall run in the race and may remove from its list such entries as it believes shall not run in the race.

(r) **Responsibility of division.** The division bears no responsibility with respect to the actual running of any race or races upon which the association accepts bets. In all cases, off-track betting pari-mutuel pool distribution shall be based upon the order of finish posted at the track as "official" or as the rules may apply in the case of substitution for scratched entries. Rulings related to entries, the winning of a race, and the order of finish and determination of judges, stewards or other appropriate officials at the track shall be conclusive in determining the payoffs by the association.

(s) **Error in calculation of payments.** In the event of an error in calculation of payment prices:

(1) Where such error occurs in an independent pool, all off-track betting facilities shall be notified as soon as the error is determined and all further payments shall be in the correct amount. Telephone betting accounts shall be corrected accordingly where practicable. Any amount thereafter remaining in the pool because of an underpayment shall be transferred to the division, and a written report thereof submitted to the division by the day following discovery of such error;

(2) Where such error occurs in a pool which is the result of the combination of the track pool and the off-track betting pool, notwithstanding the provisions of section 12-574-F58 of the Regulations of Connecticut State Agencies, the rules in effect at the track governing the disposition of such error shall prevail.

(t) **Failure of combining pool.**

(1) In the event that any bet accepted by the OTB association for inclusion into a combined pool with the track fails to be appropriately included and combined in the single track pool due to circumstances reasonably beyond the control of the OTB association, payoffs shall be made in accordance with one of the following:

(A) All bets made at OTB facilities shall be placed into an independent pool, and the payoff shall be made in accordance with applicable rules; or

(B) An alternate method may be approved by the board upon the recommendation of the association and the executive director.

(2) An immediate announcement shall be made to the public at all facilities when other than track payoffs will result.

(3) The OTB association shall provide a written report to the division setting forth the circumstances surrounding the failure to include any bet into a combined pool.

(4) In any case where the circumstances of a failure to properly combine any pool results in an underpayment to the public for that pool, as determined by the division after reviewing the required reports, the OTB association shall transfer to the division the amount of such underpayment. Any overpayment on any pool not properly combined is strictly the responsibility of the OTB association and any such overpayment shall not be used to offset the underpayment of any other pool.

(u) **Bettor information for Internal Revenue Service.** An association and any OTB facility operator shall comply with all statutes, rules, regulations, rulings, and directives of the Internal Revenue Service and the state of Connecticut regarding reportable winnings and withholding thereon. The association and any OTB facility operator shall refuse payment to a winning bettor who refuses to supply the relevant information required by the Internal Revenue Service or the state of Connecticut or who attempts to circumvent the withholding and reporting requirements.

(v) **Official results.** When applicable, at the end of each race division personnel shall monitor with the pari-mutuel department, by use of totalizator equipment or telephone, the official placement and payout of the program numbers. No payoffs shall be made until the receipt of the declaration that the result is official by flashing the word "official" on the totalizator board or announcing such on the public address system.

(Adopted effective October 3, 2001)

Sec. 12-574-F60. Telephone betting

(a) **Telephone deposit center.** The association may operate a telephone deposit center for the purpose of keeping deposit accounts and accepting telephone bets. The association shall establish written procedures for the operation of the telephone deposit center. Said procedures and any subsequent amendments shall be subject to division approval.

(b) **Deposit account.** Only those persons providing the required and accurate account identification information to the telephone deposit center with respect to a specific deposit account shall be permitted to bet by telephone. Betting by agents or betting services is prohibited. No association employee shall knowingly accept any wager from any prohibited person. The telephone deposit center shall accept bets up to the amount posted to the credit of such account at the time the bet is placed. Subject to division approval, the association may implement procedures for the use of deposit accounts for betting while at OTB facilities and for betting by any other electronic means approved by the division.

(c) **Application for deposit account.** An applicant for a deposit account shall supply such information as the association may require, subject to division approval. Applicants must certify in their application that they have attained the age of majority.

(d) **Identification of deposit account.**

(1) Each deposit account shall have a unique identifying account number. Such number may be changed at any time provided the association informs the account holder in writing of the change.

(2) All persons shall adhere to such other methods of identification as the association may require, subject to division approval.

(e) **Service charges.** The association may establish charges to accounts for various services subject to the prior approval of the division. The association shall provide each account holder with a list of all service charges and any updates thereto.

(f) **Information to account holder.** An account holder shall receive at the time the account is opened an identification card, a summary of the rules, and an explanation of the procedures then in force for depositing to, withdrawing from and closing of the account; a telephone number to be utilized by the account holder; a description of the mechanics of betting; a listing of any service charges that may apply; and such other information as the association may deem appropriate.

(g) **Natural person only.** The OTB association shall accept telephone deposit accounts in the name of a natural person only. The association shall not allow any corporate, partnership, joint, trust, beneficiary or custodial telephone deposit account(s).

(h) **Non-transferable.** Neither the ownership nor the funds of a telephone deposit account are transferable.

(i) **Right to refuse accounts.** The OTB association shall have the right to refuse the establishment or maintenance of accounts for what it deems good and sufficient reason. No account shall be established or maintained for any prohibited person as described in section 12-574-F9 (k) of the Regulations of Connecticut State Agencies.

(j) **Right to refuse deposits.** The OTB association shall have the right to refuse deposits to accounts for what it deems good and sufficient reason.

(k) **Right to suspend or close an account.** The OTB association and the division have the right to suspend any account or to close any account at any time provided that when an account is closed, the OTB association shall return to the account holder such monies, less any authorized service charges, as are on deposit at the time of said action. The association shall establish procedures, subject to division approval, regarding monies which prove to be undeliverable.

(l) **Deposits or withdrawals.** Deposits to and withdrawals from existing accounts shall be permitted only in such form and by such procedures as established by the OTB association and approved by the division.

(m) **Check deposits.** Checks offered for a deposit in a deposit account shall not be posted to the credit of the account holder until the "hold" period established by the OTB association and approved by the division has elapsed. All such checks shall be immediately marked "for deposit only" and included in the next scheduled deposit.

(n) **Acceptance of bets.** Telephone bets shall be accepted during such time and on such days as designated by the OTB association and approved by the executive director.

(o) **Right to declare betting closed.** Notwithstanding any other rules, the managing employee of the telephone deposit center may at any time declare the telephone deposit center closed for receiving telephone bets on any pari-mutuel pool, race, group of races, or closed for all betting.

(p) **Right to refuse bets.** The OTB association or any OTB facility operator has the right at any time and for what it deems good and sufficient reason to refuse to accept all or part of any bet.

(q) **Betting conversations recorded.** All betting conversations shall be recorded by the telephone deposit center and the tapes of said conversations stored for a period of time which corresponds with the presentation deadline established in section 12-574-F9(g) of the Regulations of Connecticut State Agencies. All betting transactions accepted by means other than an operator shall be electronically recorded, subject to division approval, and stored for a period of time which the division shall establish.

(r) **Responsibility of account holder.** Deposit accounts are for the personal use of the account holder. No other person may act, nor may the account holders facilitate any other person to act, as an agent for an account holder in the placing of wagers or the withdrawal of funds. Account holders are responsible for all bets placed through their accounts by any person using the account. The account holder bears the responsibility for maintaining the secrecy of his account number and secret code word. OTB association employees shall immediately report to the division any suspicion of use of an account by someone other than the account holder. The division may notify the association of use of an account by someone other than the account holder as the division deems appropriate.

(s) **Payments on winning bets.** Payment on winning pari-mutuel telephone wagers and refunds shall be posted automatically to the credit of the account holder, as soon as practicable, after the race is declared official.

(t) **Periodic statements.** Not less than once per year, the OTB association shall provide written statements of account activity during the period to all account holders. In addition, an account holder has the right to request a statement for the current and four (4) previous years, at any time. Unless written notice to the contrary is received by the association within fourteen (14) days of the date that any such statement is rendered to an account holder, said statement shall be deemed accepted by the account holder as correct in any and all particulars. A copy of annual statements for each account shall be maintained by the association in each account holder's file for a five (5) year period.

(u) **Inactive accounts.** Accounts found to be inactive based on guidelines established under Chapter 32 of the Connecticut General Statutes shall be deactivated from the on-line totalizator system. Any funds remaining in such accounts shall be transferred to the state of Connecticut in a manner prescribed by the Office of the State Treasurer.

(v) **Address of account holder.** The last address provided in writing by an account holder to the association is deemed to be the correct address and shall be the address used by the OTB association for the purposes of mailing checks, statements of account, account withdrawals, notices or any other written correspondence to the account holder. The mailing of checks or other correspondence to the address given by the account holder shall be at the sole risk of the account holder. Any change of address shall be made in writing, signed by the account holder and retained in the account holder's file. Any request for a withdrawal or the mailing of any other account information to an address other than the current address on file shall be accompanied by a written request signed by the account holder.

(w) **Employees.** No employee of the telephone deposit center shall divulge any confidential information related to the placing of any wager or any confidential information related to the operation of the telephone deposit center.

(x) **Money retained in deposit accounts.** The funds from the telephone deposit accounts shall not be transferred to a corporate account. Telephone deposit funds shall be kept in a separate account. Such account shall be an escrow account for

this purpose and maintained within the state of Connecticut. The total funds in this escrow account plus the payoff receivables due from tracks which arise from betting activity of the telephone betting patrons shall be sufficient at all times to cover all sums due to telephone deposit account holders.

(Adopted effective October 3, 2001)

Licensing

Sec. 12-574-F61. Greyhound partnerships and corporations

(a) **Registration of greyhound partnerships.** All partnership owners shall be registered with the division, pay the fee required if applicable and report the name, address, date of birth and social security number of all partners and of every person having any interest in a greyhound, as well as the relative proportions of such interest. The terms of any sales with contingencies or arrangements shall be signed by all parties or their authorized agents and be filed with the racing secretary, a copy of which shall be transmitted immediately before the opening of the race meet to the division. All partners shall each be jointly and severally liable for all stakes and forfeits. The division in its sole discretion may require each partner or, in the case of limited partnerships authorized to do business in Connecticut, each general and limited partnership registered hereunder to apply and qualify for a greyhound owner's occupational license.

(b) **Requirements of greyhound partnerships.** All statements of partnerships, or sales with contingencies or arrangements, shall declare to whom winnings are payable, in whose name the greyhound shall run and with whom the power of entry or of declaration of forfeit rests. A copy of this information shall be transmitted immediately to the division.

(c) **Emergencies.** In case of emergency, authority to sign declarations of partnerships may be given to the racing secretary by a facsimile promptly confirmed by signed letter.

(d) **Assignments.** The part-owner of any greyhound cannot assign his share or any part of it without the written consent of the other partners, the said consent to be filed with the racing secretary.

(e) **Requirements of greyhound corporations.** All corporations having any interest in a greyhound shall file with the division at the time of filing application for an occupational license, a statement in duplicate setting forth the names and addresses and date of birth and social security number of all officers, directors and stockholders of said corporation, together with the amount of the respective holdings of each stockholder and a statement as to whether or not said stock is paid in full. This statement shall also designate an authorized agent, or agents of said corporation and be signed by the president of the corporation, attested to by its secretary and have the corporate seal attached. Furthermore this statement shall also contain an affidavit signed under oath by the president and secretary of the corporation that no officer, director or shareholder of the corporation is at that time under suspension by the division or disqualified to be licensed as a greyhound owner by the executive director. The division in its sole discretion may require all officers, directors or shareholders of a corporation registered hereunder to apply and qualify for a greyhound owner's occupational license.

(f) **Transfer of stock, changes in officers and directors.** Any transfer of stock of such corporation or change in the officers or directors shall be reported promptly in writing to the division.

(Adopted effective October 3, 2001)

Sec. 12-574-F62. Licensing

(a) Licenses issued by the board.

(1) Association License. Any person or business organization who, in Connecticut, shall operate off-track betting, greyhound racing or jai alai shall obtain an association license from the board.

(2) Association affiliate license. Any affiliate of an association licensee shall obtain an association affiliate license from the board.

(3) Licensure. The board shall issue licenses pursuant to Chapter 226 of the Connecticut General Statutes.

(b) Licenses issued by the division.

(1) Totalizator license. Any person or business organization that shall provide totalizator equipment or services to the off-track betting system or at an off-track betting facility, or a facility in conjunction with a racing or jai alai meet shall obtain a totalizator license from the executive director.

(2) Concessionaire license. Any person or business organization that shall operate any concession at an off-track betting, racing or jai alai facility shall obtain a concessionaire license from the executive director.

(3) Totalizator and concessionaire affiliate license. Any affiliate of a totalizator or concessionaire licensee shall obtain the appropriate totalizator or concessionaire license from the executive director.

(4) Occupational license. The following persons connected with association, concessionaire, totalizator, or affiliate (either board or division licensed) licensees shall obtain occupational licenses from the executive director:

(A) All employees involved in pari-mutuel operations in the state;

(B) All officers, directors, partners, trustees, or owners whether located in or out of the state; and

(C) Any stockholder, key executive, agent, or other person who in the judgement of the executive director shall exercise control in or over any such above licenses.

(5) Licensure. The executive director shall issue licenses pursuant to chapter 226 of the Connecticut General Statutes. No license granted by the executive director shall be effective for longer than a period to be determined by the division.

(c) Temporary licenses. Notwithstanding anything to the contrary in the administrative regulations of the division, the executive director or designee may issue temporary occupational licenses subject to the following conditions:

(1) Temporary licenses shall not be issued for a period greater than seven (7) days, however, they may be renewed for good cause;

(2) Before a temporary license may be issued, an application for license must be filed with the division;

(3) A temporary license may be revoked or suspended without cause upon notice to the temporary licensee; and

(4) A temporary license shall not be valid unless a preliminary security clearance is obtained before the issuance of the temporary license.

(d) Durational licenses. Notwithstanding anything to the contrary in the administrative regulations of the division, where the circumstances require, and where the executive director determines that it shall be in the best interest of the state of Connecticut and the legalized gambling industry, the executive director in his discretion may issue durational totalizator, concessionaire, vendor and occupational licenses subject to the following conditions:

(1) Durational licenses shall not be issued for a period greater than ninety 90 days, however, they may be renewed for good cause; and

(2) Before a durational license may be issued, an application for license must be filed, and the application must be processed in the same manner as an ordinary license application.

(e) **Limitation on outstanding licenses.** In the interest of the public safety and convenience either the board or the executive director may in their discretion limit the number of outstanding licenses in a particular category.

(f) **Conditional licenses.** The power to license includes the power to attach reasonable conditions to the grant of a license. Where the board or executive director finds that it shall be in the best interests of the state of Connecticut, of the public safety and convenience, and of the legalized gambling industry, the board or the executive director may attach reasonable conditions to a license which they are authorized to grant. A conditional license may be issued pending final action on a license application. Such a license becomes automatically void upon disapproval of the application.

(g) **Liability insurance.** Any association authorized to conduct any pari-mutuel activity including any OTB facility operator authorized to operate an off-track betting facility shall indemnify and save harmless the state of Connecticut against any actions, claims, and demands of whatever kind or nature which the state may sustain or incur by reason or in consequence of issuing such license. Before any license shall be issued the association and any OTB facility operator shall deposit with the division a comprehensive liability insurance policy. The insurance shall be under terms and in an amount approved by the board and the division and provide coverage for such contingencies, hazards, and liabilities as the board and division may reasonably require. Said insurance shall be kept in force by an association and any OTB facility operator at all times during the duration of the license, and shall be subject to annual review by the division. The policy shall name the state of Connecticut as additional insured.

(h) **Surety.**

(1) An association which is granted a license to conduct any pari-mutuel activity shall give to the state of Connecticut before said license is issued surety in amount sufficient to cover such possible damages as the board or the division shall determine might result from embezzlement, fraud, theft, forgery, misrepresentation, falsification of pari-mutuel records and operations, and for all taxes, fines, fees, revenues or other monies which may be due or which under statute may revert to the state from pari-mutuel operations or otherwise from the association.

(2) Surety shall be in a form approved by the board and the division and may include bonds, pledged securities, restricted accounts or other approved devices. Furthermore such surety shall be kept by an association year round and will be subject to annual review.

(i) **Pari-mutuel taxes.** All pari-mutuel taxes imposed shall be due and payable by the close of the next banking day after each day's pari-mutuel activity. If any such tax is not paid when due, the executive director may impose a delinquency assessment plus interest in accordance with section 12-575 of the Connecticut General Statutes. Failure to pay any such delinquent tax on demand may be considered cause for revocation of the association license.

(Adopted effective October 3, 2001)

Sec. 12-574-F63. Occupational badges and licenses

(a) **Employee identification.** All employees of the mutuel department shall wear license badges for easy identification by the public. All badges shall be worn at

least chest high and shall not be obscured from public view by the bearer's clothing, hair or objects, nor shall they be defaced.

(b) **Employee must be licensed.** An association conducting any pari-mutuel activity shall not permit any persons as specified under section 12-574-F62(b)(4) of the Regulations of Connecticut State Agencies to operate at its facility unless said person has received a license from the division pursuant to division rules of licensing and disclosure.

(c) **Badges:**

(1) The division as it deems necessary shall require occupational licensees to obtain a badge at the expense of the association or the concessionaire, vendor, totalizator, or affiliate licensee. Such badges shall be displayed or carried upon such licensee as required by the division;

(2) The association and any OTB facility operator shall file a list of persons and specific duties of such persons not licensed as occupational licensees who must enter the grounds of a facility for reasons connected with the operation of such facility. In such instances, the association and any OTB facility operator shall provide nontransferable temporary badges to individuals on such lists who are approved by the division;

(3) A non-transferable temporary badge may be issued by an association or OTB facility operator, upon approval of the director of security. These badges must be surrendered by the bearer on leaving the premises, on the day of issue. Users of such badges must sign a register prior to entering the grounds showing the purpose of the visit to the facility;

(4) All badges issued by the division, association or OTB facility operator, subject to division approval, remain the property of the division and, upon request, shall be returned to the division, association or OTB facility operator;

(5) The division, in its discretion, may provide temporary badges to facilitate operations when an occupational licensee does not have such badge in his possession for a given performance;

(6) No licensee shall permit any other person to use his badge or license.

(d) **Surrender of badge.** Each badge issued shall be returned to the division upon termination of the employee or the suspension or revocation of the license.

(e) **Qualification for license.** If the division shall find that the financial responsibility, experience, character and general fitness of the applicant are such that the participation of such person shall be consistent with the public interest, convenience or necessity and with the best interests of OTB, racing or jai alai generally, in conformity with the purposes of chapter 226 of the Connecticut General Statutes, it shall thereupon grant a license. If the division shall find that the applicant fails to meet any of said conditions, it shall not grant such license and it shall notify the applicant of the denial.

(f) **Suspension - revocations.** If the division shall find that the financial responsibility, character and general fitness of the licensee are such that the continued participation of such person will not be consistent with the public interest, convenience or necessity, and with the best interests of jai alai or greyhound racing generally, in conformity with the purposes of chapter 226 of the Connecticut General Statutes it shall thereupon revoke or suspend said license.

(g) **Unlicensed activity forbidden.** No person requiring a license from the division shall carry on any activity whatsoever upon the premises of an association unless and until he has been so duly licensed except that any such person with the consent of the division representative may so act pending action on the application duly

filed and with the exceptions specified in section 12-574-F12(b)(1) of the Regulations of Connecticut State Agencies. Any person who employs anyone in contravention of these regulations may be fined or suspended.

(h) **Examination of licenses.** All persons who have been issued a license by the division shall keep such license in his possession subject to the examination by the division or its duly authorized representatives or officials of the association, at any time they may deem necessary or proper.

(Adopted effective October 3, 2001)

Sec. 12-574-F64. Accounting system

(a) **Scope.** This particular section of these regulations shall apply only to association, concessionaire, vendor and their affiliate licensees. When the term licensee is used herein, unless otherwise specified, it shall be deemed to include only those licensees. The division on its own, or upon appropriate application may exempt a licensee from any of the provisions of this section. The burden of proving that an exemption should be granted rests solely with the licensee.

(b) **Generally.** Pursuant to section 12-574(k) of the Connecticut General Statutes, the executive director may require that each licensee establish and maintain an accounting system, which will, at a minimum, provide for proper, accurate, complete and timely record keeping and recording of all assets, liabilities, equities, obligations, receipts, revenues, disbursements and expenses of such licensee, subject to the executive director's approval. Such system shall provide for not only accountability and an adequate system of internal control, but shall be established on or reconcilable to an accrual basis to permit preparation of financial statements in conformity with generally accepted accounting principles. Any subsequent revisions shall be subject to division approval.

(c) **Uniform reporting.** Each licensee shall establish a basic set of books and chart of accounts which shall permit reporting in conformity with the uniform reporting system schedules and reporting requirements as established by the division for disclosure, licensing and interim and fiscal year financial reporting. Any subsequent material deviation from such uniform standards must be submitted to and approved by the division prior to implementation. Such submission to the division shall list the type of books maintained and provide the account code numbers and account names by type of account.

(d) **Organizational charts.** Each licensee shall establish an organizational chart which shall indicate the lines of authority, responsibility and control for each operation of the licensee. Such chart shall provide the name and the titles of key managers and supervisory personnel including their assistants and a brief description of their responsibility and authority. Such organizational chart shall be filed prior to the first day of operation with the division and shall be updated annually thereafter and promptly for any termination of an individual or reorganization of responsibilities, authority or control. Such termination or reorganization must be reported together with pertinent details to the division.

(e) **Inventory.** The accounting system utilized by licensees shall include detailed information regarding purchase of goods for sale, inventory of goods held for sale and goods sold. Such system shall indicate the unit of measure, the unit cost of items purchased and sold or in inventory, and shall provide adequate control and traceability without reconstruction of detailed records.

(f) **Maintenance & storage of records.**

(1) Each licensee shall provide for the timely processing and recording of data as required by the division and shall insure the accuracy of the accounts, ledgers, reports and schedules as maintained.

(2) Each licensee shall provide for adequate storage and safeguarding of financial and related records for five (5) years. Such records, including original source documents must be maintained in Connecticut unless the licensee is an out-of-state affiliate or unless prior written permission or exemption has been granted by the division. The division may, after audit or in the case of superfluous records, permit the destruction of records before the expiration of this 5 year period. Should the division require the retention of records beyond five years, it shall secure such records and provide for their storage. The division shall be notified of the disposition of any of the records held in excess of five (5) years by the licensees.

(g) **Access, inspection and monitoring of the accounting system.** The division or its duly authorized representatives and the Department of Revenue Services or its agents are authorized:

(1) To enter upon the premises of any licensee for the purpose of inspecting, examining or testing any and all files and books and records and for the purpose of monitoring cashiers, pari-mutuel clerks and other persons handling money or records on said premises; and

(2) to monitor and test the internal control system of all phases of the cash flow, revenue and expenditures. The division and the Department of Revenue Services and such agents are to be provided with total cooperation and such written information in a timely manner as may be requested from each licensee including, but not limited to, representation letters (contingent liability letter from licensee's legal counsel and a management representation letter) to the division auditors for accounting years under division audit. In addition, each licensee shall cooperate in making available to the division all records and information generated from consulting with or examinations by third-party firms which materially impact the financial operation of a facility or licensee.

(Adopted effective October 3, 2001)

Sec. 12-574-F65. Pari-mutuel accounting, reporting and control

(a) **Totalizator.** Pursuant to section 12-575(b) of the Connecticut General Statutes, use of a computerized electronic totalizator system to conduct pari-mutuel wagering shall be subject to the approval of the executive director. In addition, the executive director may require the association licensee to submit information on the daily operation of the system as he deems necessary for administration including records of all wagering transactions.

(b) Requirements and control.

(1) **System.** The totalizator equipment selected for use shall automatically register the wagers made on each race track program number by pool, wager location and performance and print and issue a ticket representing each such wager. Such system shall ensure that all pari-mutuel tickets sold contain the same information as entered in the computer memory files. Such system must also have the capability of accounting for the aggregated wagering for each type of pool and determining odds and calculating pay-offs by program number for independent pools and common pool wagering. For the purposes of telephone betting, the totalizator equipment selected for use shall be capable of accounting for all wagering and other transactions which may affect customer accounts.

(2) **Internal control.** The association and totalizator licensee(s) shall maintain a system of internal control subject to the approval of the division to monitor and

restrict data access and provide property control over on-site hardware. Prior to the first day of operation in a calendar year, the association and totalizator licensee(s) shall submit to the division a plan of control to include the types of control in place and the procedures for the detection of unauthorized data access and misuse of wagering information and hardware. Revisions to the plan of control shall be reported to the division as they are initiated.

(3) Reports. The association and totalizator licensee shall submit to the division a listing of all reports, analyses or summaries which the totalizator equipment being utilized is capable of generating both "on-line" and "off-line" and shall provide the division with a listing of designated individuals who have access to such on line print-outs, and the number of copies, the date or time and proposed usage of such print-outs. In addition, a log shall be maintained for off-line print-outs or information detailing the time, date, type of report, number of copies, distribution of copies and the names of individuals requesting such print-outs. The extraction of any and all information from the system shall be restricted to designated association, totalizator and division personnel all of whom will have been previously authorized by the division.

(A) It shall be the totalizator licensee's responsibility to ensure that an accurate record is maintained and the division is informed of all data access. Line-printer-generated reports for ticket issuing machines (TIM) and console logs shall be made available to the division upon request or as designated.

(4) Testing requirements. Not less than seven (7) days in advance of the first day of operation or prior to any modification of the system, the totalizator licensee shall certify to the division that the totalizator equipment to be utilized has been tested and is operating correctly. The division shall have the right to test the totalizator system as needed and as determined by the division at reasonable times and upon reasonable notice, and the association and totalizator licensee(s) shall make the system accessible and available to the division for adequate testing prior to the first day of operation. If required by the division, the association or totalizator licensee shall make pari-mutuel tellers or computer system operators available during totalizator system tests to perform teller or computer operations. In addition, the totalizator licensee shall test the equipment prior to the opening of wagering each day. Said test and certification thereof shall be made in a manner as directed by the division and shall be conducted to determine and ensure the proper functioning and operation of the equipment or systems utilized. In addition to the provisions of section 12-574-F9(s) of the Regulations of Connecticut State Agencies any malfunction, its effect on operations, and the remedial steps taken to correct such malfunction and the procedures established to prevent recurrence thereof shall be reported to the division at the time of occurrence and on a daily basis until such malfunction is corrected.

(c) **Inventory.** Prior to the first day of operation, the totalizator licensee shall provide the division with an inventory listing by location within the facility of its TIM's and hardware including tapes, discs or other storage media. Any changes in the inventory (either in number or location) of TIM's or consoles shall be reported to the division immediately with an explanation of such change.

(d) **Advance wagering.** Every association permitted to conduct advance wagering of any type shall, at the conclusion of each type of advance wagering program, and prior to the start and at the end of each performance, prepare and submit to the division a report of wagering by each performance of the amounts wagered by race or game, pool and program number. A report showing each location's sales, refunds,

cashes and cancels by TIM for those TIMs in operation during such advance wagering program shall also be submitted.

(e) **Internal control system storage media.** The licensee shall be required to provide storage media that shall be a compatible interface to the division's computer systems. The storage media shall contain all transactions generated by the computer system during a given program by facility. These transactions shall include, but not be limited to: cashes, cancels, sells with bet detail information, draws, returns, stop betting, W2-g, pools, prices, account wagering, if applicable, terminal initialization and control transactions including signons and signoffs, system and terminal error messages, time stamps, all teller activity, new or next customer indicators, keyboard or reader indicators, race results, scratches, dead heat indicators, facility performance number identifiers, pool closed indicators, pool cleared indicators and all transactions with transaction status included. Should the licensee have a voucher processing capability, the licensee shall provide the same detail for all voucher transactions. The licensee shall provide this information to the division as soon as possible after the close of a program, and in any case no later than the following day. The storage media shall be accompanied by a printout of the licensee's system console messages or console log. The licensee shall also provide to the division complete system documentation including, but not limited to, a detailed description of all transactions appearing on the storage media, along with a complete description of all fields in a transaction including bet types, error code breakouts, current/future indicators and runner maps. If the division encounters any errors in the processing of the storage media, the licensee shall make available, at no cost to the division, replacement storage media. The division shall make copies of the storage media and shall return the original storage media to the licensee. The recycling period for the storage media shall be subject to the prior written approval of the division.

(f) **Hardware and software modification.** Prior to hardware or software changes, system documentation describing the hardware or software modification(s) and test data on storage media simulating the change(s), shall be provided before patches, upgrades or other changes are to be installed and shall not be installed into production by the vendor without the division's prior written approval. Acceptance testing shall be performed by the division in accordance with the provisions of subsection (b)(4) of this section and after receipt of certification from the totalizator licensee as required therein, and written acceptance obtained from the division prior to being placed in production. If the change is minor in nature, a written waiver of the test may be obtained prior to being placed in production. The association, in addition to any other regulatory remedies available to the division, shall compensate division for all expenses (including personnel costs) the division incurs due to the association's failure to comply with this provision.

(g) **Software patching.** Software patching that is performed in order to resume operation after system failure shall be allowed without prior written notice, however, the association shall notify the division in writing within one (1) working day of such patching.

(h) **Emergency repairs.** The division shall conditionally approve emergency repairs in the event of an emergency requiring immediate action or repairs resulting from reasonably unforeseen circumstances or acts of God and the totalizator system shall be ordered restored to its former state. A report detailing the revision, change or alteration shall be delivered to the executive director within two business days of implementation for final division approval. This report shall be in addition to the notification requirements as found under section 12-574-F9(s) of the Regulations

of Connecticut State Agencies. If emergency repairs do not result in revisions, changes or alterations, no report shall be required to be submitted to the executive director.

(i) **Payout schedule.** The association or totalizator licensee shall prepare and submit to the division at the conclusion of each race or game a schedule detailing the pool distribution of the pari-mutuel handle for the race or game just ended and a schedule showing the amounts wagered by pool and program number per race or game for the races or games yet to be conducted. Such pool distribution or pay-out schedule by program number and by pool shall be based upon the stop betting printouts (available prior to the start of the race or games).

(j) **Cash transactions.** The association and totalizator licensee shall provide the division with access to a listing of sellers and cashiers (or combination) to include the employee name, employee number, assignment window for each race or game and a summary of all cash transactions (by race or game) while on duty. Such listing shall be available to the division at the close of each session. Furthermore, the licensees shall provide the division with a reconciliation of all pari-mutuel cash activities between mutuel employees and the money room bank. In addition, a listing or print-out of all cashed or canceled tickets by race or game, pool and program number shall be compiled and shall be submitted to the division after each session.

(k) **Distribution of handle.** The association and totalizator licensee shall be responsible for their accounting of the pari-mutuel handle for each session in order to assure compliance with the provisions of section 12-575 of the Connecticut General Statutes. The association shall certify the accuracy of the distribution of the handle as represented in summary forms provided by the division. The state's share (tax plus one-half of the positive breakage) of the pari-mutuel handle of a performance shall be paid over to the state in the method or manner directed by the division no later than the close of banking hours the next banking day following the session.

(l) **Manual computations.** The mutuel manager and the association shall maintain an adequate number of written copies of procedures for manual computation or verification of pay-outs for the various pools. If any manual computation or verification is used, exact copies of all such records and sheets shall be provided by totalizator and the association to the division as soon as possible after each game or race and prior to the posting of the official payouts.

(Adopted effective October 3, 2001)

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Registration and license fees 12-578-1

Licensing and Disclosure Regulations

Sec. 12-578-1. Registration and license fees

Registration and license fees shall be in accordance with the schedule provided in Section 12-578 of the General Statutes. Such fees are nonrefundable.

(Effective October 17, 1984)

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Licensing and Disclosure

Disclosure of financial information 12-584-1

Licensing and Disclosure

Sec. 12-584-1. Disclosure of financial information

(a) **Filing requirements.** On or before April fifteenth of each year, each association, association affiliate, totalisator, concessionaire, vendor, and totalisator/concessionaire/vendor affiliate licensee shall file with the division:

(1) Certified financial statements for the prior calendar year or fiscal year, prepared in accordance with generally accepted accounting principles.

(2) The names and addresses of every shareholder, person, or business organization having a financial, property, leasehold, ownership or beneficial interest in such licensee (except that, in the case of owners or holders of publicly held securities of a publicly traded corporation, only the names and addresses of those owning or holding five percent or more of such publicly held securities need be disclosed).

(3) The names and addresses of every person or business organization which provides contractual services, equipment, or property related to any of the activities authorized under Chapter 226 of the Connecticut General Statutes, and the nature of such services rendered and equipment or property provided.

(4) Copies of all state and federal tax returns filed by such licensee for the next preceding calendar year or taxable year, except that if any state or federal tax return has not been filed with the state or federal government on or before said April fifteenth, such licensee may file such return with the division at the same time he or it files such return with the state or federal government.

(b) **Disclosure by shareholders and interested persons and business organizations.** With the advice and consent of the board the executive director may require any shareholder, person, or business organization disclosed under subdivision (2) of subsection (a) above to file with the division on or before April fifteenth of each year:

(1) A statement of financial position to be submitted under oath on forms provided by the division;

(2) A statement of interest in any other gambling activity within or without the state of Connecticut; and

(3) Copies of state and federal tax returns filed by such shareholder, person, or business organization for the next preceding calendar year or taxable year, except that if any state or federal tax return has not been filed with the state or federal government on or before said April fifteenth, such shareholder, person, or business organization may file such return with the division at the same time he or it files such return with the state or federal government.

(c) **Filing frequency.** The executive director shall not require such filings as above more than once a year except that the executive director may require additional filings or additional information to ensure the integrity of legalized gambling, pursuant to a vote of at least four members of the board in favor of such requirement.

(d) **Failure to comply.**

(1) Failure by any licensee to comply with the requirements of this section shall constitute grounds for the licensing authority:

(A) To suspend or revoke such license;

(B) If the executive director, to impose a fine of not more than two thousand five hundred dollars;

(C) If the board, to impose a fine of not more than seventy-five thousand dollars;

(D) To rescind the applicable contract if licensee is a vendor;

(E) To impose any combination of these penalties.

(2) Failure of any shareholder, person, or business organization identified in subsection (b) of this section to comply with the requirements of this section shall constitute grounds for the authority which issued the license to the allied licensee:

(A) To suspend or revoke such licensee;

(B) If the executive director, to impose a fine of not more than two thousand five hundred dollars on such licensee;

(C) If the board, to impose a fine of not more than seventy-five thousand dollars on such licensee; and

(D) To impose any combination of these penalties.

In the case of a shareholder who fails to comply with the requirements of this section, the division shall notify the shareholder and the licensee which issued the shares of such failure. Upon receipt of such notice, the shareholder shall immediately offer such shares to the licensee for purchase and the licensee shall purchase the shares not later than sixty days after they are so offered. Each corporate licensee shall adopt appropriate amendments or additions to any existing corporate bylaws or other organizational instruments to permit compliance with this section.

(e) **Right of appeal.** Any licensee aggrieved by an action of the executive director under this section shall have the right to appeal such action to the board, and such appeal must be taken within fifteen days of mailing or hand delivery by division personnel of official notice of action by the executive director. Any licensee aggrieved by a decision of the board under this section shall have the right to appeal such decision pursuant to Section 4-183 of the General Statutes.

(Effective January 26, 1995)

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Division investigation expenses. 12-585-1

Licensing and Disclosure Regulations

Sec. 12-585-1. Division investigation expenses

(a) **Paid by party under investigation.** All reasonable expenses outside the ordinary budgeted expenses of the division incurred by or on behalf of the division for any investigation of a person or business organization in connection with an initial application or contract, the application for transfer of ownership in whole or in part of an existing licensed facility, the assignment of an existing contract, or the addition of or change in any member of a board of directors, officer, shareholder, or bondholder of any such person or business organization shall be paid to the division by the person or business organization under investigation. All funds received by the division under the provisions of this subsection shall be paid into the general fund.

(b) **Frequency of billing.** Every such person or business organization shall be billed for investigation expenses on a quarterly basis or at the conclusion of the investigation as determined by the executive director.

(c) **Failure to comply.** Failure on the part of the person or business organization to remit payment within fifteen days after receipt of an invoice from the division shall constitute grounds to refuse to grant approval of the request of the person or business organization for which such investigation was undertaken, or in the case of a licensee, failure to remit payment within fifteen days shall, in addition, constitute grounds for the licensing authority:

- (1) To suspend or revoke such license;
 - (2) If the executive director, to impose a fine of not more than two thousand five hundred dollars;
 - (3) If the board, to impose a fine of not more than seventy-five thousand dollars;
 - (4) To rescind the applicable contract and
 - (5) To impose any combination of these penalties.
- (Effective October 17, 1984)

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Petroleum Company Gross Earnings Tax

Sec. 12-602-1.

Repealed, May 17, 1983.

Sec. 12-602-1a. Definitions

(a) "Company" means any corporation, partnership, limited partnership, association or individual which is engaged in distributing petroleum products within this state.

(b) "Petroleum products" mean refined products made from crude petroleum and its fractionation products, through straight distillation of crude oil or through redistillation of unfinished petroleum derivatives. "Petroleum products" include acid oil; alkylates; aromatic chemicals; asphalt and asphaltic materials, liquid and solid; benzene; butadiene; coke, petroleum; fractionation products of crude petroleum; gas, refinery or still oil; gases, liquefied petroleum; gasoline; greases, lubricating; hydrocarbon fluid; jet fuels; kerosene; mineral jelly; mineral oils, natural; mineral waxes, natural; naphtha; naphthenic acids; oils, fuel, lubricating and illuminating; paraffin wax; petrolatums, non-medicinal; road materials, bituminous; road oils; solvents; and tar or residuum. This list is drawn from the Standard Industrial Classification Manual of 1972, Executive Office of the President, Office of Management and Budget, Major Group 29.

(c) "Gross earnings" mean and include gross receipts from the initial sale of petroleum products, but do not include the amount of state or federal excise taxes on gasoline or special fuel.

(d) "Initial sale of a petroleum product" means the first sale within this state by a company of a petroleum product.

(Effective May 17, 1983)

Sec. 12-602-2. Credits and deductions

(a) A company shall be allowed to deduct from its gross receipts (for the tax period covered by Form OP 219) an amount which is attributable to its initial sales of petroleum products to another company and which is included in its gross receipts for such tax period, provided —

(1) all petroleum products which such other company purchases from the company are purchased exclusively for sale or use without this state, and

(2) such other company completes Form OP 219 and submits such form to the company.

(b) A company shall be allowed a credit against the tax, provided —

(1) the company made the initial sale of a petroleum product to another company,

(2) such petroleum product was purchased by such other company for sale or use without this state,

(3) the company included in the measure of its tax liability an amount which is attributable to such initial sale to such other company, and

(4) such other company completes Form OP 218 and submits such form to the company.

(c) Forms.

(1) Form OP 218.

(2) Form OP 219.

GROSS EARNINGS
PETROLEUM TAX

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

THIS CERTIFICATION APPLIES TO PRODUCTS PURCHASED IN CONNECTICUT BUT SOLD OUT OF STATE

EXPORTING COMPANY	Name _____		
	(Address) _____	(City or Town) _____	(State) _____ (Zip) _____
	(Purchased from) (Name) _____	(Period Covering) _____	(State Shipped To) _____

EXPORTING COMPANY'S CERTIFICATE	This will certify that we have sold the petroleum products reflected below, in the quantities shown, outside of the State of Connecticut. This product was purchased in the State of Connecticut and the 2 per cent gross earnings tax was paid on the monetary amount indicated. It is requested that payment be made in the amount of \$ _____ representing refund as stated in Section 2, item (3) in Public Act 82-157.		
	TYPE OF PRODUCTS	GALLONS	PURCHASE PRICE
			\$
	TOTAL		\$
		2% Gross Earnings Tax	\$
I declare, under the penalties of false statement that to the best of my knowledge, the above information is true, correct and complete.			

Signed _____	Title _____	Date _____
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ORIGINAL PURCHASER ENDORSEMENT (If different from exporting company)	TO This will certify that information shown above is correct. A Credit in the amount of \$ _____ has been made to _____ (Name & Address of Distributor) We hereby request reimbursement in the amount reflected above. Name of Original Purchaser _____ Signed _____ Title _____
----------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Take this tax credit on Line 8 of Tax Return and retain certificate for Audit purposes.

STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

GROSS EARNINGS PETROLEUM TAX

GROSS EARNINGS - OUT-OF-STATE AFFIDAVIT WITH REFERENCE TO THE SALES
OF PETROLEUM PRODUCTS SOLD EXCLUSIVELY FOR SALE OR USE IN ANOTHER STATE

In accordance with the provisions of Gross Earnings Tax on Petroleum Products, the undersigned distributor certifies that the Petroleum Products purchased from

(Name and Address of Distributor)

will be resold exclusively out of state.

The following information is furnished:

(a) I intend to purchase petroleum products for exclusive sales or use in the following state:

State of _____

(b) This affidavit will be effective for one year. If I should desire to purchase petroleum products during the period the affidavit is in effect and sell within Connecticut, I shall notify the Commissioner of Revenue Services and my supplier that any privileges granted to me by this affidavit shall become null and void, and thereafter all future purchases would be subject to 2% Gross Earnings Tax.

Any violation of this affidavit by either supplier or purchaser will subject all transactions to the full extent of the tax, penalty, interest and civil penalties for false statement as provided by law.

Date _____ (Trade Name)

(Signature of Distributor)

Subscribed and sworn to before me this _____ day of _____, 19 _____.

State of _____)
County of _____) SS

(Notary Public)

Take this deduction on Line 5 of Tax Return and retain affidavit for Audit purposes.

OP-219

(Effective May 17, 1983)

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Unincorporated Business Tax

Secs. 12-629-1—12-629-9.

Repealed, April 6, 2000.

Sec. 12-629-10. 12-629-11

Repealed, March 5, 2003.

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Neighborhood Assistance Act

Sec. 12-638-1. Definitions

(a) “Program” means a program, the activity or activities of which are described under section 12-632, 12-634, 12-635 or 12-635a of the Connecticut General Statutes. A description of the program, which shall include a statement detailing its concept, its necessity, the estimated amount required to be invested, the suggested plan for implementation, the neighborhood area to be served, the program completion date, and the agency overseeing its implementation, shall be provided by completing form NAA-01. “Program” does not include any document which lacks such a description (or any element thereof) or any description that is provided other than on a completed form NAA-01.

(b) “Program list” means the list of programs which is filed by the legislative body of a municipality with the commissioner on or before July first of a program year and which includes certification by an agent of such legislative body that a prior public hearing was held on the subject of which programs were to be included on such list. Except as otherwise provided in subdivision (2) of subsection (a) of section 12-632 of the Connecticut General Statutes, “program list” does not include any program list which lacks such certification or which is filed with the commissioner after July first of a program year.

(c) “Published program list” means the list, which is categorized by municipality and estimated amount of tax credit involved and which is extracted from program lists, of programs published on or before September first of each program year by the commissioner.

(d) “Program proposal” means the proposal, which is mailed or hand-delivered to the commissioner on or after September fifteenth but no later than October first of a program year, of a business firm or firms wishing to engage in a program on the published program list. The program proposal shall be made by completing and signing form NAA-02. “Program proposal” does not include any program proposal which lacks such a statement (or any element thereof) or which is mailed or hand-delivered to the commissioner before September fifteenth or after October first of a program year.

(e) “Approved program proposal” means the program proposal which has been referred by the commissioner to the agency overseeing implementation of the program, which has been approved by such agency within thirty days of the date of referral by the commissioner to such agency, and which has been approved in writing by the commissioner. “Approved program proposal” does not include a program proposal which the agency overseeing implementation has disapproved or is deemed to have disapproved or which the commissioner has disapproved in writing.

(f) “Public hearing” means a public hearing conducted by the legislative body of a municipality (or a commission or agency thereof).

(g) “Commissioner” means the commissioner of revenue services.

(h) “Program year” means the calendar year during which program lists and program proposals are required to be filed with the commissioner.

(i) “Agency overseeing implementation” means the municipal agency designated by the legislative body of a municipality to oversee a program.

(j) “Department” means the Department of Revenue Services.

(Effective August 24, 1987; amended April 11, 2006)

Sec. 12-638-2. Deadlines

(a) Except as otherwise provided in subdivision (2) of subsection (a) of section 12-632 of the Connecticut General Statutes, the commissioner shall not grant an extension of time to any municipality for the filing of any program lists.

(b) The commissioner shall not grant an extension of time under subsection (c) of section 12-632 of the Connecticut General Statutes to any business firm for the filing of any program proposals or to any agency overseeing implementation for the filing of written approvals of referred program proposals.

(Effective October 12, 1983; amended April 11, 2006)

Sec. 12-638-3. Agency overseeing implementation

(a) Referral to an agency overseeing implementation under subsection (c) of section 12-632 of the Connecticut General Statutes shall be deemed to have occurred on the date on which the commissioner sends a program proposal to such agency.

(b) The approval or disapproval of a program proposal by an agency overseeing implementation must be in writing and be sent to the commissioner within thirty days of the date of referral. Failure of such agency to approve or disapprove a program proposal within thirty days of the date of referral shall be deemed a disapproval of the program proposal.

(Effective October 12, 1983; amended April 11, 2006)

Sec. 12-638-4.

Repealed, April 11, 2006

Sec. 12-638-5. Proof of expenditures for charitable purposes

The proof required under subsection (j) of section 12-632 of the Connecticut General Statutes shall be submitted to the commissioner, upon request. The proof shall consist of the tax return filed with the Internal Revenue Service for the income year next preceding the income year in which the tax credit is claimed and the tax return so filed for the income year in which the tax credit is claimed. Attached to such returns shall be the schedules which accompanied such returns.

(Effective August 24, 1987; amended April 11, 2006)

Sec. 12-638-6. Person required to make expenditures; year in which credit must be claimed

(a) The amount which is proposed to be expended by a business firm under an approved program proposal must be expended on such approved program proposal by such firm (and not by any other person). In the case of a business firm subject to the tax imposed under chapter 208 of the Connecticut General Statutes, the filing of a combined return in which such firm is included shall not operate to extinguish the requirement that such firm (and not the other companies included in such return) expend the amount proposed to be expended under its approved program proposal.

(b) Except as provided in subsection (h) of section 12-632 of the Connecticut General Statutes, the credit must be claimed on the tax return for such firm's income year during which such expenditure was made.

(Effective December 19, 1984; amended April 11, 2006)

Sec. 12-638-7. Carrybacks

The amount of tax credit allowed under section 12-632, 12-634, 12-635 or 12-635a of the Connecticut General Statutes which is not exhausted in the year in which such credit must be claimed under section 12-638-6 of the Regulations of

Connecticut State Agencies must be carried back to the two immediately preceding income years (beginning with the earliest of such years).

(Effective December 19, 1984; amended April 11, 2006)

Sec. 12-638-8. Post-project audit

(a) The post-project audit required by section 12-637a of the Connecticut General Statutes shall be prepared by a certified public accounting firm and shall be submitted to the agency overseeing implementation (as specified in the approved program proposal) within three months after the expiration of the period during which the investment under the approved program proposal was to have been made (as specified in the approved program proposal).

(b) The agency overseeing implementation shall, within one month after its receipt of the post-project audit, submit the audit, with certification by the agency that expenditures were made in accordance with the approved program proposal, to the commissioner.

(Effective August 24, 1987; amended April 11, 2006)

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Credit for Worthless Accounts Receivable for the Tourism Account Surcharge**Sec. 12-666-1. Unreimbursed surcharge; worthless accounts receivable**

(a) **What amount of credit may I claim?** If you remitted the surcharge imposed by section 12-665 of the Connecticut General Statutes and the lessee did not reimburse you for it, the amount of credit you may claim is the amount of the surcharge that is uncollectible. When the surcharge (or both the surcharge and the retail sale that the surcharge relates to) is partly uncollectible, determine the amount of credit you may claim by multiplying the amount of the surcharge you remitted by the percentage of the rental price plus surcharge that is uncollectible. No credit is allowed for expenses you incur in trying to collect any unreimbursed surcharge or for that part of a recovered debt that you pay to a third party as compensation for services rendered in collecting the account.

(b) **What records must I have to support my claim for credit?** To support your claim for credit for an uncollectible surcharge, keep adequate and complete records that show:

- (1) the date of the original sale;
- (2) the name and address of the person who rented or leased the motor vehicle;
- (3) the amount that the lessee contracted to pay;
- (4) the amount of the surcharge you paid to this state; and
- (5) evidence that the account has been actually written off as uncollectible in part or in whole for federal income tax purposes. Acceptable forms of evidence include your:

(A) sales and use taxes return for the period in which the account receivable was deemed uncollectible for federal income tax purposes;

(B) federal income tax return for the period in which the account receivable was deemed uncollectible;

(C) working papers supporting the amounts claimed as uncollectible on the federal income tax return; and

(D) tourism account surcharge return for the period in which the account receivable was deemed uncollectible for federal income tax purposes.

(Adopted effective May 3, 2001)

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Electronic Funds Transfer

Sec. 12-689-1. Definitions

(a) For the purpose of sections 12-689-2, 12-689-3, and 12-689-4 of the Regulations of Connecticut State Agencies:

(1) “ACH” or “automated clearing house” means a funds transfer system that is governed by the Operating Rules and the Operating Guidelines published by the National Automated Clearing House Association (ACH Rules) and that provides for the interbank clearing of electronic entries for participating banks;

(2) “ACH credit” means an electronic transfer of funds cleared through the ACH system in which a taxpayer’s bank, upon instructions from the taxpayer, originates an entry crediting the bank account designated by the department and debiting the taxpayer’s bank account for the amount of the payment to the department;

(3) “ACH debit” means an electronic transfer of funds cleared through the ACH system in which the department’s designated agent, upon instructions from a taxpayer, originates an entry debiting the taxpayer’s bank account and crediting the bank account designated by the department for the amount of the payment to the department;

(4) “Addenda record” means information that is required by the department to be transmitted in an approved electronic format for the proper identification of a payment in an ACH credit transaction;

(5) “Business day” means a day other than Saturday, Sunday or a legal holiday;

(6) “Commissioner” means “commissioner” as defined in section 12-685 of the Connecticut General Statutes;

(7) “Department” means “department” as defined in section 12-685 of the Connecticut General Statutes;

(8) “Electronic funds transfer” or “EFT” means “electronic funds transfer” as defined in section 12-685 of the Connecticut General Statutes;

(9) “Legal holiday” means “legal holiday” as defined in section 12-39a of the Connecticut General Statutes;

(10) “Person” means “person” as defined in section 12-685 of the Connecticut General Statutes; and

(11) “Tax” means “tax” as defined in section 12-685 of the Connecticut General Statutes.

(Adopted effective April 18, 2000)

Sec. 12-689-2. Means of electronic funds transfer approved by the department

(a) **Approved EFT methods.** The means of EFT approved by the department are the ACH debit method and the ACH credit method. A taxpayer that is required to pay taxes by EFT shall choose either the ACH debit method or the ACH credit method.

(b) **Using the ACH debit method.**

(1) In an ACH debit transaction, the department or its designated agent originates the transaction when it gets instructions from a taxpayer. The transaction debits the taxpayer’s bank account and credits the department’s bank account for the payment to the department. In an ACH debit transaction, the department is responsible for the accuracy of the transmission.

(2) A taxpayer that uses the ACH debit method shall give the department’s designated agent the information needed to complete a timely ACH debit transaction.

(3) The department’s designated agent shall validate the payment information and give the taxpayer a confirmation number. The confirmation number verifies when

the designated agent received the necessary payment information. The confirmation number is not proof of payment. The taxpayer shall keep this confirmation number.

(c) Using the ACH credit method.

(1) In an ACH credit transaction, the taxpayer originates the transaction through its own bank and is primarily responsible for the accuracy of the transmission.

(2) A taxpayer that uses the ACH credit method shall give its bank all the information the bank needs to complete a timely ACH credit transaction, and an addenda record for transmittal to the department's designated agent.

(3) A taxpayer using the ACH credit method shall: verify that the taxpayer's bank account was debited for the proper amount of tax; verify that the funds left the taxpayer's bank account early enough for a timely ACH credit transaction to be completed; and keep the ACH trace number, which is available from the taxpayer's bank, and shall provide it to the department in the case of a lost or late payment.

(d) Alternate payment methods for cases of emergency.

(1) If an emergency prevents a taxpayer that is required to pay tax by EFT from using either the ACH debit method or the ACH credit method, the taxpayer shall immediately contact the department for alternate methods of payment. The department shall include in materials it sends to the taxpayer, the name, telephone number, facsimile number and e-mail address of the appropriate department employee to contact in case of an emergency.

(2) If the taxpayer cannot prove to the commissioner's satisfaction that the emergency preventing the taxpayer from paying the tax by either the ACH debit method or the ACH credit method is due to circumstances beyond the control of the taxpayer, then the tax is subject to penalty and interest according to all applicable provisions of the Connecticut General Statutes.

(Adopted effective April 18, 2000)

Sec. 12-689-3. Notification of requirement to pay tax by electronic funds transfer

(a) Department's notice to taxpayers. The department shall give notice of the requirement to pay tax by EFT to each taxpayer that is so required. The department's notice shall identify the type of tax that shall be paid by EFT and the tax period to which the requirement first applies. If the taxpayer has chosen the ACH debit method to pay the tax, the taxpayer shall also provide in writing the type and number of the taxpayer's bank account from which the tax will be paid by EFT, and the routing transit number of the taxpayer's bank.

(b) Information to be provided by the taxpayer.

(1) When the department gives a taxpayer notice of the requirement to pay tax by EFT, the taxpayer promptly shall advise the department, in writing, of the type of EFT method described in section 12-689-2 of the Regulations of Connecticut State Agencies that the taxpayer has chosen to pay the tax, and the name and address of the taxpayer's bank.

(2) Taxpayers that choose the ACH debit method to pay the tax shall also advise the department, in writing, of the type and number of the taxpayer's bank account from which the tax will be paid by EFT, and the routing transit number of the taxpayer's bank.

(c) Other responsibilities of the taxpayer. The taxpayer shall ensure that the taxpayer's bank can and will remit tax payments through the ACH network. Taxpayers that use the ACH credit method also shall ensure that the bank uses the standard record format for tax payments adopted by the National Automated Clearing House Association.

(d) **Taxpayer assistance.** The department shall provide all EFT taxpayers and their banks with all the information needed to complete ACH transactions on time. The department shall provide technical assistance and guidance to taxpayers required to pay tax by EFT. The department shall maintain an EFT “hotline,” which shall be available to taxpayers and their banks every business day from 8:00 a.m. to 5:00 p.m., Eastern Time.

(Adopted effective April 18, 2000)

Sec. 12-689-4. Timely initiation of electronic funds transfer

(a) Criteria for a timely electronic funds transfer.

(1) **General criteria.** An EFT is timely if: the EFT process has been completed; the funds have been deposited in the department’s designated bank account; and the funds are available for immediate use by the state of Connecticut on or before the due date for the tax.

(2) For purposes of this section, when an employer remits income tax deducted and withheld from employee wages, “due date” means the next business day after the due date.

(b) Funds available for immediate use.

(1) **ACH Debit Method.** For the funds to be deposited in the department’s designated bank account and available for the state of Connecticut’s immediate use on or before the due date for the tax, a taxpayer using the ACH debit method shall initiate the EFT by 4:30 p.m. Eastern Time (or any earlier time that the department specifies) on or before the last business day before the date the EFT must be completed.

(2) **ACH Credit Method.** For the funds to be deposited in the department’s designated bank account and available for the state of Connecticut’s immediate use on or before the due date for the tax, a taxpayer using the ACH credit method shall initiate the EFT on or before the deadline set by the taxpayer’s bank or any earlier time that the bank specifies if the due date (or even the bank’s deadline) falls on a Saturday, Sunday or legal holiday.

(c) **Proof of payment.** A statement prepared by the taxpayer’s bank showing a transfer that decreases the taxpayer’s account balance is proof of payment if the statement shows the amount and date of the transfer and identifies the payee as the state of Connecticut.

(d) Failure to pay tax on time by EFT.

(1) Subject to the provisions of section 12-3a of the Connecticut General Statutes and to the provisions of the chapter or section that impose the tax, the commissioner may waive all or part of a penalty for late payment of the tax when it is proven to his or her satisfaction that the failure was due to reasonable cause and was not intentional or due to neglect.

(2) A taxpayer’s failure to pay tax on time by EFT is due to reasonable cause, and not intentional or due to neglect, if the taxpayer proves to the commissioner’s satisfaction that the circumstances that caused the failure were beyond the taxpayer’s control.

(e) **Penalty waiver criteria for ACH debit transactions.** In an ACH debit transaction, the department or its designated agent originates the transaction when it gets instructions from a taxpayer and is responsible for the accuracy of the transmission. The penalty shall be waived if the taxpayer can prove to the commissioner’s satisfaction that it has:

(1) Given timely instructions to the department’s designated agent;

(2) Been provided a confirmation number by the department or its designated agent; and

(3) Had sufficient funds available in the account to pay the tax.

(f) **Penalty waiver criteria for ACH credit transactions.** In an ACH credit transaction, the taxpayer originates the transaction through its own bank and is primarily responsible for the accuracy of the transmission. The penalty shall be waived if the taxpayer is able to prove to the Commissioner's satisfaction that it:

(1) Initiated the transaction on time;

(2) Provided complete and correct information for the addenda record; and

(3) Had sufficient funds available in the account to pay the tax.

(Adopted effective April 18, 2000)

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Electronic Filing of Documents

Sec. 12-690-1. Persons required by regulation to file documents electronically with the Department of Revenue Services

(a) **Definitions.** As used in this section:

(1) “Department” means the Department of Revenue Services.

(2) “Return preparer” means, with respect to any Connecticut tax return, any person who would be considered an “income tax return preparer”, as defined in 26 U.S.C. § 7701(a)(36) and the regulations thereunder, if 26 U.S.C. § 7701(a)(36) applied to the Connecticut tax return. “Return preparer” does not mean, with respect to any Connecticut tax return, any person who would not be considered an “income tax return preparer”, as defined in 26 U.S.C. § 7701(a)(36) and the regulations thereunder, if 26 U.S.C. § 7701(a)(36) applied to the Connecticut tax return.

(3) “Connecticut tax return” means any tax return (and any application for extension of time to file such return) required under the Connecticut General Statutes to be filed with the Department.

(4) “Electronically” means, with respect to a Connecticut tax return, filing that return by computer transmission or by employing new technology specified by the Department.

(5) “Look-back calendar year” means, with respect to Connecticut tax returns required to be filed with the Department for a tax imposed other than under Chapter 229 of the Connecticut General Statutes, the calendar year during which the Department provides notice that return preparers are required to file electronically the return for such tax for each taxable period beginning on or after the first day of the succeeding calendar year. “Look-back calendar year” means, with respect to Connecticut tax returns required to be filed with the Department for a tax imposed under Chapter 229 of the Connecticut General Statutes, calendar year 2004.

(6) “Effective date of this section” means the date that the Department files this section in the office of the Secretary of the State, following the approval of this section in accordance with Chapter 54 of the Connecticut General Statutes.

(b) (1) The Department shall, upon providing notice, require Connecticut tax returns for a taxable period beginning on or after January 1, 2005 for a particular tax (other than returns for the particular tax that are prepared by a return preparer described in subparagraph (B) of subdivision (2) of this subsection) to be filed electronically. The Department shall provide notice concerning such electronic filing, if required by the Department, in the instructions for such tax return. The Department shall not provide such notice, and the Department shall not require electronic filing under this subdivision, with respect to a Connecticut tax return the due date of which is three months or less after the effective date of this section.

(2) (A) The Department shall, upon providing notice, require Connecticut tax returns for a particular tax that are prepared by a return preparer described in subparagraph (B) of this subdivision to be filed electronically by the return preparer. The Department shall provide notice concerning such electronic filing of Connecticut tax returns for a particular tax that are prepared by a return preparer described in subparagraph (B) of this subdivision on the Department’s Internet website and in the instructions for such tax return. The Department shall not provide such notice, and the Department shall not require electronic filing under this subdivision, with respect to Connecticut tax returns the due date of which is three months or less after the effective date of this section.

(B) A return preparer is described in this subparagraph only if the return preparer prepared (i) 200 or more Connecticut tax returns for a particular tax for taxable

periods beginning during the look-back calendar year; (ii) 100 or more Connecticut tax returns for a particular tax for taxable periods beginning during the calendar year next succeeding the look-back calendar year; and (iii) 50 or more Connecticut tax returns for a particular tax for taxable periods beginning during any calendar year succeeding by two or more years the look-back calendar year.

(c) **Waiver.** (1) Upon written request for waiver by any person whose Connecticut tax return is required to be filed electronically under subsection (b) of this section, the Department shall grant the person a 12-month waiver of the requirements of this section if the person is able to establish, to the satisfaction of the Department, either good cause or no feasible means of filing the Connecticut tax return electronically without undue hardship. If the Department grants the waiver, the person may file a signed paper Connecticut tax return or returns for the 12-month period.

(2) Upon written request for waiver by any return preparer described in subparagraph (B) of subdivision (2) of subsection (b) of this section and preparing Connecticut tax returns for a particular tax on behalf of clients, the Department shall grant the return preparer a 12-month waiver of the requirements of this section if the return preparer is able to establish, to the satisfaction of the Department, no feasible means of filing the Connecticut tax returns electronically without undue hardship. If the Department grants the waiver to the return preparer, the clients of the return preparer may file signed paper Connecticut tax returns for the 12-month period and shall not be required to make a written request for waiver under subdivision (1) of this subsection. If a client of a return preparer instructs the return preparer not to file the client's Connecticut tax return electronically, the return preparer shall not be required to file such return electronically but shall be required to advise the client that the client is required to make a written request for waiver under subdivision (1) of this subsection.

(Adopted effective April 28, 2005)

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Signature alternatives. 12-690(c)-1

Signature Alternatives

Sec. 12-690(c)-1. Signature alternative

(a) Where the Commissioner has permitted the filing of a return by telephone or by electronic means, a person so permitted to file a return may, in lieu of filing a related document on which such person's signature is affixed and at the direction of the Commissioner, either state such person's name and such other information as the Commissioner may require in order to provide sufficient identification of such person, or provide a personal identification number, as designated by the Department to such person, or both state such person's name and other required information to provide sufficient identification, and provide a personal identification number, as so designated, when requested to do so. The stating by such person of such person's name or the providing of a personal identification number, or both, when such person is requested to do so, shall have the same validity, status and consequences as an actual signature by such person on a paper return that is filed with the Department.

(b) A return that is filed by telephone or by electronic means shall be treated as timely filed only if it is received by the Department on or before the due date of such return. If the Department elects to provide a confirmation number to each person filing a return by telephone or by electronic means at the time of the filing of such return, such return shall be treated as filed with the Department at the time such confirmation number is provided.

(c) Whether a return is filed by electronic means, by telephone or by filing a paper return, nothing in this section shall excuse any person from the legal obligation to provide such person's (1) name, address and social security number or federal employer identification number and (2) sufficient required information to permit the mathematical verification of any tax liability reported on such return. If the Department elects to provide a confirmation number to each person filing a return by telephone or by electronic means at the time of the filing of such return, such person shall be treated as having provided such sufficient required information at the time that such confirmation number is provided. Any such confirmation number shall be retained by such person as proof of filing.

(Adopted, effective December 8, 1997)

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INCOME TAX

Sec. 12-740(a)-1. Preamble and table of contents to Connecticut income tax regulations

(a) **Preamble.** Sections 12-701(c), 12-705(a), (b) and (c), 12-708 (b) and (d), 12-711(b)(3) and (c), 12-712(a)(1), (2) and (3), 12-713(b), 12-714(b)(2), 12-719(a), 12-720(b), 12-722(d), 12-723, 12-725(a), 12-726(b), 12-727(b), 12-739(d) and 12-740(a) and (c) of the general statutes authorize the adoption by the Commissioner of Revenue Services of this section and the regulations that are enumerated in (b) of this section to carry into effect the provisions of chapter 229 of the Connecticut General Statutes. Each such regulation has been assigned a section number that corresponds to the section of the Connecticut General Statutes pursuant to which such regulation is authorized or required or with respect to which such regulation pertains for purposes of implementation, procedural details or supplementary interpretation. However, whenever that section number corresponds to a section that does not include the authorization or requirement for such regulation, a reference is made to the section providing such authorization or requirement.

(b) **Table of contents.** The Connecticut income tax regulations are divided into 14 parts as follows:

Part I. Resident individuals

Sec. 12-701(a)(1)-1	Resident of this state.
Sec. 12-701(a)(20)-1	Connecticut adjusted gross income of a resident individual.
Sec. 12-701(a)(20)-2	Modifications increasing federal adjusted gross income.
Sec. 12-701(a)(20)-3	Modifications reducing federal adjusted gross income.
Sec. 12-701(a)(20)-4	Modification for Connecticut fiduciary adjustment.
Sec. 12-701(a)(20)-5	Modification of federal adjusted gross income for partnership income or loss reportable by resident partner.
Sec. 12-701(a)(20)-6	Connecticut adjusted gross income of resident shareholder of S corporation.

Part II. Nonresident individuals

Sec. 12-700(b)-1	Connecticut income tax imposed upon nonresident individuals.
Sec. 12-701(a)(2)-1	Nonresident of this state.
Sec. 12-711(b)-1	Connecticut adjusted gross income derived from or connected with sources within this state.
Sec. 12-711(b)-2	Income and deductions from Connecticut sources—general property in Connecticut.
Sec. 12-711(b)-3	Items attributable to real or tangible personal property in Connecticut.
Sec. 12-711(b)-4	Business, trade, profession or occupation carried on in Connecticut.
Sec. 12-711(b)-5	Income from intangible personal property.
Sec. 12-711(b)-6	Deductions with respect to capital losses, passive activity losses and net operating losses.

Sec. 12-711(b)-7	Compensation not constituting income derived from Connecticut sources.
Sec. 12-711(b)-8	Rentals and gains from the sale or exchange of real property.
Sec. 12-711(b)-9	Earnings of salespersons.
Sec. 12-711(b)-10	Employees compensated on mileage basis.
Sec. 12-711(b)-11	Wages of nonresident seamen.
Sec. 12-711(b)-12	Pension or other retirement benefit plans.
Sec. 12-711(b)-13	Income from vessels.
Sec. 12-711(b)-14	Prizes, awards and similar payments.
Sec. 12-711(b)-15	Other methods of apportionment.
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Sec. 12-711(b)-17	Property transferred in connection with the performance of services.
Sec. 12-711(b)-18	Nonqualified stock options.
Sec. 12-711(b)-19	Nonqualified deferred compensation.
Sec. 12-711(b)-20	Covenants not to compete.
Sec. 12-711(c)-1	Income and deductions partly from Connecticut sources.
Sec. 12-711(c)-2	Business, trade, profession or occupation carried on wholly within Connecticut.
Sec. 12-711(c)-3	Business, trade, profession or occupation carried on partly within and partly without Connecticut.
Sec. 12-711(c)-4	Allocation and apportionment of income from a business, trade, profession or occupation carried on partly within and partly without Connecticut.
Sec. 12-711(c)-5	Earnings of nonresident employees and officers rendering personal services within Connecticut.
Sec. 12-711(c)-6	Special rules for security and commodity brokers.
Sec. 12-711(c)-7	Professional athletes and entertainers.
Sec. 12-711(d)-1	Military pay.
Sec. 12-711(f)-1	Purchase and sale for own account.
Sec. 12-712(d)-1	Alternate method of allocation.

Part III. Part-year resident individuals and trusts

Sec. 12-700(c)-1	Part-year resident individuals.
Sec. 12-700(c)-2	Part-year resident trusts.
Sec. 12-701(a)(6)-1	Change of residence of trust.
Sec. 12-717(a)-1	Part-year resident individuals: income derived from or connected with sources within Connecticut.
Sec. 12-717(b)-1	Part-year resident trusts: income derived from or connected with sources within Connecticut.
Sec. 12-717(c)(1)-1	Special accruals: change from resident to nonresident.
Sec. 12-717(c)(2)-1	Special accruals: change from nonresident to resident.
Sec. 12-717(c)(3)-1	Accrued items not to be included in subsequent taxable periods.
Sec. 12-717(c)(4)-1	Special accruals not required in certain cases.
Sec. 12-717-1	Part-year residents: capital losses and passive activity losses.

- Sec. 12-717-2 Part-year residents: net operating loss deduction.
 Sec. 12-717-3 Part-year residents: income or loss from business, trade, profession or occupation.
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 Sec. 12-717-5 Taxpayers to whom the special accrual rules apply.

Part IV. Resident and nonresident trusts and estates

- Sec. 12-701(a)(4)-1 Resident trust or estate.
 Sec. 12-701(a)(9)-1 Connecticut taxable income of a resident trust or estate.
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 Sec. 12-701(a)(10)-4 Treatment of set-asides for charitable purposes.
 Sec. 12-713(a)-1 Connecticut taxable income derived from or connected with sources within Connecticut of a nonresident trust or estate.
 Sec. 12-713(a)-2 Share of a nonresident trust or estate in distributable net income.
 Sec. 12-713(a)-3 Items not in distributable net income of a nonresident trust or estate.
 Sec. 12-713(a)-4 Items derived from or connected with Connecticut sources of a nonresident trust or estate.
 Sec. 12-714(a)-1 Share of a nonresident trust, estate or beneficiary in income from Connecticut sources.
 Sec. 12-714(a)-2 Character of items.
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 Sec. 12-716(a)-1 Allocating the Connecticut fiduciary adjustment among trust or estate and its beneficiaries.
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- Sec. 12-702(c)(1)-1 Connecticut income tax returns of husband and wife.
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- Sec. 12-704(a)-1 Resident or part-year resident credit for taxes paid to another state, political subdivision of another state, the

- District of Columbia, a province of Canada or political subdivision of a province of Canada.
- Sec. 12-704(a)-2 Limitations—general.
- Sec. 12-704(a)-3 Limitations where credit is claimed for income taxes paid both to a qualifying jurisdiction and also to one or more of its political subdivisions.
- Sec. 12-704(a)-4 Definitions.
- Sec. 12-704(b)-1 Amended Connecticut income tax return to report any change in the amount of income tax required to be paid to a qualifying jurisdiction.
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- Sec. 12-712(a)(1)-1 Partnership income and deductions of a nonresident partner derived from Connecticut sources.
- Sec. 12-712(a)(2)-1 Nonresident shareholder's pro rata share of S corporation income derived from or connected with sources within Connecticut.
- Sec. 12-712(b)-1 Special rules as to nonresident partners.
- Sec. 12-715(a)-1 Modification of partnership items in partner's income tax return.
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- Sec. 12-715(b)-2 Character of S corporation items.
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Part VIII. Estimated tax

- Sec. 12-701(a)(11)-1 Estimated tax.
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Sec. 12-705(a)-3	Certain supplemental compensation.
Sec. 12-705(a)-4	Withholding or exemption certificate.
Sec. 12-705(a)-5	Addition to or reduction from withholding
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Sec. 12-705(a)-7	Wages paid through an agent, fiduciary or other person on behalf of two or more employers.
Sec. 12-705(a)-8	Furnishing amended withholding or exemption certificate.
Sec. 12-705(b)-1	Professional athletes and entertainers.
Sec. 12-705(b)-2	Gambling winnings.
Sec. 12-705(b)-3	Withholding for resident individuals who are recipients of pensions or annuities.
Sec. 12-705(b)-4	Distributions.
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Sec. 12-705(c)-3	Voluntary withholding for military retirees.
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(Effective November 18, 1994; amended March 8, 2006)

PART I. Resident individuals

Sec. 12-701(a)(1)-1. Resident of this state

(a) **General.** An individual may be a resident of Connecticut for income tax purposes, and taxable as a resident, even though he or she would not be deemed a resident for other purposes. As used in these sections, the terms “resident of this state” or “resident individual” include:

(1) all individuals domiciled in Connecticut, subject to the exceptions set forth in subsection (b) of this section; and

(2) any individual (other than an individual in the armed forces of the United States) who is not domiciled in Connecticut but who maintains a permanent place of abode in Connecticut, and spends in the aggregate more than 183 days of the taxable year in Connecticut.

(b) Certain individuals not deemed residents although domiciled in Connecticut. Any individual domiciled in Connecticut is a resident for income tax purposes for a specific taxable year, unless for that year he or she satisfies all three of the following requirements:

(1) the individual maintains no permanent place of abode inside Connecticut during such year;

(2) the individual maintains a permanent place of abode outside Connecticut during such entire year; and

(3) the individual spends in the aggregate not more than 30 days of the taxable year in Connecticut.

As long as an individual who is domiciled in Connecticut continues to meet the above requirements, such individual shall be considered a nonresident of Connecticut for income tax purposes. However, if for any taxable year those conditions are not met, an individual shall be subject to Connecticut income tax as a resident for that year. An individual who is a Connecticut domiciliary bears the burden of demonstrating that the conditions set forth above have been met when claiming to be a nonresident during the taxable year.

(c) Rules for days within and without Connecticut. In counting the number of days spent within and without Connecticut, a day spent within Connecticut includes any part of a day, except for a part of a day during which an individual is present solely while in transit to a destination outside Connecticut. An individual claiming to be a nonresident who is not domiciled in Connecticut but who has a permanent place of abode in this state shall have records available for examination by the

Department to substantiate the fact that such individual spent 183 days or less within Connecticut.

(d) **Domicile.** (1) Domicile, in general, is the place which an individual intends to be his or her permanent home and to which such individual intends to return whenever absent.

(2) A domicile once established continues until the individual moves to a new location with the bona fide intention of making his or her fixed and permanent home there. No change of domicile results from a removal to a new location if the intention is to remain there only for a limited time; this is the case even though the individual may have sold or disposed of his or her former home. The burden is upon an individual asserting a change of domicile to show that the necessary intention existed. In determining an individual's intention in this regard, declarations shall be given due weight, but they shall not be conclusive if they are contradicted by conduct. The fact that an individual registers and votes in one place is important but not necessarily conclusive, especially if the facts indicate that he or she did this merely to escape taxation in some other place.

(3) Domicile is not dependent on citizenship; that is, an immigrant who has permanently established his or her home in Connecticut is domiciled here regardless of whether such individual has become a United States citizen or has applied for citizenship. However, a United States citizen shall not ordinarily be deemed to have changed domicile by going to a foreign country unless it is clearly shown that such individual intends to remain there permanently. For example, a United States citizen domiciled in Connecticut who goes abroad because of an assignment in connection with employment or for study, research or recreation does not lose her Connecticut domicile unless it is clearly shown that she intends to remain abroad permanently and not to return.

(4) An individual can have only one domicile. If an individual has two or more homes, the domicile is the one which the individual regards and uses as his or her permanent home. In determining an individual's intentions in this matter, the length of time customarily spent at each location is important but not necessarily conclusive.

(5) Generally, the domiciles of a husband and wife are the same; however, if they are separated the spouses may each, under some circumstances, acquire their own separate domiciles, even though no judgment or decree of separation has been rendered. A child's domicile ordinarily follows that of the parents, until the child reaches the age of self-support and actually establishes a separate domicile. Where the mother and father have separate domiciles, the domicile of the child is generally the domicile of the parent with whom the child lives for the major portion of the year. The domicile of a child for whom a guardian has been appointed is not necessarily determined by the domicile of the guardian.

(6) Federal law provides in effect that, for the purposes of taxation, a member of the armed forces is not deemed to have lost residence or domicile in any state solely by reason of being absent therefrom in compliance with military or naval orders (see the Soldiers' and Sailors' Civil Relief Act, 50 U.S.C. App. § 574). Thus, such law ensures that a member of the armed forces domiciled in Connecticut would not be deemed a domiciliary for income tax purposes of another state in which such individual is stationed, and that a member of the armed forces domiciled in another state who is stationed in Connecticut would not be deemed a domiciliary of this state. The general rule is that domicile is in no way affected by service in the armed forces. A change of domicile shall be shown by facts which objectively

manifest a voluntary intention to make the new location a domicile. It is possible for a member of the armed forces to change domicile; however, the requisite intent is difficult to prove.

(7) Unlike a member of the armed forces of the United States, the civilian spouse of such member may not claim the benefits of the Soldiers' and Sailors' Civil Relief Act. The civilian spouse's residency or nonresidency may be affected by where the military spouse is stationed, if the spouses reside together.

(8) The following items shall be considered in determining whether or not an individual is domiciled in Connecticut (this list is not intended to be all-inclusive):

- (A) location of domicile for prior years;
- (B) where the individual votes or is registered to vote (casting an illegal vote does not establish domicile for income tax purposes);
- (C) status as a student;
- (D) location of employment;
- (E) classification of employment as temporary or permanent;
- (F) location of newly acquired living quarters, whether owned or rented;
- (G) present status of former living quarters, i.e., whether it was sold, offered for sale, rented or available for rent to another;
- (H) whether a Connecticut veteran's exemption for real or personal property tax has been claimed;
- (I) ownership of other real property;
- (J) jurisdiction in which a valid driver's license was issued and type of license;
- (K) jurisdiction from which any professional licenses were issued;
- (L) location of the individual's union membership;
- (M) jurisdiction from which any motor vehicle registration was issued and the actual physical location of the vehicles;
- (N) whether resident or nonresident fishing or hunting licenses were purchased;
- (O) whether an income tax return has been filed, as a resident or nonresident, with Connecticut or another jurisdiction;
- (P) whether the individual has fulfilled the tax obligations required of a resident;
- (Q) location of any bank accounts, especially the location of the most active checking account;
- (R) location of other transactions with financial institutions, including rental of a safe deposit box;
- (S) location of the place of worship at which the individual is a member;
- (T) location of business relationships and the place where business is transacted;
- (U) location of social, fraternal or athletic organizations or clubs, or a lodge or country club, in which the individual is a member;
- (V) address where mail is received;
- (W) percentage of time (excluding hours of employment) that the individual is physically present in Connecticut and the percentage of time (excluding hours of employment) that the individual is physically present in each jurisdiction other than Connecticut;
- (X) location of jurisdiction from which unemployment compensation benefits are received;
- (Y) location of schools at which the individual or the individual's immediate family attend classes, and whether resident or nonresident tuition was charged;
- (Z) statements made to any insurance company concerning the individual's residence, on which the insurance is based;

(AA) location of most professional contacts of the individual and his or her immediate family (e.g., physicians, attorneys); and

(BB) location where pets are licensed.

Any one of the items listed shall not, by itself, determine domicile. Charitable contributions shall not be considered in determining whether an individual is domiciled in Connecticut.

(e) Permanent place of abode. (1) A “permanent place of abode” means a dwelling place permanently maintained by an individual, whether or not owned by or leased to such individual, and generally includes a dwelling place owned by or leased to his or her spouse. However, a “permanent place of abode” shall generally not include, during the term of a lease, a dwelling place owned by an individual who leases it to others, not related to the owner or his or her spouse by blood or marriage, for a period of at least one year, where the individual has no right to occupy any portion of the premises and does not use such premises as his or her mailing address during the term of the lease. Also, a mere camp or cottage, which is suitable and used only for vacations, is not a permanent place of abode. Furthermore, a barracks, motel room or any construction which does not contain facilities ordinarily found in a dwelling, such as facilities for cooking, bathing, etc., shall generally not be deemed a permanent place of abode. Also, a place of abode is not deemed permanent if it is maintained only during a temporary stay for the accomplishment of a particular purpose. For example, an individual domiciled in another state may be assigned to his employer’s Connecticut office for a fixed and limited period, after which he is to return to his permanent location. If such an individual uses an apartment in Connecticut during this period, he is not deemed a resident, even though he spends more than 183 days of the taxable year in Connecticut, because his place of abode is not permanent. He shall be taxable as a nonresident on his income from Connecticut sources, including his salary or other compensation for services performed in Connecticut. However, if his assignment to his employer’s Connecticut office is for an indefinite period, his Connecticut apartment shall be deemed a permanent place of abode and he shall be deemed a resident for Connecticut income tax purposes if he spends more than 183 days of the year in Connecticut. The 183-day rule applies only to individuals who are not domiciled in Connecticut.

(2) The determination of whether a member of the armed forces maintains a permanent place of abode outside Connecticut does not depend merely upon whether the individual lives on or off a military base. This is only one of many factors to be considered in determining whether a permanent place of abode is being maintained outside Connecticut. Some of the other factors include the type and location of quarters occupied by the individual (and immediate family members, if any) and how and by whom such quarters are maintained. Barracks, bachelor officers’ quarters, quarters assigned on vessels, etc., generally do not qualify as permanent places of abode maintained by a member of the armed forces. Further, the maintenance of a place of abode by a member of the armed forces outside Connecticut shall not be considered permanent if it is maintained only during a limited or temporary duty assignment (in contrast to a permanent duty assignment).

(f) While this section pertains to Section 12-701(a)(1) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(20)-1. Connecticut adjusted gross income of a resident individual

(a) The Connecticut adjusted gross income of a resident individual is federal adjusted gross income with certain modifications.

(b) These modifications relate to items whose treatment for purposes of the Connecticut income tax is different from that under the Internal Revenue Code. Section 12-701(a)(20)-2 of this Part lists the modifications which increase federal adjusted gross income in computing Connecticut adjusted gross income, while § 12-701(a)(20)-3 of this Part lists the modifications which reduce federal adjusted gross income in computing Connecticut adjusted gross income. When the net amount of the applicable modifications is added to or subtracted from federal adjusted gross income, as the case may be, the result is the individual's Connecticut adjusted gross income.

(c) While this section pertains to Section 12-701(a)(20) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(20)-2. Modifications increasing federal adjusted gross income

(a) The following items are to be added to federal adjusted gross income in computing the Connecticut adjusted gross income of a resident individual:

(1) Interest income on obligations issued by or on behalf of any state or of a political subdivision, or public instrumentality, state or local authority, district or similar public entity of any such state, and interest income on obligations issued by or on behalf of the District of Columbia, to the extent not properly includible in federal adjusted gross income. However, interest income on Connecticut obligations is not to be added to federal adjusted gross income. Furthermore, interest income on obligations issued by or on behalf of any territory or possession of the United States (such as Puerto Rico, Guam and the Virgin Islands), or a political subdivision or public instrumentality, authority, district or similar public entity thereof, the taxation of which by any state is prohibited by federal law, is not to be added to federal adjusted gross income.

Example: Interest income received by a resident individual on bonds issued by or on behalf of the State of California and the District of Columbia shall be added to her federal adjusted gross income in arriving at her Connecticut adjusted gross income, as this interest income is subject to Connecticut income tax but not to federal income tax. However, interest income received by such individual on bonds issued by or on behalf of Guam and the State of Connecticut is not to be added to federal adjusted gross income, as this interest income is not subject to Connecticut income tax.

(2) Any exempt-interest dividends, as defined in section 852(b)(5) of the Internal Revenue Code. However, exempt-interest dividends derived from Connecticut obligations are not to be added to federal adjusted gross income. Furthermore, exempt-interest dividends derived from obligations issued by or on behalf of any territory or possession of the United States (such as Puerto Rico, Guam and the Virgin Islands), or a political subdivision or public instrumentality, authority, district or similar public entity thereof, the direct taxation of which by any state is prohibited by federal law, are not to be added to federal adjusted gross income.

Example: A resident individual receives \$1000 in exempt-interest dividends from a mutual fund that owns governmental obligations issued by various states, including

Connecticut, and by the Territory of Guam. If 45% of the exempt-interest dividends was derived from Connecticut obligations, 20% from New York obligations, 10% from Massachusetts obligations and 25% from Guam obligations, then the amount that is to be added to federal adjusted gross income is \$300 (that is, the percentage of exempt-interest dividends that is not derived from Connecticut obligations and other obligations, the direct taxation of which by any state is prohibited by federal law). The percentage of exempt-interest dividends derived from Connecticut obligations and Guam obligations is not to be added to federal adjusted gross income.

(3) Interest or dividend income on obligations or securities issued by or on behalf of any authority, commission or instrumentality of the United States, which the laws of the United States exempt from federal income tax but not from state income taxes.

(4) To the extent includible in gross income for federal income tax purposes for the taxable year, the total taxable amount of a lump sum distribution deductible from such gross income in calculating federal adjusted gross income pursuant to section 402(d)(3) of the Internal Revenue Code.

(5)(A) To the extent properly includible in determining the net gain or loss from sales or other dispositions of capital assets for federal income tax purposes, any loss from the sale or exchange of Connecticut obligations, in the taxable year such loss was recognized, whether or not, for federal income tax purposes, gains from sales or other dispositions of capital assets exceed losses therefrom.

(B) *Example 1:* A resident individual has, for federal income tax purposes, a long-term capital loss of \$4,000 arising from the sale of Connecticut obligations and a long-term capital loss of \$3,000 arising from the sale of bonds issued by the State of Florida. Accordingly, the individual's federal adjusted gross income shall be increased by \$4,000, the amount of loss arising from the sale of the Connecticut obligations even though this amount exceeds the losses allowable under section 1211(b) of the Internal Revenue Code.

Example 2: Resident individuals who file a joint Connecticut income tax return have, for federal income tax purposes, a long-term capital gain of \$5,000 arising from the sale of stock and a long-term capital loss of \$2,000 arising from the sale of Connecticut obligations. Any loss from the sale or exchange of Connecticut obligations is required to be added to federal adjusted gross income, to the extent properly includible in determining the net gain or loss from sales or other dispositions of capital assets for federal income tax purposes, in the taxable year such loss was recognized, even if, for federal income tax purposes, gains from sales or other dispositions of capital assets exceed losses therefrom. Accordingly, the federal adjusted gross income of these individuals shall be increased by \$2,000, the amount of loss derived from the sale or exchange of the Connecticut obligations.

(6) To the extent deductible in determining federal adjusted gross income, the amount of Connecticut income tax paid or accrued. However, to the extent deductible from federal adjusted gross income in determining federal taxable income, the amount of Connecticut income tax is not to be added back to federal adjusted gross income.

(7)(A) Interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the income from which is exempt from Connecticut income tax, to the extent such expenses are deductible in determining federal adjusted gross income. However, to the extent such expenses are deductible from federal adjusted gross income in determining federal taxable income, the amount of such expenses is not to be added back to federal adjusted gross income.

(B) *Example:* A resident individual is a partner in a partnership that borrows money to purchase United States savings bonds, the income from which is exempt from Connecticut income tax. The partner's share of the interest expense paid during the taxable year on this indebtedness is \$200. To the extent that such expense is deductible by the partner in determining her federal adjusted gross income, she shall add this amount back in computing her Connecticut adjusted gross income.

(8)(A) Expenses paid or incurred during the taxable year for (i) the production or collection of income which is exempt from Connecticut income tax or (ii) the management, conservation or maintenance of property held for the production of income which is exempt from Connecticut income tax or (iii) the amortizable bond premium for the taxable year on any bond, the interest income from which is exempt from Connecticut income tax, but only to the extent that such expenses and premiums are deductible in determining federal adjusted gross income. To the extent such expenses and premiums are not deductible in determining federal adjusted gross income but are deductible from federal adjusted gross income in determining federal taxable income, these expenses and premiums are not to be added back to federal adjusted gross income.

(B) *Example:* A nonresident individual is a partner in a Connecticut partnership that purchases shares in a mutual fund that invests solely in United States government obligations. The income therefrom is fully taxable for federal income tax purposes. The partner's share of expenses paid during the taxable year to produce this income is \$100. To the extent that such expenses are deductible by the partner in determining his federal adjusted gross income, he shall add this amount back in computing his Connecticut adjusted gross income.

(9) With respect to an individual who is a shareholder of an S corporation carrying on business in Connecticut (as the term is used in Section 12-214 of the general statutes, and as defined in Section 12-214-1), the amount of such individual's pro rata share of the corporation's nonseparately computed loss (as defined in Section 12-701(b)-1 of Part XIV), to the extent such loss is included in computing such individual's federal adjusted gross income, multiplied by the corporation's apportionment fraction, if any, as determined under Section 12-218 of the general statutes (irrespective of whether the S corporation shall pay the additional tax under Section 12-219 of the general statutes).

(b) While this section pertains to Section 12-701(a)(20) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(20)-3. Modifications reducing federal adjusted gross income

(a) The following items are to be subtracted from federal adjusted gross income in computing the Connecticut adjusted gross income of a resident individual:

(1)(A) Any income with respect to which taxation by any state is prohibited by federal law, to the extent properly includible in gross income for federal income tax purposes. Such income is from obligations issued by or on behalf of the United States, as defined in subparagraph (B) of this subdivision, or from other obligations, as discussed in subparagraph (B) of this subdivision, the taxation of which by states has been expressly prohibited by Congress, and is to be subtracted from federal adjusted gross income in computing Connecticut adjusted gross income. On the other hand, such income does not include income discussed in subparagraph (D)

of this subdivision which is not includible in gross income for federal income tax purposes and which is not to be subtracted from federal adjusted gross income in computing Connecticut adjusted gross income.

(B) The type of credit instrumentalities that the United States Supreme Court has recognized as being constitutionally exempt from state and local taxation have been characterized by (1) written documents, (2) the bearing of interest, (3) a binding promise by the United States to pay specified sums at specified dates and (4) specific Congressional authorization, which also pledged the faith and credit of the United States in support of the promise to pay. *Smith v. Davis*, 323 U.S. 111, 114-15 (1944). For example, United States savings bonds meet the four criteria to be considered obligations of the United States. Interest on those bonds is includible in gross income for federal income tax purposes. The amount of such interest is, therefore, subtracted from federal adjusted gross income in computing Connecticut adjusted gross income. Other obligations do not meet the criteria established in *Smith v. Davis*, but, nonetheless, Congress has expressly prohibited states from taxing income derived from such obligations. For example, obligations of the Home Owners' Loan Corporation do not meet the four criteria to be considered obligations of the United States, but Congress has expressly prohibited States from taxing income from such obligations. Interest on these obligations is includible in gross income for federal income tax purposes. The amount of such interest is, therefore, subtracted from federal adjusted gross income in computing Connecticut adjusted gross income.

(C) Examples of obligations described in subparagraph (B) of this subdivision, the interest income from which is includible in gross income for federal income tax purposes and, therefore, is subtracted from federal adjusted gross income in computing Connecticut adjusted gross income include, but are not limited to, obligations issued by or on behalf of Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Land Banks, Production Credit Associations, the Student Loan Marketing Association, the Tennessee Valley Authority, the United States Postal Service, the Federal Deposit Insurance Corporation and the Resolution Trust Corporation, and United States Treasury bonds, bills, notes and certificates.

(D) Examples of obligations described in subparagraph (B) of this subdivision, the interest income from which is not includible in gross income for federal income tax purposes and, therefore, is not subtracted from federal adjusted gross income in computing Connecticut adjusted gross income include, but are not limited to, obligations issued by or on behalf of the Commodity Credit Corporation, Federal Home Loan Banks, Federal Savings and Loan Insurance Corporation, The Resolution Funding Corporation, Guam, Puerto Rico and the Virgin Islands.

(E) Examples of income that is includible in gross income for federal income tax purposes but that is not subtracted from federal adjusted gross income in computing Connecticut adjusted gross income include, but are not limited to:

(i) interest paid on federal income tax refunds or on open accounts and other unsettled claims or demands,

(ii) interest paid by federal credit unions to depositors or by the Federal Home Loan Bank on demand deposits,

(iii) interest paid by a seller-borrower to a purchaser-lender under a repurchase agreement, and

(iv) interest paid on an obligation where the United States is merely an insurer or guarantor and has only a secondary or contingent liability, and is not the primary obligor.

(F) *Example:* Income described in this subparagraph includes, but is not limited to, obligations guaranteed and insured by the Federal National Mortgage Association and the Government National Mortgage Association, and obligations issued by or on behalf of the International Bank for Reconstruction and Development, the National Consumer Cooperative Bank and New Community Development Corporations.

(2)(A) Exempt dividends paid by a qualified regulated investment company. As provided in Section 12-718 of the general statutes, a regulated investment company is a qualified regulated investment Company if, at the close of each quarter of its taxable year, at least 50% of the value of its total assets (as defined in section 851(c)(4) of the Internal Revenue Code) is invested in obligations which states are prohibited from taxing by federal law.

(B) The portion of the dividends received by a shareholder of a qualified regulated investment company that may be subtracted from federal adjusted gross income is based upon the portion of income received by the company that is derived from obligations which states are prohibited from taxing by federal law. Where all of the income of the company is derived from interest on obligations that states are prohibited from taxing by federal law, the full amount of the dividends received by the shareholders may be subtracted. Where less than the full amount is derived from such interest, the amount to be subtracted is determined as follows:

Interest income on obligations which states are prohibited from taxing by federal law less expenses attributable to such income <hr style="width: 100%;"/> Regulated investment company's taxable income	=	Percent of dividends received by shareholders that qualifies as exempt dividends
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(C) In the case of a series fund, the portion of the dividends paid that is exempt from Connecticut income tax shall be determined on a fund-by-fund basis.

(D) Dividends attributable to obligations which states are prohibited from taxing by federal law that are distributed by nonqualified regulated investment companies are fully taxable for Connecticut purposes and may not be subtracted under this section.

(E) *Example:* (i) Computation for regulated investment company. Z, a qualified regulated investment company, receives income from the following sources:

Capital gains from the sale of stock	\$ 20,000
Interest income from federal obligations	70,000
Dividends from a corporation	+ 10,000
Total:	\$100,000
Expenses (\$10,000 of which are directly related to interest income on federal obligations)	- 20,000
Taxable income:	\$ 80,000

Z distributed the entire \$80,000 to its shareholders. The percentage of this distribution that may be subtracted from federal adjusted gross income under this section is computed as follows:

$\frac{\$70,000 - \$10,000}{\$80,000}$	=	75%	(percentage of dividends that qualifies as exempt dividends)
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(ii) Computation for shareholder. An individual shareholder receives dividend distributions of \$2,000 in 1992 from Z. The amount of these dividends qualifying as exempt dividends is 75% of \$2,000, or \$1,500.

(3) Any refund or credit for overpayment of income taxes imposed by Connecticut or any other state of the United States or political subdivision thereof, or by the District of Columbia or any province of Canada, to the extent properly includible in gross income for federal income tax purposes. This modification applies to a refund of income taxes which was actually included in federal adjusted gross income, whether the refund represented Connecticut income tax or the income tax of another taxing jurisdiction. However, the modification does not include any portion of the total refund which represents interest received. Such interest, whether received in connection with a state, federal or other tax refund, is not subtracted in computing Connecticut adjusted gross income since it is paid on a claim against the particular government, rather than paid on an obligation thereof arising from the exercise of its borrowing powers.

(4) To the extent properly includible in gross income for federal income tax purposes, annuities, as defined in 45 U.S.C. § 231(p), including Tier I and Tier II railroad retirement benefits, and supplemental annuities, as described in 45 U.S.C. § 231a(b), the taxation of which by states is prohibited under 45 U.S.C. § 231m.

(5) Interest income on Connecticut obligations, to the extent properly included in gross income for federal tax purposes.

(6)(A) To the extent properly includible in determining the net gain or loss from sales or other dispositions of capital assets for federal income tax purposes, any gain (or amount that is properly treated as a capital gain dividend, as defined in section 852(b)(3) of the Internal Revenue Code) from the sale or exchange of Connecticut obligations, in the taxable year such gain was recognized, whether or not, for federal income tax purposes, gains from sales or other dispositions of capital assets exceed losses therefrom.

(B) *Example:* A resident individual has, for federal income tax purposes, a long-term capital gain of \$3,000 arising from the sale of Connecticut obligations and a long-term capital loss of \$2,000 arising from the sale of bonds issued by the Commonwealth of Massachusetts. The individual's federal adjusted gross income shall be reduced by \$3,000, the amount of the gain derived from the sale of the Connecticut obligations.

(7)(A) Interest expenses on indebtedness incurred or continued by an individual to purchase or carry obligations or securities, the interest income from which is subject to Connecticut income tax but exempt from federal income tax, to the extent such expenses (i) would be deductible in determining federal adjusted gross income if the interest income were subject to federal income tax and (ii) are attributable to a trade or business carried on by such individual. However, to the extent such expenses would be deductible from federal adjusted gross income in determining federal taxable income if the interest income were subject to federal income tax or if such expenses are not attributable to a trade or business carried on by such individual, such expenses are not to be subtracted from federal adjusted gross income.

(B) *Example:* A resident individual is a partner in a partnership that borrows money in order to purchase New Jersey governmental bonds, the income from which is exempt from federal income tax. The partner's share of the interest expense paid during the taxable year on this indebtedness is \$200. The partner shall subtract this amount from his federal adjusted gross income.

(8)(A) Expenses paid or incurred by an individual during the taxable year for (i) the production or collection of income which is subject to Connecticut income

tax but exempt from federal income tax or (ii) the management, conservation or maintenance of property held for the production of income which is subject to Connecticut income tax but exempt from federal income tax or (iii) the amortizable bond premium for the taxable year on any bond, the interest income from which is subject to Connecticut income tax but exempt from federal income tax, to the extent that such expenses and premiums (a) would be deductible in determining federal adjusted gross income if such income were subject to federal income tax and (b) are attributable to a trade or business carried on by such individual. However, to the extent such expenses and premiums would be deductible from federal adjusted gross income in determining federal taxable income if such income were subject to federal income tax or if such expenses and premiums are not attributable to a trade or business carried on by such individual, the amount of these expenses and premiums may not be subtracted from federal adjusted gross income.

(B) *Example:* A nonresident individual is a partner in a Connecticut partnership that purchases shares in a mutual fund that invests solely in New York City government obligations. The income therefrom is exempt from federal income tax. The partner's share of expenses paid during the taxable year to produce this income is \$100. The partner shall subtract this amount from her federal adjusted gross income.

(9) With respect to an individual who is a shareholder of an S corporation that carries on business in Connecticut (as the term is used in Section 12-214 of the general statutes, and as defined in § 12-214-1), the amount of such individual's pro rata share of the corporation's nonseparately computed income (as defined in § 12-701(b)-1 of Part XIV), multiplied by the corporation's apportionment fraction, if any, as determined under Section 12-218 of the general statutes (irrespective of whether the S corporation shall pay the additional tax under Section 12-219 of the general statutes).

(10) The amount, if any, by which the amount of social security benefits properly includable in gross income for federal income tax purposes under section 86 of the Internal Revenue Code, as amended by section 13215 of the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, 107 Stat. 312, 475-477, exceeds the amount of social security benefits properly includable in gross income for federal income tax purposes under section 86 of the Internal Revenue Code, as in effect immediately prior to such amendment.

(b) While this section pertains to Section 12-701(a)(20) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(20)-4. Modification for Connecticut fiduciary adjustment

(a) Where a resident individual is a beneficiary of a trust or estate, the individual's federal adjusted gross income shall be increased or decreased (as the case may be) by his or her share of the Connecticut fiduciary adjustment applicable to the trust or estate. The fiduciary adjustment is the net amount of modifications relating to trust or estate items of income, gain, loss or deduction, and is computed by the fiduciary on the Connecticut income tax return for the trust or estate. The fiduciary also allocates to each beneficiary such beneficiary's proportionate share of the fiduciary adjustment (see § 12-701(a)(10)-1 and § 12-716(a)-1). Each beneficiary, on his or her Connecticut income tax return, shall apply the share of the fiduciary adjustment allocated to such beneficiary as a modification of federal adjusted gross income in order to determine Connecticut adjusted gross income. The failure of the

fiduciary to compute the Connecticut fiduciary adjustment or to allocate to a beneficiary such beneficiary's share of such adjustment does not absolve the beneficiary of his or her responsibility to increase or decrease (as the case may be) his or her federal adjusted gross income by his or her share of such adjustment.

(b) While this section pertains to Section 12-701(a)(20) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended July 3, 2003)

Sec. 12-701(a)(20)-5. Modification of federal adjusted gross income for partnership income or loss reportable by resident partner

(a) A partnership as such is not subject to the income tax. Individuals carrying on business as partners are liable for the income tax only in their individual capacities on their respective distributive shares of partnership income, whether or not such shares are actually distributed to them.

(b) Where a resident individual is a member of a partnership, the modifications prescribed by § 12-701(a)(20)-2 and § 12-701(a)(20)-3 of this Part shall be made with reference to items of partnership income, gain, loss or deduction which are reflected in such individual's federal adjusted gross income (see § 12-715(a)-1 of Part VII). If the partnership item is not characterized for federal income tax purposes, it has the same character for a partner as if it were realized directly by the partner from the source from which realized by the partnership, or incurred by the partner in the same manner as incurred by the partnership. The amount of the applicable modifications for each partner shall be computed in accordance with the regulations of Part VII.

(c) While this section pertains to Section 12-701(a)(20) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(20)-6. Connecticut adjusted gross income of resident shareholder of S corporation

(a) An S corporation as such is not subject to the income tax. Individuals who are shareholders of an S corporation are liable for the income tax in their individual capacities on their respective pro rata shares of S corporation income, whether or not such shares are actually distributed to them.

(b) Subject to the modifications described in § 12-715(a)-2 and § 12-715(b)-2 of Part VII, a resident shareholder's pro rata share of an S corporation's—

(1) separately computed income or loss is included in such shareholder's federal adjusted gross income and, therefore, is included in such shareholder's Connecticut adjusted gross income; and

(2) nonseparately computed income or loss is included in such shareholder's federal adjusted gross income and, therefore, is included in such shareholder's Connecticut adjusted gross income.

(c) While this section pertains to Section 12-701(a)(20) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended March 8, 2006)

PART II. Nonresident individuals**Sec. 12-700(b)-1. Connecticut income tax imposed upon nonresident individuals**

(a) Nonresident individuals compute their tentative Connecticut income tax liability as if they were resident individuals. Thus, the modifications to federal adjusted gross income which are made by a resident individual in determining Connecticut adjusted gross income are also made by a nonresident individual, any exemption allowed under Section 12-702 of the general statutes is taken, and the tax rate is applied, resulting in a tentative tax. After deduction from the tentative tax of any credit allowed under Section 12-703 of the general statutes, the difference is multiplied by a fraction, the numerator of which is Connecticut adjusted gross income derived from or connected with sources within this state, and the denominator of which is Connecticut adjusted gross income from all sources. The regulations of this Part are intended to assist in computing the amount to be included in the numerator.

(b) In cases where a nonresident individual's Connecticut adjusted gross income is less than such individual's Connecticut adjusted gross income derived from or connected with sources within this state, then (1) such individual's Connecticut adjusted gross income derived from or connected with sources within this state, reduced by the amount of the exemption allowed under section 12-702 of the General Statutes, shall be such individual's Connecticut taxable income derived from or connected with sources within this state (to which amount the tax rate is applied) and (2) such individual's Connecticut adjusted gross income derived from or connected with sources within this state shall be such individual's Connecticut adjusted gross income for the purpose of determining the credit allowed under section 12-703 of the General Statutes (which credit is then subtracted from the amount to which the tax rate is applied).

(c) While this section pertains to Section 12-700(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(2)-1. Nonresident of this state

(a) For Connecticut income tax purposes, a "nonresident of this state" or "nonresident individual" is anyone who is not a resident, as defined in § 12-701(a)(1)-1 of Part I, or a "part-year resident of this state", as defined in Section 12-701(a)(3) of the general statutes. Except where these sections specifically provide otherwise, references to nonresident individuals may be equally applicable to nonresident aliens.

(b) While this section pertains to Section 12-701(a)(2) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-1. Connecticut adjusted gross income derived from or connected with sources within this state

(a) Connecticut adjusted gross income of a nonresident individual derived from or connected with sources within this state is that portion of Connecticut adjusted gross income that is derived from or connected with Connecticut sources. In addition

to the items of income, gain, loss and deduction realized directly by a nonresident individual, it includes such individual's distributive share of partnership income, gain, loss and deduction (see Part VII), his or her pro rata share of S corporation income, gain, loss and deduction (see Part VII) and his or her share of trust or estate income, gain, loss and deduction (see Part IV), to the extent derived from or connected with Connecticut sources.

Example: During 1992, taxpayer N, a nonresident individual, was paid a salary of \$10,000 by his employer, which is headquartered in Massachusetts. N's salary paychecks are drawn on a Massachusetts bank. Eighty percent of N's working days were properly considered days worked within Connecticut. N is also a partner in a partnership carrying on business as a manufacturer's representative both within and without Connecticut. N's distributive share as a partner of the partnership income was \$35,000. Seventy percent of the income of the partnership was properly allocated to Connecticut. N received \$3,000 in net rental income from a Springfield, Massachusetts apartment house that N owns. N also received a share as a beneficiary of a trust under the will of his father. Income of the trust consisted of \$4,000 in net rentals from a Hartford medical office building and \$6,000 in dividends from a Connecticut corporation. N's share as a 50% beneficiary of this trust was \$5,000.

The portion of N's salary that was derived from or connected with Connecticut sources is \$8,000, determined on the basis of an allocation of days worked in and out of Connecticut and not by where payment was made (see § 12-711(c)-5 of this Part). N's share of the partnership income which is sourced to Connecticut is \$24,500, determined on the basis of the partnership's 70% allocation (see Part VII). The income from the Massachusetts apartment house is not included in Connecticut adjusted gross income derived from or connected with sources within Connecticut (see § 12-711(b)-3 of this Part). N's share of the income from the trust that is derived from or connected with sources within Connecticut is limited to \$2,000, his 50% share of Connecticut rental income, because dividends are income from intangibles that are generally not considered to be derived from or connected with Connecticut sources for a nonresident (see § 12-713(a)-4 of Part IV and § 12-711(b)-5 of this Part).

	<u>Connecticut adjusted gross income</u>	<u>Connecticut adjusted gross income derived from or connected with Connecticut sources</u>
Salary	\$10,000	\$ 8,000
Partnership share	35,000	24,500
Mass. rental income	3,000	0
Trust share:		
Conn. rental income	\$2,000	
Dividends	<u>\$3,000</u>	
	<u>\$ 5,000</u>	<u>2,000</u>
Total	\$53,000	\$34,500

(b) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-2. Income and deductions from Connecticut sources—general

(a) A nonresident individual's items of income, gain, loss and deduction derived from or connected with Connecticut sources are the items attributable to:

(1) the ownership and disposition of any interest in real or tangible personal property in Connecticut (see § 12-711(b)-3 of this Part);

(2) a business, trade, profession or occupation carried on in Connecticut (see § 12-711(b)-4 and § 12-711(b)-5 of this Part); or

(3) in the case of a shareholder of an S corporation carrying on or having the right to carry on business in Connecticut, the ownership of shares in such corporation, to the extent determined under § 12-712(a)(2)-1 of Part VII.

(b) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1944)

Sec. 12-711(b)-3. Items attributable to real or tangible personal property in Connecticut

(a) Connecticut adjusted gross income derived from or connected with sources within this state includes items of income, gain, loss and deduction entering into Connecticut adjusted gross income which are attributable to the ownership of any interest in, or disposition of, real or tangible personal property in Connecticut. Thus, Connecticut adjusted gross income derived from or connected with sources within this state includes rental income from real or tangible personal property in Connecticut or any interest therein, after deducting ordinary and necessary expenses attributable to the ownership, operation or maintenance of such property.

(b) The Connecticut adjusted gross income derived from or connected with Connecticut sources does not include items of income, gain, loss and deductions attributable to the ownership of any interest in real or tangible personal property located outside of Connecticut, even though rental payments in respect of the property may be made from a point within Connecticut.

(c) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-4. Business, trade, profession or occupation carried on in Connecticut

(a)(1) Connecticut adjusted gross income derived from or connected with sources within this state includes items of income, gain, loss and deduction entering into Connecticut adjusted gross income which are attributable to a business, trade, profession or occupation carried on in Connecticut.

(2) A "business, trade, profession or occupation" (as distinguished from personal services as an employee) is carried on within Connecticut by a nonresident individual:

(A) when such nonresident individual occupies, has, maintains or operates desk space, an office, a shop, a store, a warehouse, a factory, an agency or other place where such nonresident's affairs are systematically and regularly carried on, notwithstanding the occasional consummation of isolated transactions outside Connecticut (this list is not intended to be all-inclusive); or

(B) if activities in connection with the business are conducted in Connecticut with a fair measure of permanency and continuity. An individual may enter into transactions for profit within Connecticut and yet not be engaged in a trade, business, profession or occupation within Connecticut. If an individual pursues an undertaking continuously as one relying on the profit therefrom for such taxpayer's income or part thereof, such taxpayer is carrying on a business, trade, profession or occupation. Notwithstanding the provisions of this subparagraph (B), a nonresident individual is not deemed to be carrying on a business, trade, profession or occupation in Connecticut if the nonresident's presence for business in this state is casual, isolated and inconsequential, as provided in subdivision (1) of subsection (c) of this section.

Example 1: A plumber, who is a resident of Rhode Island, carries on his business from an office in Danielson, Connecticut. He has maintenance contracts with housing authorities in the Worcester, Massachusetts area which require him to regularly perform his services at various locations in and around Worcester. This individual is considered to be carrying on business in Connecticut (by reason of his office in this state) and in Massachusetts (because his business is conducted there with a fair measure of permanency and continuity).

Example 2: Assume the same facts as in Example 1, except that the taxpayer carries on his business from an office in Auburn, Massachusetts and has maintenance contracts with housing authorities in northeast Connecticut. This individual is considered to be carrying on business in Massachusetts (by reason of his office there) and in Connecticut (because his business is conducted in this state with a fair measure of permanency and continuity).

(b) The Connecticut adjusted gross income derived from or connected with Connecticut sources of a nonresident individual rendering personal services as an employee includes the compensation for personal services entering into his or her Connecticut adjusted gross income, but only if, and to the extent that, his or her services were rendered within Connecticut and were not casual, isolated and inconsequential, as defined in subdivision (2) of subsection (c) of this section. Compensation for personal services rendered by a nonresident individual wholly outside Connecticut is not derived from or connected with Connecticut sources, regardless of the fact that payment may be made from a point within this state or that the employer is a resident individual, partnership or corporation. Where the personal services are performed both within and without Connecticut, the portion of the compensation attributable to the services performed within Connecticut shall be determined in accordance with § 12-711(c)-5 of this Part.

(c)(1) Income of a nonresident individual conducting a business, trade, profession or occupation in Connecticut, as described in subparagraph (a)(2)(B) of this section, is not considered to be derived from or connected with sources within Connecticut, if the presence of such nonresident individual in this state for the purpose of engaging in any activity or activities, the object of which is direct or indirect financial profit, gain, benefit or advantage, is casual, isolated and inconsequential, if all activity or activities are considered in the aggregate. Such nonresident's presence for business in this state shall ordinarily be considered casual, isolated and inconsequential if it meets one of the following tests:

(A) \$6,000 test. The gross income from the presence of a nonresident in Connecticut for the purpose of engaging in any activity or activities, the object of which is direct or indirect financial profit, gain, benefit or advantage, as determined under § 12-711(c)-4 or § 12-711(c)-5 of this Part, does not exceed \$6,000 in the taxable year; or

(B) Ancillary activity. The nonresident's presence in Connecticut is ancillary to his or her primary business duties that are performed at a base of operations outside of Connecticut, as with occasional presence in Connecticut for management reporting or planning, training, attendance at conferences or symposia, attendance as a director at board meetings, and other similar activities which are secondary to the individual's primary out-of-state duties.

(2) Compensation paid to a nonresident employee rendering personal services as an employee, whose presence in this state for employment purposes is casual, isolated and inconsequential, is not considered to be derived from or connected with sources within this state. Such nonresident employee's presence for employment purposes in this state shall ordinarily be considered casual, isolated and inconsequential only if the nonresident employee's presence in Connecticut is ancillary to his or her primary employment duties that are performed at a base of operations outside of Connecticut, as with occasional presence in Connecticut for management reporting or planning, training, attendance at conferences or symposia, and other similar activities which are secondary to the individual's primary out-of-state duties.

(3) The following examples illustrate the application of this subsection:

Example 1: The president of a large Texas corporation flies to New Haven to meet a prospective supplier, spends two days there meeting with the supplier and then flies back to Texas. The president had never been to Connecticut on business, nor is she scheduled to return. Her visit is secondary to her primary out-of-state employment duties. She is not considered to be rendering personal services as an employee in Connecticut, and her presence for employment purposes is casual, isolated and inconsequential.

Example 2: A nonresident professional ice hockey player plays in all eighty games for his team in 1992 over parts of two seasons. Four of the games are played in Hartford. He is considered to be rendering personal services as an employee in Connecticut and his presence is not ancillary to his primary employment duties. Thus, his presence for employment purposes is not casual, isolated and inconsequential.

Example 3: A dentist employed by a health maintenance organization in Portland, Maine comes to Connecticut for a paid six-week training course in pediatric dentistry. Her presence for business in Connecticut is ancillary to her primary employment duties elsewhere and is therefore casual, isolated and inconsequential. She is not considered to be rendering personal services as an employee in Connecticut.

Example 4: A New York attorney operating as a sole practitioner in New York City is retained by a Connecticut business in connection with a pending lawsuit in a Connecticut court. All of the trial preparation occurs in New York but the attorney appears in court in Connecticut. He earns more than \$6,000 in Connecticut by his activity under § 12-711(c)-4 of this Part. This nonresident is considered to be carrying on business in Connecticut because the part of the fee apportioned to Connecticut is more than \$6,000 and the duties performed in Connecticut are not ancillary to his primary duties.

Example 5: The facts are the same as in the previous example, except the attorney earns \$1,000 from his activity in Connecticut. The attorney is not considered to be carrying on business in Connecticut because he does not earn more than \$6,000 directly from his activity in Connecticut, and therefore his presence for business in Connecticut is casual, isolated and inconsequential.

Example 6: The facts are the same as in Example 5, except that the attorney derived more than \$5,000 in income from Connecticut real estate that he rented to others. His presence would not be considered casual, isolated and inconsequential

because the sum of his rental income from Connecticut sources plus his income from the practice of law in Connecticut exceeds \$6,000.

Example 7: The regional manager of a New England shoe manufacturer has an office in the company's headquarters in Providence, Rhode Island. The company maintains three retail outlet stores in Connecticut, and the manager spends one week each month assisting in the management of each of the three Connecticut retail stores. The manager is not performing duties which are ancillary to her primary employment duties, so her presence for business in Connecticut is not casual, isolated and inconsequential, and she is considered to be rendering personal services as an employee in Connecticut.

Example 8: The West Coast sales manager of a large Connecticut corporation is based in San Francisco, California and performs all of his duties as sales manager from the San Francisco office. The sales manager flies to Hartford at least once a year for a two-week sales symposium and as needed for technical training sessions. This is the only contact the manager has with Connecticut. Because the services are merely ancillary to his primary employment carried on in California, this nonresident's presence for business in Connecticut is casual, isolated and inconsequential. He is not considered to be rendering personal services as an employee in Connecticut.

Example 9: A nonresident computer systems development engineer is employed in the Illinois office of a Connecticut-based corporation. She is sent to the Connecticut headquarters from January to June 1992 to become familiar with the development and operation of the company's latest computer. The engineer receives her regular salary during the six months in Connecticut. She is considered to be rendering personal services as an employee in Connecticut because her presence for training in Connecticut is not ancillary to her primary employment duties.

(d) If personal services are performed within Connecticut, whether or not as an employee, the compensation for such services constitutes income derived from or connected with Connecticut sources, regardless of the fact that (1) such compensation is received in a taxable year after the year in which the services were performed, or (2) such compensation is received by someone other than the person who performed the services.

Example: A nonresident individual was employed until late 1991 at a place of business in Connecticut and then is transferred by her employer to its place of business in New Hampshire. She and her employer had previously agreed that the compensation for her services rendered during 1991 was not to be paid to her until 1992. The compensation paid for her 1991 services constitutes income derived from or connected with Connecticut sources for her 1992 taxable year, even though she was not performing personal services within Connecticut during 1992.

(e) Unemployment compensation benefits, severance payments, accrued vacation and accrued sick pay constitute income derived from or connected with Connecticut sources if they are paid in connection with personal services that were performed within Connecticut as an employee, regardless of the fact that (1) such amounts may be received in a taxable year after the year or years in which the services were performed or (2) such amounts may be paid by someone other than the employer. To the extent that workers compensation benefits and disability benefits are includible in Connecticut adjusted gross income, they constitute income derived from or connected with Connecticut sources if they are paid in connection with personal services that were performed within Connecticut, regardless of the fact that such amounts may be received in a taxable year after the year or years in which the services were performed.

(f) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of

the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-5. Income from intangible personal property

(a) Items of income, gain, loss and deduction derived from or connected with Connecticut sources do not include such items attributable to intangible personal property of a nonresident individual, including annuities, dividends, interest, and gains and losses from the disposition of intangible personal property, except to the extent attributable to property employed in a business, trade, profession or occupation carried on in Connecticut.

Example: Taxpayer A, a resident of New York, owns 100% of the stock of X Corporation, which operates a store in Connecticut. In 1992, the corporation pays A a salary of \$20,000, all of which was earned in Connecticut, and a dividend of \$2,000. A's income from Connecticut sources is his salary of \$20,000, since the dividend is not income derived from Connecticut sources.

(b) Intangible personal property is employed in a business, trade, profession or occupation carried on in this state if such property's possession and control have been localized in connection with a business, trade, profession or occupation in Connecticut, so that the property's substantial use and value attach to and become an asset of such business, trade, profession or occupation. An example is where a nonresident pledges stocks, bonds or other intangible personal property in Connecticut as security for the payment of indebtedness incurred in connection with a business being carried on in Connecticut by the nonresident. Another example is where a nonresident maintains a branch office in Connecticut and an interest-bearing checking account on which the agent in charge of the branch office may draw checks for the payment of expenses in connection with the activities in this state.

(c) If intangible personal property of a nonresident is employed in a business, trade, profession or occupation carried on in Connecticut, the entire income from such property, including gains from its sale, regardless of where the sale is consummated, is income derived from or connected with sources within this state. However, where a nonresident individual sells real or tangible personal property located in Connecticut and, as a result of such sale, receives intangible personal property (e.g., a note) which generates interest income and capital gain income, such interest income is generally not attributable to the sale of the real or tangible personal property but is attributable to the intangible personal property; however, such capital gain income is attributable to the sale of the real or tangible personal property located in Connecticut. See §§ 12-711(b)-3 and 12-711(b)-8 of this Part. Therefore, such interest income to a nonresident does not constitute income derived from or connected with Connecticut sources. However, interest income derived from an instrument received as a result of a sale of real or tangible personal property located in Connecticut, where the instrument is employed in a business, trade, profession or occupation carried on in this state, does constitute income derived from or connected with Connecticut sources.

(d) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-6. Deductions with respect to capital losses, passive activity losses and net operating losses

(a) Connecticut adjusted gross income derived from or connected with sources within this state includes deductions entering into the Connecticut adjusted gross income of a nonresident individual with respect to capital losses, passive activity losses and net operating losses, but only to the extent that the items of income, gain, loss and deduction that entered into Connecticut adjusted gross income are based solely on items of income, gain, loss and deduction derived from or connected with Connecticut sources.

(b)(1) The amount of any deduction allowed under this section shall be computed as it would be computed for federal income tax purposes if the Connecticut items of income, gain, loss and deduction were the only items making up the corresponding federal items of income, gain, loss and deduction for the particular year. Therefore, a nonresident shall recompute capital losses, passive activity losses and net operating losses as if such nonresident's federal adjusted gross income consisted only of items derived from Connecticut sources.

(2) The deduction of an item of loss or suspended loss from an S corporation in computing Connecticut adjusted gross income derived from or connected with Connecticut sources of a nonresident shareholder is limited to the shareholder's basis in the stock of the S corporation, as determined for federal income tax purposes. The same principles apply to nonresident partners.

(c)(1) Any capital loss or net operating loss deduction computed under this section may, by way of carryback or carryforward, affect the computation of Connecticut adjusted gross income derived from or connected with sources within this state for other Connecticut taxable years as long as such carryback or carryforward is based solely on items of income, gain, loss and deduction from Connecticut sources. Similarly, a suspended passive activity loss deduction shall be based solely on items of income, gain, loss and deduction from Connecticut sources.

Example 1: Taxpayer B, a nonresident of Connecticut, reported a capital gain from sources without Connecticut (from the sale of securities) of \$20,000 on her 1992 federal income tax return. B also reported on her federal income tax return a capital loss of \$8,000 from sources exclusively within Connecticut (from the sale of real property not used in B's trade or business). For federal income tax purposes, B has a gain from the sale or exchange of property of \$12,000 (\$20,000 minus \$8,000). On her 1992 Form CT-1040NR/PY, B has a capital loss of \$8,000 derived from or connected with sources within Connecticut, but may claim as a deduction only \$3,000 (in accordance with the federal limitation of \$3,000 of capital loss to offset ordinary income). She shall carry forward the balance to the following year(s), even though her 1993 federal income tax return shall show no capital loss carry-forward.

Example 2: X, a nonresident individual, reported on her 1992 federal income tax return passive activity income in the amount of \$20,000 from New York State sources. X also reported a passive activity loss in the amount of \$15,000 from Connecticut sources. For federal income tax purposes, X has passive activity income of \$5,000 (20,000 minus 15,000). On her 1992 Form CT-1040NR/PY, X has a passive activity loss of \$15,000. X may carry this passive activity loss to the 1993 taxable year even though she shall not have a passive activity loss to carry to 1993 for federal income tax purposes.

(2)(A) Except as otherwise provided in this section, a nonresident individual who sustains a net operating loss for Connecticut income tax purposes in a Connecticut

taxable year but does not sustain a net operating loss for federal income tax purposes is required first to carry back such net operating loss to each of the three taxable years preceding the taxable year in which such net operating loss was sustained and then to carry such net operating loss forward to each of the 15 years following the taxable year in which such net operating loss was sustained, to the extent not absorbed. However, the net operating loss may not be carried back or carried forward to a Connecticut taxable year in which the nonresident was or is a resident of Connecticut, but may be carried back or carried forward to a Connecticut taxable year in which the nonresident was or is a part-year resident but may be applied only against items of income, gain, loss and deduction derived from or connected with Connecticut sources during the nonresidency portion of such year.

(B) Where a nonresident individual sustains a net operating loss for Connecticut income tax purposes in a Connecticut taxable year but does not sustain a net operating loss for federal income tax purposes, such nonresident may make an election for Connecticut income tax purposes to forgo the entire three-year carryback period and to carry such net operating loss forward to each of the 15 years following the taxable year in which such net operating loss was sustained, to the extent not absorbed. An election under this subparagraph shall be made by filing a Form CT-1040NR/PY for the year in which the net operating loss was sustained and attaching thereto a statement indicating that an election to forgo the three-year carryback period is being made. The election shall be made by the due date of the Form CT-1040NR/PY (including extensions of time granted under Part X) for the year in which the net operating loss was sustained. Once an election to forgo the three-year carryback period is made, such election may not be revoked.

(C) Where a nonresident individual sustained a net operating loss for federal income tax purposes in a Connecticut taxable year in which such individual was a resident individual, and had such individual been a nonresident individual in such year, would have been treated as having sustained a net operating loss for Connecticut income tax purposes for such year, such individual may carry forward as provided herein only the amount (the allowable portion) by which such operating loss exceeds such individual's Connecticut adjusted gross income (i) for the three taxable years preceding the taxable year in which such net operating loss was sustained, (ii) for the taxable years succeeding such loss year but preceding the taxable year in which such individual is a part-year resident individual and (iii) for the residency portion of the taxable year in which such individual is a part-year resident. Unless such individual has elected to defer Connecticut income tax under § 12-717(c)(4)-1, the allowable portion shall be deductible from items of income and gain accrued prior to the change of resident status under § 12-717(c)(1)-1, and, to the extent not absorbed by such accrued items of income and gain, shall be deductible only from Connecticut adjusted gross income derived from or connected with Connecticut sources (a) during the nonresidency portion of the taxable year in which such individual is a part-year resident and (b) for succeeding Connecticut taxable years in which such individual is a nonresident individual.

(D) Anything to the contrary in this section notwithstanding, no loss sustained in a taxable year that was not a Connecticut taxable year may be carried forward to a succeeding Connecticut taxable year. In addition, no loss sustained in a Connecticut taxable year may be carried back to a preceding taxable year that was not a Connecticut taxable year.

(E) For purposes of this section, "Connecticut taxable year" means a taxable year beginning on or after January 1, 1991 (the effective date of the Connecticut Income Tax Act).

(3) The following examples illustrate the application of this section:

Example 1. Taxpayer T, a single individual, is a resident of New Jersey. T has the following items of income, gain, loss and deduction for 1991:

	<i>Federal Gross Income</i>	<i>Connecticut AGI Sourced to Connecticut</i>
Business income	90,000	50,000
Capital gain from Connecticut sources	20,000	
Capital loss carryforward	<u>(15,000)</u>	
Net capital gain	<u>5,000</u>	<u>20,000</u>
	95,000	70,000

The capital loss carryforward is a result of a capital loss sustained in 1990 on the sale of Connecticut real estate. Such loss carryforward, however, may not be deducted for Connecticut income tax purposes because the capital loss was sustained in a taxable year that was not a Connecticut taxable year.

T's Connecticut income tax liability for 1991 is \$1,050, calculated as follows:

Tax calculated as if T were a resident:

Federal AGI	95,000
Modifications	<u>0</u>
Connecticut AGI	95,000
Multiplied by tax rate	<u>x .015</u>
Tentative Tax	1,425

Multiplied by the proration formula:

Numerator: Connecticut AGI from Connecticut sources: \$70,000
 Denominator: Connecticut AGI: \$95,000

T's Connecticut income tax liability:

$$\$1,425 \times \$70,000/\$95,000 = \$1,050$$

Example 2. Taxpayer B, a single individual, is a resident of Vermont. B has the following items of income, gain, loss and deduction for 1992:

	<i>Federal Gross Income</i>	<i>Connecticut AGI Sourced to Connecticut</i>
Business income	95,000	50,000
Capital gain from Vermont sources	5,000	
Capital loss from Connecticut sources	<u>(15,000)</u>	
Net capital loss	(10,000)	
Capital loss allowed as a deduction	<u>(3,000)</u>	<u>(3,000)</u>
	92,000	47,000

B's Connecticut income tax liability for 1992 is \$2,115, calculated as follows:

Tax calculated as if B were a resident:

Federal AGI	92,000	(95,000 minus a 3,000 capital loss deduction against ordinary income)
Modifications	<u>0</u>	
Connecticut AGI	92,000	
Multiplied by tax rate	<u>x .045</u>	
Tentative tax	4,140	

Multiplied by the proration formula:

Numerator: Connecticut AGI from Connecticut sources: \$47,000

Denominator: Connecticut AGI: \$92,000

B's Connecticut income tax liability:

$$\$4,140 \times \$47,000 / \$92,000 = \$2,115$$

B may carry a \$12,000 capital loss forward to the 1993 taxable year and beyond for Connecticut income tax purposes even though B shall only have a \$7,000 capital loss carryforward for federal income tax purposes.

Example 3. Taxpayer X, a single individual, is a resident of Utah. X has the following items of income, gain, loss and deduction for 1992:

	<i>Federal</i>	<i>Connecticut AGI</i>
	<u>Gross Income</u>	<u>Sourced to Connecticut</u>
Income		
100,000 (UT)	100,000	25,000
50,000 (CT)		
Expenses		
(25,000) (UT)		
<u>(25,000) (CT)</u>		
Net business income		
Capital loss from		
UT sources (20,000)	(3,000)	(3,000)
Capital loss from		
CT sources (10,000)		
Capital loss allowed as a deduction		
Net operating loss carryforward from a year that was not a Connecticut taxable year	<u>(40,000)</u>	<u>0</u>
	57,000	22,000

X's Connecticut income tax liability for 1992 is \$990, calculated as follows:

Tax calculated as if X were a resident:

Federal AGI:	57,000	(the 40,000 net operating loss carryforward and 3,000 of the capital loss are deducted from the 100,000 of ordinary income)
Modifications	<u>0</u>	
Connecticut AGI	57,000	
Multiplied by tax rate	<u>x .045</u>	
Tentative tax	2,565	

Multiplied by the proration formula:

Numerator: Connecticut AGI from Connecticut sources: \$22,000

Denominator: Connecticut AGI: \$57,000

X's Connecticut income tax liability:

$$\$2,565 \times \$22,000/\$57,000 = \$990$$

X may carry a \$7,000 capital loss forward to the 1993 taxable year and beyond for Connecticut income tax purposes even though X shall have a \$27,000 capital loss carryforward for federal income tax purposes.

(d) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-711(b)(3) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-7. Compensation not constituting income derived from Connecticut sources

(a) Employees of interstate rail carriers, interstate motor carriers and interstate motor private carriers.

(1) Compensation paid by certain rail carriers. No part of the compensation paid by a rail carrier, as defined in 49 USC 10102, providing transportation subject to the jurisdiction of the surface transportation board under 49 USC, subtitle IV, part A to an employee who performs regularly assigned duties as such an employee on a railroad in more than one state shall be subject to the income tax laws of any state or political subdivision of that state, other than the state or political subdivision thereof of the employee's residence. (See 49 USC 11502.) Accordingly, where a nonresident individual is paid compensation as an employee by such a rail carrier for performing his or her regularly assigned duties on a railroad in more than one state, such compensation does not constitute income derived from or connected with Connecticut sources even though the employee performed services in Connecticut.

(2) Compensation paid by certain motor carriers and certain motor private carriers. No part of the compensation paid by a motor carrier, as defined in 49 USC 13102(12), providing transportation subject to the jurisdiction under 49 USC, chapter 135, subchapter I or by a motor private carrier, as defined in 49 USC 13102(13), to an employee, as defined in 49 USC 31132, who performs regularly assigned duties in two or more states as such an employee with respect to a motor vehicle shall be subject to the income tax laws of any state or political subdivision of that state, other than the state or political subdivision thereof of the employee's residence. Accordingly, where a nonresident individual is paid compensation as such an employee with respect to a motor vehicle by such a motor carrier or motor private carrier for performing his or her regularly assigned duties in two or more states, such compensation does not constitute income derived from or connected with Connecticut sources even though the employee performed services in Connecticut. (See 49 USC 14503.)

(b) **Employees of interstate air carriers.** No part of the pay of an employee of an air carrier having regularly assigned duties on aircraft in at least two states shall be subject to the income tax laws of any state or political subdivision of that state, other than (i) the state or political subdivision thereof that is the employee's residence, and (ii) the state or political subdivision thereof in which the employee earns more than 50% of the pay received by the employee from the carrier. For purposes of this subsection, an employee is deemed to have earned more than 50% of his or

her pay in any state or political subdivision thereof in which such employee's scheduled flight time in such state or political subdivision is more than 50% of such employee's total scheduled flight time in the calendar year while so employed. Accordingly, where a nonresident individual is an employee of an air carrier having regularly assigned duties on aircraft in at least two states, such pay shall not constitute income derived from or connected with Connecticut sources unless such employee earned more than 50% of such pay in Connecticut. (See 49 USC 40116.)

(c) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994; amended February 10, 2004)

Sec. 12-711(b)-8. Rentals and gains from the sale or exchange of real property

(a) Income from, and deductions connected with, the rental of real property, and gain and loss from the sale, exchange or other disposition thereof, are not subject to apportionment under this Part but are considered to be entirely derived from or connect with the situs of such property.

(b) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-9. Earnings of salespersons

(a) Where compensation of a salesperson, agent or other employee is based in whole or in part upon commissions from sales, Connecticut adjusted gross income derived from or connected with sources within Connecticut is determined by multiplying the gross compensation earned from sales everywhere, determined as if the nonresident were a resident, by a fraction, the numerator of which is the amount of sales made within Connecticut and the denominator of which is the amount of sales made everywhere. The "amount of sales" is determined on the same basis as that on which the amount of sales is determined for purposes of figuring such individual's commissions. The determination of whether sales are made within Connecticut or elsewhere is based upon where the salesperson, agent or employee performs the activities in obtaining the order, not the location of the formal acceptance of the contract.

(b) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-10. Employees compensated on mileage basis

(a) Where an employee's wages are based on mileage, Connecticut adjusted gross income derived from or connected with sources within this state is determined by multiplying the employee's gross wages from the employment, wherever earned, determined as if the nonresident were a resident, by a fraction, the numerator of which is the employee's total mileage traveled in Connecticut and the denominator of which is the employee's total mileage upon which the employer computes total wages.

(b) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of

the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-11. Wages of nonresident seamen

(a) (1) The income derived from Connecticut sources of a nonresident individual includes the full amount of compensation paid to such individual for the performance of regularly-assigned duties as a master, officer, or crewman on a vessel operating exclusively within Connecticut. His or her items of income, gain, loss and deduction derived from or connected with Connecticut sources include all of such items attributable to the performance of such duties.

(2) (A) No part of the compensation paid to a nonresident individual for the performance of duties described in paragraph (B) of this subdivision shall be subject to the income tax laws of any state or political subdivision of that state other than the state and political subdivision in which such individual resides. See 46 USC 11108(b). Accordingly, where a nonresident individual is paid compensation for the performance of duties described in paragraph (B) of this subdivision, such compensation does not constitute income derived from or connected with Connecticut sources even though the individual performed services in Connecticut.

(B) This subdivision applies to a nonresident individual (i) who is engaged on a vessel to perform assigned duties in more than one state as a pilot licensed under 46 USC 7101 or authorized under the laws of a state, or (ii) who performs regularly-assigned duties while engaged as a master, as defined in 46 USC 10101, officer, or crewman on a vessel operating on the navigable waters of more than one state.

(b) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994; amended February 10, 2004)

Sec. 12-711(b)-12. Pension or other retirement benefit plans

(a) Connecticut adjusted gross income derived from or connected with sources within this state does not include income distributed from a pension or retirement plan to nonresidents.

(b) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-13. Income from vessels

(a) Connecticut adjusted gross income derived from or connected with sources within this state does not include charter money or freight or passage payments with respect to a vessel that is operated exclusively between ports of Connecticut and foreign ports, or between ports of Connecticut and ports of other states, if the individual receiving the income maintains no regular agency in Connecticut and is not carrying on business in Connecticut, as determined under § 12-711(c)-2 and § 12-711(c)-3 of this Part.

(b) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-14. Prizes, awards and similar payments

(a) Except as otherwise provided in subsection (b) of this section, Connecticut adjusted gross income derived from or connected with sources within this state does

not include prizes, awards and similar payments won by a nonresident individual, regardless of where the ticket was purchased or whether the nonresident was present in Connecticut at the time the prize or award was won.

(b) (1) Any winnings derived from within this state by a nonresident individual carrying on gambling activities as a trade or business constitute Connecticut adjusted gross income derived from or connected with sources within Connecticut.

(2) Any winnings from a wager placed by a nonresident individual 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.

(c) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994; amended July 3, 2003)

Sec. 12-711(b)-15. Other methods of apportionment

(a) Where the methods provided in this Part do not apportion items of income, gain, loss and deduction in a fair and equitable manner, the Commissioner may require a nonresident individual to apportion those items under such method as the Commissioner prescribes, as long as the prescribed method results in a fair and equitable apportionment. In addition, a nonresident individual may submit an alternate method of apportionment with respect to items of income, gain, loss and deduction attributable to a business, trade, profession or occupation carried on partly within and partly without Connecticut. The proposed method shall be fully explained in the Connecticut nonresident income tax return. If the method proposed by such individual is approved by the Commissioner, it may be used in lieu of the applicable method described in this Part.

(b) The methods provided in this Part are presumed to result in fair and equitable apportionment, and any person, whether it be the Commissioner or a nonresident individual, proposing an alternate method of apportionment shall bear the burden of establishing that the methods provided in this Part unfairly and inequitably attribute items of income, gain, loss or deduction to Connecticut.

(c) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-16. Incentive stock options

(a) Connecticut adjusted gross income derived from or connected with sources within this state includes, to the extent provided in this section, income from the disposition of stock that was purchased by an employee under an incentive stock option if, during the period beginning with the first day of the employee's taxable year during which such option was granted and ending with the last day of the employee's taxable year during which such option was exercised, the employee was performing services within Connecticut as an employee.

(b) If, during the period described in subsection (a) of this section, the employee's services were performed wholly within Connecticut, the amount by which the fair market value of the stock, at the time such option was exercised, exceeds the option price is compensation that is derived from or connected with sources within this state, provided, if the fair market value of the stock, at the time such option was exercised, exceeds the amount realized on the disposition of the stock, then only the amount of income that is recognized for federal income tax purposes shall be

considered compensation that is derived from or connected with sources within this state.

(c) If, during the period described in subsection (a) of this section, the employee's services were performed partly within and partly without Connecticut, the portion of the amount by which the fair market value of the stock, at the time such option was exercised, exceeds the option price, that is derived from or connected with sources within this state is in the same ratio that, under § 12-711(c)-5 of this Part, the total compensation received from the employer during such period for services performed in this state bears to the total compensation received from the employer during such period for services performed both within and without this state.

(d) Whether or not the holding periods under section 422(a)(1) and (2) of the Internal Revenue Code are met, the difference between the amount realized on the disposition of the stock and the fair market value of the stock, at the time such option was exercised, is income or loss that is not derived from or connected with sources within this state.

(e) For purposes of this section—

(1) "disposition" means disposition, as defined in section 424(c) of the Internal Revenue Code;

(2) "stock" means stock, as defined in 26 C.F.R. § 1.421-7(d);

(3) "option price" means option price, as defined in 26 C.F.R. § 1.421-7(e); and

(4) "incentive stock option" means incentive stock option, as defined in section 422(b) of the Internal Revenue Code.

(f) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-17. Property transferred in connection with the performance of services

(a) Connecticut adjusted gross income derived from or connected with sources within this state includes, to the extent provided in this section, income recognized under section 83 of the Internal Revenue Code on the transfer of property in connection with the performance of services, if, during the period beginning with the first day of the taxable year of the transferee during which such property was transferred thereto and ending with the last day of the taxable year of the transferee during which the rights of the person having the beneficial interest in such property first were transferable or first were not subject to a substantial risk of forfeiture, whichever occurs earlier (or, if an election is made under section 83(b)(1) of the Internal Revenue Code, the taxable year that such election is made), the transferee was performing such services within Connecticut. In determining whether the person was performing such services within Connecticut, the regulations of this Part shall apply.

(b) If, during the period described in subsection (a) of this section, the transferee's services were performed wholly within Connecticut, the amount by which the fair market value of the property, as determined under section 83(a) of the Internal Revenue Code, at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, exceeds the amount, if any, paid for such property, is derived from or connected with sources within this state. If an election is made under section 83(b)(1) of the Internal Revenue Code, the amount by which the fair market value of the property, as determined under section 83(b) of the Internal

Revenue Code, exceeds the amount, if any, paid for such property, is derived from or connected with sources within this state.

(c) If, during the period described in subsection (a) of this section, the transferee's services were performed partly within and partly without Connecticut, the portion of the amount by which the fair market value of the property, as determined under section 83(a) of the Internal Revenue Code, at the first time the rights of the person having the beneficial interest in such property are transferable or are not subject to a substantial risk of forfeiture, whichever occurs earlier, exceeds the amount, if any, paid for such property, that is derived from or connected with sources within this state is in the same ratio that the total compensation received from the transferor during such period for services performed in this state bears to the total compensation received from the transferor during such period for services performed both within and without this state. If an election is made under section 83(b)(1) of the Internal Revenue Code, the portion of the amount by which the fair market value of the property, as determined under section 83(b) of the Internal Revenue Code, exceeds the amount, if any, paid for such property, that is derived from or connected with sources within this state is in the same ratio that the total compensation received from the transferor during such period for services performed in this state bears to the total compensation received from the transferor during such period for services performed both within and without this state.

(d) The difference between (1) the amount realized on the disposition of the property and (2) the fair market value of the property, as determined under section 83(a) or (b) of the Internal Revenue Code, as the case may be, is income or loss that is not derived from or connected with sources within this state.

(e) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-18. Nonqualified stock options

(a) Connecticut adjusted gross income derived from or connected with sources within this state includes, to the extent provided in this section, income recognized under section 83 of the Internal Revenue Code in connection with a nonqualified stock option if, during the period beginning with the first day of the taxable year of the optionee during which such option was granted and ending with the last day of the taxable year of the optionee during which such option was exercised (or, if the option has a readily ascertainable fair market value, as defined in 26 C.F.R. § 1.83-7(b), at the time of grant, the taxable year during which such option was granted), the optionee was performing services within Connecticut. In determining whether the optionee was performing services within Connecticut, the regulations of this Part shall apply.

(b) If, during the period described in subsection (a) of this section, the optionee's services were performed wholly within Connecticut, any amount by which (1) the fair market value of the stock, at the time such option was exercised, exceeds (2) the option price, is compensation that is derived from or connected with sources within this state.

(c) If, during the period described in subsection (a) of this section, the optionee's services were performed partly within and partly without Connecticut, the portion of the amount by which the fair market value of the stock, at the time such option was exercised, exceeds the option price, that is derived from or connected with sources within this state is in the same ratio that the total compensation received from the grantor during such period for services performed in this state bears to

the total compensation received from the grantor during such period for services performed both within and without this state.

(d) The difference between the amount realized on the disposition of the stock and the fair market value of the stock, at the time such option was exercised, is gain or loss that is not derived from or connected with sources within this state.

(e) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-19. Nonqualified deferred compensation

(a) Connecticut adjusted gross income derived from or connected with sources within Connecticut includes nonqualified deferred compensation that is attributable to services performed wholly within Connecticut.

(b) Connecticut adjusted gross income derived from or connected with sources within Connecticut does not include deferred compensation that is attributable to services performed wholly without Connecticut, whether or not the recipient was a nonresident individual at the time that the services were performed.

(c)(1) Where the employee's services were performed partly within and partly without this state, Connecticut adjusted gross income derived from or connected with sources within Connecticut includes that proportion of the nonqualified deferred compensation included in Connecticut adjusted gross income that the total compensation received from the employer for the services performed in Connecticut during a period consisting of the portion of the taxable year prior to receipt of the nonqualified deferred compensation and the three immediately preceding taxable years bears to the total compensation received from the employer during such period for services performed within and without Connecticut. For purposes of this subsection, the compensation for services performed within Connecticut shall be determined separately for each taxable year or portion of a year in accordance with the applicable provisions of this Part.

(2) A determination on the basis of a period of time greater than the period referred to in subdivision (1) of this subsection may be made if the individual establishes, to the satisfaction of the Commissioner, the amount of his or her total yearly compensation for a longer period of time and the amount allocable to Connecticut in each year in accordance with the applicable provisions of this Part.

(d) "Nonqualified deferred compensation" means the total amount that is distributed to and included in an individual's federal adjusted gross income (and, hence, in that individual's Connecticut adjusted gross income) as deferred compensation. "Nonqualified deferred compensation" does not include any amount that is distributed from a plan, as defined in § 12-711(b)-12 of this Part, or that is governed by § 12-711(b)-16, § 12-711(b)-17 or § 12-711(b)-18 of this Part.

(e) The following example illustrates the application of this section.

Example: Taxpayer P, a nonresident individual, performs services both within and without Connecticut for his employer under an employment contract whereby, for each year's services, he is to receive a salary during the period of employment and an additional \$100,000, payable in 10 equal annual installments of \$10,000, commencing after his employment terminates. The deferred compensation to be paid under the contract between P and his employer is nonqualified deferred compensation. P terminates his employment on July 1, 1995. Assuming that the percentages for apportioning his salary to Connecticut were 25% for 1992, 50% for 1993, 75% for 1994, and 42.8% for the first half of 1995, the portion of additional payments to be included in the Connecticut adjusted gross income derived from or connected with sources within this state would be computed as follows:

	Total compensation	Compensation Apportioned To Connecticut
1992	\$40,000	(25.0%) \$10,000
1993	44,000	(50.0%) 22,000
1994	48,000	(75.0%) 36,000
1995 (6 months)	<u>28,000</u>	(42.8%) <u>12,000</u>
Totals	\$160,000	\$80,000

$\frac{\$80,000}{\$160,000} \times \$10,000 = \$5,000$ (amount includible annually in P's Connecticut adjusted gross income derived from or connected with sources within this state)

(f) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(b)-20. Covenants not to compete

(a) Connecticut adjusted gross income derived from or connected with sources within Connecticut includes income that is received by a nonresident individual from a covenant not to compete, to the extent that such income is attributable to refraining from carrying on a trade, business, profession or occupation in Connecticut.

(b) The following examples illustrate the application of this section:

Example 1: X, a nonresident individual who is a partner in a law firm, retires during 1994 and, in exchange for receiving the sum of \$100,000 in 1994 and each of the nine succeeding years, covenants not to compete with the firm anywhere that the firm is engaged in the practice of law during the next five years. The firm has an office in Connecticut, and an office in Massachusetts. On its 1994 Form CT-1065, the firm properly apportions 60% of the net amount of its items of income, gain, loss and deduction to Connecticut, and 40% to Massachusetts. The partners file 1994 income tax returns with both jurisdictions, also properly reporting 60% of their distributive share of partnership income as derived from or connected with Connecticut sources, and 40% as derived from or connected with Massachusetts sources. Whether X worked at the firm's Connecticut office or at its Massachusetts office, X's Connecticut adjusted gross income derived from or connected with Connecticut sources for 1994 and the nine succeeding years shall include 60% of the income that is received by X from the covenant not to compete. If the percentage of X's distributive share of partnership income that is derived from or connected with Connecticut sources has varied from year to year, the average of such percentage for the taxable year in which X retires and for the two preceding taxable years may be used in determining the percentage of the income that is received by X from the covenant not to compete that is derived from or connected with Connecticut sources.

Example 2: Y, a nonresident individual who is an employee of a corporation that has an office in Connecticut and in many other states, accepts an early retirement in 1994 and, in exchange for receiving the sum of \$75,000 in 1994 and each of the four succeeding years, covenants not to compete with the firm anywhere in the United States during that period. During her entire career with the corporation and one of its corporate affiliates, Y has worked only in their Connecticut offices. On her previously filed Forms CT-1040NR/PY, Y has properly reported 100% of her salary from these corporations as pay received from services performed in Connecticut. Y's Connecticut adjusted gross income derived from or connected with Connecticut sources for 1994 and the four succeeding years shall include 100% of the income

that is received by Y from the covenant not to compete. If the percentage of Y's salary from the corporations that is derived from or connected with Connecticut sources had varied from year to year, the average of such percentage for the taxable year in which Y retires and for the two preceding taxable years could be used in determining the percentage of the income that is received by Y from the covenant not to compete that is derived from or connected with Connecticut sources.

Example 3: Z, a nonresident individual who is the sole proprietor of a home appliance business that has its only store in New York and that, while having numerous Connecticut customers, is not considered to be engaged in a trade or business within Connecticut under § 12-711(b)-4. Z sells his business for \$1.0 million during 1994, and, in exchange for receiving the sum of \$200,000 in 1995 and the four succeeding years, covenants not to compete with the purchaser in the home appliance business firm in New York or Connecticut during the next ten years. Z has not previously been required to file a Form CT-1040NR/PY on account of the home appliance business. None of the income that is received by Z either from the sale of the business or from the covenant not to compete is Connecticut adjusted gross income derived from or connected with Connecticut sources, even though Z has covenanted not to compete in Connecticut.

(c) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(c)-1. Income and deductions partly from Connecticut sources

Because Connecticut adjusted gross income derived from or connected with sources within this state takes into account only items of income, gain, loss and deduction derived from or connected with Connecticut sources, an apportionment or allocation of items of income, gain, loss and deduction is required when a nonresident individual, or a partnership in which a nonresident individual is a member, carries on a business, trade, profession or occupation partly within and partly without Connecticut.

(Effective November 18, 1994)

Sec. 12-711(c)-2. Business, trade, profession or occupation carried on wholly within Connecticut

A business, trade, profession or occupation (as distinguished from personal services as an employee) is carried on by a nonresident individual wholly within Connecticut when the activities described in § 12-711(b)-4(a) of this Part are carried on solely within this state, and no such activities are carried on outside Connecticut. This is so even though the nonresident individual or such nonresident's representative travels outside Connecticut for purposes of buying, selling, financing or performing any duties in connection with the business, and even though sales may be made to, or services performed for, or on behalf of, persons or corporations located outside Connecticut. If a nonresident individual carries on a business, trade, profession or occupation wholly within Connecticut, all of such nonresident's items of income, gain, loss and deduction attributable to the business are derived from or connected with Connecticut sources.

(Effective November 18, 1994)

Sec. 12-711(c)-3. Business, trade, profession or occupation carried on partly within and partly without Connecticut

A business, trade, profession or occupation (as distinguished from personal services as an employee) is carried on partly within and partly without Connecticut when one or more of the activities described in § 12-711(b)-4(a) of this Part is systematically and regularly carried on within Connecticut and one or more of such activities is systematically and regularly carried on outside of Connecticut, or when one or more of such activities is regularly and systematically carried on both within and without Connecticut.

(Effective November 18, 1994)

Sec. 12-711(c)-4. Allocation and apportionment of income from a business, trade, profession or occupation carried on partly within and partly without Connecticut

(a) **General.** If a nonresident individual, or a partnership of which a nonresident individual is a member, carries on a business, trade, profession or occupation (as distinguished from personal services as an employee) both within and without Connecticut, the items of income, gain, loss and deduction attributable to such business, trade, profession or occupation shall be allocated (as provided in subsection (b) of this section) or apportioned (as provided in subsection (c) of this section) to Connecticut on a fair and equitable basis in accordance with generally accepted accounting principles. Once an individual uses either method (allocation or apportionment), he or she shall continue to use that method unless, after application in writing to the Commissioner, the Commissioner determines that the method used no longer reflects income which is fairly attributable to Connecticut. See § 12-711(c)-5 of this Part for rules regarding the allocation and apportionment of compensation paid to nonresident employees and officers.

(b) **Allocation by books and records.** If the books of the business are kept so as regularly to disclose, to the satisfaction of the Commissioner, the proportion of the net amount of the items of income, gain, loss and deduction derived from or connected with Connecticut sources, the Connecticut nonresident income tax return of the nonresident individual shall disclose the total amount of such items, the net amount of such items allocated to Connecticut, and the basis upon which such allocation is made. If income is reported using this method, such individual shall consistently allocate the amounts of income on returns filed with any other states in which such individual carries on business, where such states permit allocation on the basis of separate books and records.

Example: A plumber, who is a resident of Rhode Island, carries on his business from an office in Danielson, Connecticut. He has maintenance contracts with housing authorities in the Worcester, Massachusetts area which require him to regularly perform his services at various locations in and around Worcester. Assume that this taxpayer allocated, on the basis of separate books and records, the income derived from his plumbing business on his Connecticut nonresident return as follows: 60% to Connecticut and 40% to Massachusetts. Therefore, on his Massachusetts return, this taxpayer shall also allocate 60% of this income to Connecticut and 40% to Massachusetts, since Massachusetts permits allocation on the basis of separate books and records.

(c) **Apportionment.** If the books and records of the business do not disclose, to the satisfaction of the Commissioner, 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, such proportion shall, except as provided in § 12-711(b)-8 of this Part, 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 described in subsections (d) to (f), inclusive, of this section.

(d) **Property percentage.** (1) General. The property percentage is computed by dividing the average of the values, at the beginning and end of the taxable year, of real and tangible personal property connected with the business and located within Connecticut, by the average of the values, at the beginning and end of the taxable year, of all real and tangible personal property connected with the business and located both within and without Connecticut. Property, the income or gain from the sale, exchange or other disposition of which is allocated pursuant to § 12-711(b)-8 of this Part, is disregarded in computing the property percentage described in this subsection. For purposes of this subsection, the term "property" includes real and tangible personal property rented to the taxpayer and used in the business, and, except as provided in subdivision (2) of this subsection, the term "value" means fair market value for real property and book value for tangible personal property.

(2) Rented Property. (A) The value of property, both within and without Connecticut, which is rented to the nonresident individual is determined by multiplying the gross rents payable during the taxable year by eight.

(B) "Gross rent," as used in this subdivision, is the actual sum of money or other consideration payable directly or indirectly by, or for the benefit of, the nonresident individual for the use or possession of the property, and includes:

(i) any amount payable for the use or possession of property, or any part thereof, whether designated as a fixed sum of money or as a percentage of sales, profits or otherwise;

(ii) any amount payable as additional rent or in lieu of rent, such as interest, taxes, insurance, repairs or any other amount required to be paid by the terms of a lease or other arrangement; and

(iii) a proportionate part of the cost of any improvement to real property made by or on behalf of the nonresident individual which reverts to the owner or lessor upon termination of a lease or other arrangement, based on the unexpired term of the lease commencing with the date the improvement is completed (or the life of the improvement if its life expectancy is less than the unexpired term of the lease); provided, however, that where a building is erected on leased land by or on behalf of the nonresident individual, the value of the land is determined by multiplying the gross rent by eight, and the value of the building is determined in the same manner as if owned by such individual. The proportionate part of the cost of an improvement (other than a building on leased land) is generally equal to the amount of amortization allowed in computing Connecticut adjusted gross income, whether the lease does or does not contain an option of renewal.

(C) "Gross rent" does not include:

(i) any portion of a payment or credit, to the nonresident individual as the proprietor of the business or as a partner in the partnership conducting the business, for the use of property;

(ii) amounts payable by the nonresident individual as separate charges for water and electric service furnished by the lessor;

(iii) amounts payable by the nonresident individual for storage, where no designated space under the control of such individual as a tenant is rented for storage purposes; or

(iv) that portion of any rental payment which is applicable to property subleased by the nonresident individual and not used by such individual in the carrying on of the business.

(3) The method that is provided in subdivision (1) of this subsection is presumed to result in fair and equitable valuations, and any nonresident individual, proposing an alternate method of valuation, shall bear the burden of establishing that the method that is provided in subdivision (1) of this subsection results in unfair and inequitable valuations. A request for an alternative method may be made at the time the Connecticut nonresident income tax return to which the request relates is filed. A request is made by using, and fully explaining, the proposed method in the income tax return. Any request shall contain all facts with respect to the property forming the basis for the proposed valuation and also a computation of the value of the rented property based on gross rents in accordance with subdivision (2) of this subsection. Once approved by the Commissioner, such basis or such other method shall be used for subsequent years until the facts upon which it is based are materially changed.

(e) **Payroll percentage.** The payroll percentage is computed by dividing the total wages, salaries and other personal service compensation paid or incurred during the taxable year to employees in connection with business carried on within Connecticut, by the total of all wages, salaries and other personal service compensation paid or incurred during the taxable year to employees in connection with the business carried on both within and without Connecticut.

(f) **Gross income percentage.** The gross income percentage is computed by dividing the gross sales or charges for services performed by or through an office, branch, agency or other location of the business within Connecticut, by the total of all gross sales or charges for services performed within and without Connecticut. The sales or charges to be allocated to Connecticut include all sales negotiated or consummated, and charges for services 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.

(Effective November 18, 1994)

Sec. 12-711(c)-5. Earnings of nonresident employees and officers rendering personal services within Connecticut

(a)(1) When a nonresident employee who is compensated on an hourly, daily, weekly or monthly basis is able to establish the exact amount of pay received for services performed in Connecticut, such amount is included in Connecticut adjusted gross income derived from or connected with sources within this state.

(2) When no such exact determination of pay received for services performed in Connecticut is possible, the income of employees who are compensated on an hourly, daily, weekly or monthly basis shall be apportioned to Connecticut by multiplying the total compensation, wherever earned, from the employment, by a fraction the numerator of which is the number of days spent working in Connecticut and the denominator of which is the total working days both within and without Connecticut. The product is included in Connecticut adjusted gross income derived from or connected with sources within this state. The term "total working days" does not include days on which the employee was not required to work, such as holidays, sick days, vacations and paid or unpaid leave. For purposes of this section, when a working day is spent working partly in Connecticut and partly elsewhere,

it is considered one-half of a day spent working in Connecticut.

Example: An auditor living in Massachusetts is employed by an accounting firm in Hartford at an annual salary of \$33,000. She is not able to establish the exact amount of pay received for services performed in Connecticut. She works a total of 240 days in 1992, performing field audits in Rhode Island on 160 days of the year and working 80 days in Hartford. Her Connecticut adjusted gross income derived from or connected with sources within this state is \$11,000, computed as follows:

$$\$33,000 \times \frac{80}{240} = \$11,000$$

(b) If a nonresident employee performs services for more than one employer both within and without Connecticut and is unable to determine the exact amounts earned or derived in Connecticut, such employee shall determine separately for each employer the compensation attributable to Connecticut sources. The sum of the amounts of compensation attributable to Connecticut sources shall be included in determining the Connecticut adjusted gross income derived from or connected with sources within this state.

(c) While this section pertains to Section 12-711(c) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(c)-6. Special rules for security and commodity brokers

(a) Security and commodity brokers doing business both within and without Connecticut, as determined under § 12-711(c)-3 of this Part, may apportion the income from such business in accordance with § 12-711(c)-4(c) of this Part, in lieu of § 12-711(c)-4(b) of this Part. Once the broker uses the method prescribed by § 12-711(c)-4(b) of this Part, or apportions in accordance with § 12-711(c)-4(c) of this Part, the broker shall continue to use the method implemented unless, after application in writing to the Commissioner, the Commissioner determines that the method used no longer reflects income which is fairly attributable to Connecticut. If the Commissioner permits the broker to change the method used under this section, proof thereof shall be attached to the Connecticut nonresident income tax return for the first taxable year to which such change applies.

(b) In any method of allocation or apportionment permitted or required under § 12-711(c)-4 of this Part, the commissions derived from the execution of purchase or sales orders for the account of customers shall be allocated or apportioned as follows:

(1) If the order originates at the Connecticut place of business of a broker and is transmitted to a bona fide established office of the broker located outside Connecticut for execution on an exchange located outside Connecticut, 80% of the commission in the case of stocks, bonds and commodities shall be allocated or apportioned to Connecticut and constitutes income derived from or connected with Connecticut sources in the taxable year in which such order is executed. The broker may allocate commission income on the basis of actual experience if such broker can demonstrate to the satisfaction of the Commissioner that the allocation pursuant to this subsection does not fairly reflect the amount of commission income attributable to Connecticut.

(2) If commission income is derived from over-the-counter transactions where the order originates at or through a Connecticut place of business of the broker, the

entire amount shall be allocated to Connecticut. However, if the order originates at or through a bona fide established office of the broker located outside Connecticut, no portion of the commission income is to be allocated to Connecticut.

(Effective November 18, 1994)

Sec. 12-711(c)-7. Professional athletes and entertainers

(a) **Members of professional athletic team.** (1) The Connecticut adjusted gross income derived from or connected with sources within Connecticut of a nonresident member of a professional athletic team includes that proportion of such individual's compensation received for services rendered as a member of such team that the duty days spent within Connecticut rendering services for such team in any manner during the taxable year bears to the duty days rendering services for such team in any manner during the taxable year. In determining whether duty days are spent within Connecticut, travel days are duty days spent within Connecticut if Connecticut is the travel destination and are not duty days spent within Connecticut if Connecticut is not the travel destination, provided, when a game is scheduled to be played on a travel day, the duty day is considered to be spent where the game is scheduled to be played.

(2) Definitions. (A) "Professional athletic team" includes, but is not limited to, any professional hockey, football, basketball, soccer or baseball team.

(B) "Member of a professional athletic team" includes, but is not limited to, active players, players on the disabled list and any other persons who are required to travel with and perform services on behalf of a professional athletic team, on a regular basis, including coaches, managers, trainers and equipment managers.

(C) "Duty days" mean all days, from the first day of the official pre-season training period of the professional athletic team through the day of the last game, including post-season games, in which such team competes or is scheduled to compete during the taxable year. "Duty days" include game days, travel days and practice days. For a member of a professional athletic team who renders services for a team on a day that is not otherwise a "duty day" (e.g., representing a team at an all-star game), his "duty days" include such a day. "Duty days" for any member joining a team during the season shall begin on the day such person becomes a member and for any member leaving a team during the season shall end on the day such person ceases to be a member. "Duty days" do not include any try-out or pre-season cut days that a player shall survive in order to obtain a contract or any days for which a member is not compensated and is not rendering services for the team in any manner because such person has been suspended without pay and prohibited from performing any services for the team.

(D) "Duty days spent within Connecticut" mean duty days on which a member of a professional athletic team renders services, or is available to render services, for his team, within Connecticut. Days when a member is not available to render services for his team because of an injury are "duty days" for that member, but are not "duty days spent within Connecticut" for that member unless the team is based in Connecticut.

(E) "Compensation received for services rendered as a member of a professional athletic team" means the total compensation received for the official pre-season training period through the last game in which the team competes or is scheduled to compete during the taxable year, plus any additional compensation received for rendering services for the team on a date that is not otherwise a "duty day" (e.g., compensation for representing a team at an all-star game) during the taxable year.

“Compensation received for services rendered as a member of a professional athletic team” includes, but is not limited to, salaries; wages; guaranteed payments; except as otherwise provided herein, bonuses; strike benefits; severance pay; and termination pay. Bonuses are includable in “compensation received for services rendered as a member of a professional athletic team” if they are earned as a result of play during the season or for playing in championship, playoff or “all star” games. Bonuses are also so includable if paid for signing a contract, unless all of the following conditions are met: payment of the signing bonus by a team (i) is solely in consideration of a nonresident athlete giving up his amateur and free agent status and for agreeing to be the exclusive property of the team; (ii) is not conditional upon the athlete playing any games, or performing any subsequent services, for the team, or even making the team; (iii) is separate from the payment of salary or any other compensation; and (iv) is nonrefundable.

(3) The portion of compensation received for services rendered as a member of a professional athletic team that is derived from or connected with sources within Connecticut may be determined on the basis of a method other than that provided under this subsection, if (A) the member establishes, to the satisfaction of the Commissioner, that another method is fairer and more equitable or (B) in the discretion of the Commissioner, the Commissioner determines that the method provided under this subsection does not fairly and equitably reflect the proportion of compensation received for services rendered as a member of a professional athletic team that is derived from or connected with sources within Connecticut. It shall be presumed, however, that the method provided under this subsection is a fair and equitable method of determining the proportion of compensation received for services rendered as a member of a professional athletic team that is derived from or connected with sources within Connecticut.

(4) Examples.

Example 1: Player A, a nonresident individual, is a member of a professional athletic team. His accounting period for federal income tax purposes (and, hence, for Connecticut income tax purposes) is the calendar year. Player A’s contract with the team requires Player A to report to his team’s training camp and to participate in all exhibition, regular season and playoff games. This two-season contract covers an athletic season that begins during calendar year 1993 and ends during calendar year 1994 (for which season, Player A shall be paid \$400,000) and an athletic season that begins during calendar year 1994 and ends during calendar year 1995 (for which season, Player A shall be paid \$600,000). Assuming that Player A is paid \$500,000 during 1994 (50% of his salary for the 1993-1994 season and 50% of his salary for the 1994-1995 season), the proportion of such compensation received by Player A for calendar year 1994 that is derived from or connected with Connecticut sources is that proportion of the \$500,000 that the duty days spent within Connecticut for Player A during calendar year 1994 (in both the 1993-1994 and 1994-1995 seasons) bears to the duty days for Player A during calendar year 1994 (in both the 1993-1994 and 1994-1995 seasons).

Example 2: Player B, a nonresident individual, is a member of a professional athletic team. During the season, Player B is injured and is unable to render services for his team. While Player B is undergoing medical treatment for this injury at a Connecticut clinic, his team, which is not based in Connecticut, travels to Connecticut for a game. The days that Player B’s team spends in Connecticut for travel, practice and the game while Player B is at the clinic are not considered to be duty days spent within Connecticut for Player B for that taxable year but are included in duty days for Player B for that taxable year.

Example 3: Player C, a nonresident individual, is a member of a professional athletic team. During the season, Player C travels to Connecticut to participate in the annual all-star game as a representative of his team. The days that Player C spends in Connecticut for travel, practice and the game are considered to be duty days spent within Connecticut by Player C during the taxable year and are included in duty days for Player C during the taxable year.

Example 4: Assume that the facts are the same as in Example 3, except that Player C is not participating in the all-star game and is not rendering services for his team in any manner. Player C is travelling to and attending the game solely as a spectator. If Player C is not required to render services for the team during the all-star game break, then the days that Player C spends in Connecticut during the break are not considered to be duty days spent within Connecticut by Player C during the taxable year and are not included in duty days for Player C during the taxable year.

(b) **Entertainers and professional athletes** (other than members of professional athletic teams). (1) In the case of a nonresident entertainer or athlete (other than a member of a professional athletic team) who is paid specifically for a performance or athletic event in Connecticut, the entire amount received is included in Connecticut adjusted gross income derived from or connected with sources within Connecticut if the entertainer or athlete is carrying on a business, trade, profession or occupation in Connecticut (and his or her presence for business in Connecticut is not considered to be casual, isolated and inconsequential under § 12-711(b)-4 of this Part).

(2)(A) In the case of a nonresident entertainer who is not paid specifically for a performance in Connecticut, such entertainer's Connecticut adjusted gross income derived from or connected with sources within Connecticut includes that proportion of such entertainer's income received from performances within and without Connecticut that the number of performances that the entertainer gave (or, in the case of an understudy, was available to give) within Connecticut during the taxable year bears to the total number of performances that the entertainer was obligated to perform (or, in the case of an understudy, was obligated to be available to perform), under contract or otherwise, within and without Connecticut during the taxable year.

(B) In the case of a nonresident athlete (other than a member of a professional athletic team) who is not paid specifically for athletic events in Connecticut, such athlete's Connecticut adjusted gross income derived from or connected with sources within Connecticut includes that proportion of such athlete's income received from athletic events within and without Connecticut that the number of athletic events that the athlete played in within Connecticut during the taxable year bears to the total number of athletic events that the athlete played in within and without Connecticut during the taxable year.

(3) Examples:

Example 1: A nonresident professional tennis player plays in one tournament in Connecticut during 1994. She is specifically paid for playing in the tournament and wins \$75,000. The entire \$75,000 is includible in Connecticut adjusted gross income derived from or connected with sources within this state.

Example 2: A nonresident professional boxer fights in one boxing match in Connecticut during 1993. He is specifically paid \$5000 for fighting that match and has no other income derived from or connected with Connecticut sources. Because the gross income from his presence in Connecticut did not exceed \$6,000, his presence for business in Connecticut is casual, isolated and inconsequential under § 12-711(b)-4 of this Part), and he is not considered to be carrying on a business, trade, profession or occupation in Connecticut.

(c) While this section pertains to Sections 12-701(c) and 12-711(c) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Sections 12-701(c) and 12-711(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(d)-1. Military pay

(a) Compensation paid by the United States for active service in the armed forces of the United States, performed by an individual not domiciled in Connecticut, does not constitute income derived from Connecticut sources. Accordingly, where an individual not domiciled in Connecticut is paid compensation by the United States for active service in the armed forces of the United States, such compensation does not constitute income derived from Connecticut sources even though the service is performed in whole or in part within Connecticut.

(b) Unlike a member of the armed forces of the United States, the civilian spouse of such member may not claim the benefits of the Soldiers' and Sailors' Civil Relief Act (see 50 U.S.C. App. § 574). The civilian spouse's residency or nonresidency may be affected by where the military spouse is stationed, if the spouses reside together. If the civilian spouse is a resident individual, the provisions of Part I apply. If the civilian spouse is a nonresident individual, the provisions of this Part apply.

(c) Spouses of members of the armed forces may be subject to the Connecticut income tax, either as residents or nonresidents of this state. The civilian spouse may not claim the benefits of the Soldiers' and Sailors' Civil Relief Act (see 50 U.S.C. App. § 574). A civilian spouse who is a resident of Connecticut is taxable on all Connecticut adjusted gross income, while a civilian spouse who is a nonresident of Connecticut is taxable only on that portion of Connecticut adjusted gross income that is derived from or connected with sources within this state.

(d) While this section pertains to Section 12-711(d) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-711(f)-1. Purchase and sale for own account

(a) Where a nonresident individual who is not a dealer buys and sells property, or buys, sells or writes stock option contracts, or both, for his or her own account, such nonresident individual is not deemed to be carrying on a business, trade, profession or occupation within Connecticut. If the nonresident individual is otherwise carrying on a business, trade, profession or occupation within Connecticut, his or her income from buying and selling property, or buying, selling or writing stock option contracts, or both, for his or her own account, shall not be included in Connecticut adjusted gross income derived from or connected with sources within this state.

(b) While this section pertains to Section 12-711(f) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-712(d)-1. Alternate method of allocation

(a) Regulations under Section 12-711(b) and (c) of the general statutes are presumed to result in fair and equitable allocation and apportionment to Connecticut

of a nonresident individual partner's items of income, gain, loss, and deduction that are attributable to a business, trade, profession or occupation carried on partly within and partly without Connecticut. Any nonresident individual partner, proposing an alternate method of allocation and apportionment, shall bear the burden of establishing that the methods provided in the regulations under Section 12-711(b) and (c) of the general statutes unfairly and inequitably attribute partnership items of income, gain, loss or deduction to Connecticut. The proposed alternate method of allocation and apportionment shall be explained by the nonresident individual partner in his or her Form CT-1040NR/PY. Where the Commissioner is satisfied that such partner has met this burden, the commissioner may permit such partner to use an alternate method of apportionment and allocation with respect to such partnership items in lieu of the applicable method prescribed by the regulations under Section 12-711(b) and (c) of the general statutes.

(b) While this section pertains to Section 12-712(d) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-712(a)(1) of the general statutes.

(Effective November 18, 1994)

PART III. Part-year Resident individuals & trusts

Sec. 12-700(c)-1. Part-year resident individuals

(a) Individuals who change their resident status from resident to nonresident or from nonresident to resident shall compute their tentative Connecticut income tax liability as if they were resident individuals, except that, if they are required to accrue items under Section 12-717(c)(1) or (2) of the general statutes, those items, in accordance with this section, are added to or subtracted from, as the case may be, their Connecticut adjusted gross income before the computation of their tentative Connecticut income tax liability as if they were resident individuals. Thus, the modifications to federal adjusted gross income which are made by a resident individual in determining Connecticut adjusted gross income are also made by a part-year individual, but the Connecticut adjusted gross income of part-year resident individuals (1) changing their status from resident to nonresident is increased or decreased, as the case may be, by the items accrued under Section 12-717(c)(1) of the general statutes, to the extent not otherwise includible in Connecticut adjusted gross income for the taxable year and (2) changing their status from nonresident to resident is decreased or increased, as the case may be, by the items accrued under Section 12-717(c)(2) of the general statutes, to the extent included in Connecticut adjusted gross income for the taxable year. Then, after Connecticut adjusted gross income is so increased or decreased, any exemption allowed under Section 12-702 of the general statutes is taken, and the tax rate is applied, resulting in a tentative tax. After deduction of any credit allowed under Section 12-703 of the general statutes, the tentative tax is prorated by multiplying the tentative tax by a fraction, the numerator of which is the part-year resident's Connecticut adjusted gross income derived from or connected with sources within this state (see § 12-717(a)-1 of this Part) and the denominator of which is the part-year resident's Connecticut adjusted gross income from all sources, as increased or decreased under this subsection.

(b) In cases where a part-year resident individual's Connecticut adjusted gross income derived from sources everywhere, as increased or decreased under subsection (a) of this section, is less than his or her Connecticut adjusted gross income derived

from or connected with sources within this state, then (1) such individual's Connecticut adjusted gross income derived from or connected with sources within this state, reduced by the amount of the exemption allowed under section 12-702 of the General Statutes, shall be such individual's Connecticut taxable income derived from or connected with sources within this state (to which amount the tax rate is applied) and (2) such individual's Connecticut adjusted gross income derived from or connected with sources within this state shall be such individual's Connecticut adjusted gross income for the purpose of determining the credit allowed under section 12-703 of the General Statutes (which credit is then subtracted from the amount to which the tax rate is applied).

(c) Examples: The following examples illustrate the application of this section. In each example, assume that, for federal income tax purposes, the taxpayer uses the cash receipts and disbursements method of accounting and uses the calendar year as his or her accounting period:

Example 1: On September 15, 1993, Taxpayer X, a resident unmarried individual, quits his job in Connecticut in anticipation of moving to Montana. X's 1993 wages from this job amount to \$60,000, \$55,000 of which X has received by the time that he moves. (The other \$5,000 X receives after he has moved.) On September 10, 1992, X had sold undeveloped land that he held for investment purposes, taking back from the purchaser a purchase money mortgage calling for five equal installment payments on September 10, 1992, 1993, 1994, 1995 and 1996. By reason of X's use for federal income tax purposes of the installment method of accounting with respect to the recognition of gain from the sale of this land, X shall realize a capital gain of \$10,000 each year for five years, or \$50,000 in total. X moves to Montana on October 1, 1993, finds a job there and receives \$20,000 therefrom during the rest of the taxable year. X does not post a bond or other security acceptable to the Commissioner under Section 12-717(c)(4) of the general statutes.

X's federal adjusted gross income (and his Connecticut adjusted gross income, before special accruals) for his 1993 taxable year is \$90,000. In determining X's Connecticut adjusted gross income as a part-year resident individual, the amount required to be specially accrued under Section 12-700(c)(2)(A) of the general statutes is the \$30,000 gain, which is added to X's Connecticut adjusted gross income. (Any deduction or loss required to be specially accrued would have been subtracted from X's Connecticut adjusted gross income.) This is the amount of the \$50,000 gain that accrued prior to X's change of status not otherwise includible in X's Connecticut adjusted gross income for the 1993 taxable year. X's Connecticut adjusted gross income, as increased by the item of gain accrued under Section 12-717(c)(1) of the general statutes, is \$120,000.

X's Connecticut adjusted gross income derived from or connected with Connecticut sources consists of three elements:

(1) X's Connecticut adjusted gross income during the period of residence (January 1, 1993 to September 30, 1993) is \$65,000.

(2) X's Connecticut adjusted gross income derived from or connected with sources within Connecticut during the period of nonresidence (October 1, 1993 to December 31, 1993) is \$0. (No item that is accrued to the portion of the taxable year prior to the change of status is taken into account in determining Connecticut adjusted gross income derived from or connected with Connecticut sources for the portion of the taxable year after the change of status.)

(3) The amount of the special accruals that are required by Section 12-717(c)(1) of the general statutes and that are added to X's Connecticut adjusted gross income

during the period of residence is \$35,000—the \$30,000 gain and the \$5,000 wages. This is the amount of the \$50,000 gain and the amount of the wages that accrued prior to X's change of status and that did not otherwise properly enter into X's federal adjusted gross income for the portion of the taxable year prior to such change of status or a prior taxable year under X's method of accounting.

X's tentative tax is \$5,400 (\$120,000 multiplied by 4.5%). X's tentative tax is multiplied by a fraction, the numerator of which is \$100,000—X's Connecticut adjusted gross income derived from or connected with Connecticut sources, and the denominator of which is \$120,000—X's Connecticut adjusted gross income, as modified by Section 12-700(c)(2)(A) of the general statutes. Thus, X's tax is \$4,500.

Example 2: On February 1, 1993, Taxpayer Y, a nonresident unmarried individual, in anticipation of moving to Connecticut, closes her Florida business that she has conducted as a sole proprietor. Y's only income received to that point in the taxable year has been derived from this business and amounts to \$30,000. This does not include one large account receivable from 1992 in the amount of \$40,000. Y moves from Florida on February 15, 1993, still not having collected the account receivable and still owing \$5,000 for the December 1992 rent and \$5,000 for the January 1993 rent to the proprietorship's landlord. Y obtains a job in Connecticut and receives \$80,000 therefrom during the rest of her 1993 taxable year. On July 1, 1993, the full amount of the receivable is paid to Y who then immediately pays her Florida landlord the \$10,000 rent due.

Y's federal adjusted gross income (and her Connecticut adjusted gross income, before special accruals) for her 1993 taxable year is \$140,000 (consisting of the profit from the Florida proprietorship of \$60,000 and the earnings of \$80,000 from her Connecticut job). In determining Y's Connecticut adjusted gross income as a part-year resident individual, the amount required to be specially accrued under Section 12-700(c)(2)(B) of the general statutes is the \$40,000 account receivable, which is subtracted from Y's Connecticut adjusted gross income, and the \$10,000 rental expense, which is added to Y's Connecticut adjusted gross income. The \$40,000 account receivable accrued prior to Y's change of status and is included in Y's Connecticut adjusted gross income for her 1993 taxable year. The \$10,000 rental expense also accrued prior to Y's change of status and is included in Y's Connecticut adjusted gross income for her 1993 taxable year. Y's Connecticut adjusted gross income, as increased and decreased by the items of income and deduction accrued under Section 12-717(c)(2) of the general statutes, is \$110,000.

Y's Connecticut adjusted gross income derived from or connected with Connecticut sources consists of three elements:

(1) Y's Connecticut adjusted gross income derived from or connected with sources within Connecticut during the period of nonresidence (January 1, 1993 to February 14, 1993) is \$0.

(2) Y's Connecticut adjusted gross income during the period of residence (February 15, 1993 to December 31, 1993) is \$110,000.

(3) The amount of the special accruals that are required by Section 12-717(c)(2) of the general statutes and that are subtracted from Y's Connecticut adjusted gross income during the period of nonresidence is \$30,000—the \$40,000 account receivable is subtracted therefrom and the \$10,000 rental expense is added thereto. This is the amount of the \$40,000 receivable and the amount of the \$10,000 rental expense that accrued prior to Y's change of status and that did not otherwise properly enter into Y's federal adjusted gross income for the portion of the taxable year prior to such change of status or a prior taxable year under Y's method of accounting.

Y's tentative tax is \$4,950 (\$110,000 multiplied by 4.5%). Y's tentative tax is multiplied by a fraction, the numerator of which is \$80,000—Y's Connecticut adjusted gross income derived from or connected with Connecticut sources, and the denominator of which is \$110,000--Y's Connecticut adjusted gross income, as modified by Section 12-700(c)(2)(B) of the general statutes. Thus, Y's tax is \$3,600.

(d) While this section pertains to Section 12-700(c) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-700(c)-2. Part-year resident trusts

(a) Where the resident status of a trust is changed from resident to nonresident or from nonresident to resident (see § 12-701(a)(6)-1 of this Part), its tentative Connecticut income tax is computed in the same manner as a resident trust, except that, if the trust is required to accrue items under Section 12-717(c)(1) or (2) of the general statutes, those items, in accordance with this section, are added to or subtracted from, as the case may be, its Connecticut taxable income before the computation of its tentative Connecticut income tax liability as if it were a resident trust. Thus, the modification to federal taxable income that are made by a resident trust in determining Connecticut taxable income are also made by a part-year resident trust, but the Connecticut taxable income of a part-year resident trust (1) the resident status of which has changed from resident to nonresident is increased or decreased, as the case may be, by the items accrued under Section 12-717(c)(1) of the general statutes, to the extent not otherwise includible in Connecticut taxable income for the taxable year and (2) the resident status of which has changed from nonresident to resident is decreased or increased, as the case may be, by the items accrued under Section 12-717(c)(2) of the general statutes, to the extent included in Connecticut taxable income for the taxable year. Then, after Connecticut taxable income is so increased or decreased, the tax rate is applied, resulting in a tentative tax. The tentative tax is then multiplied by a fraction, the numerator of which is the part-year resident trust's Connecticut taxable income derived from or connected with sources within this state (see § 12-727(b)-1 of this Part) and the denominator of which is such trust's Connecticut taxable income from all sources, as increased or decreased under this subsection.

(b) In cases where a part-year resident trust's Connecticut taxable income from sources everywhere, as increased or decreased under subsection (a) of this section, is less than its Connecticut taxable income derived from or connected with sources within this state, the part-year resident trust's income tax liability is based on its Connecticut taxable income derived from or connected with sources within Connecticut.

(c) While this section pertains to Section 12-700(c) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(6)-1. Change of residence of trust

(a) A change of residence of a revocable inter vivos trust or a portion thereof is deemed to have occurred if:

(1) the revocable inter vivos trust becomes irrevocable, and

(2) prior to the time such trust becomes irrevocable, the domicile of the person or persons whose property constitutes the trust or portion thereof is different from the domicile of such person or persons at the time the property was transferred to the trust.

(b) The date on which the change of residence is deemed to have occurred is the date on which the revocable inter vivos trust became irrevocable, provided that all the conditions set forth in this section have been satisfied.

(c) If the property of more than one grantor constitutes the trust and only one of the grantors satisfies the provisions of subsection (a) of this section, the respective portions of the property transferred to the trust by each such grantor shall be treated as if separate trusts had been created by the grantors. Accordingly, the portion of the trust which changed its resident status during the taxable year would be required to file a part-year Connecticut fiduciary return. However, the portion of the trust which did not change its resident status shall file a Connecticut fiduciary return for the entire taxable year as either a resident trust or nonresident trust, as the case may be.

(d) A trust which is created as an irrevocable trust or as a testamentary trust may not change its resident status.

(e) While this section pertains to Section 12-701(a)(6) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717(a)-1. Part-year resident individuals: income derived from or connected with sources within Connecticut

(a) For purposes of determining the Connecticut income tax liability of a part-year resident individual, the term “income derived from or connected with sources within this state” means the sum of: (1) such individual’s Connecticut adjusted gross income for the period of residence, computed as if the taxable year for federal income tax purposes were limited to the period of residence, (2) such individual’s income derived from or connected with sources within Connecticut for the period of nonresidence, computed as if the taxable year for federal income tax purposes were limited to the period of nonresidence, and determined under Part II as if the part-year resident were a nonresident and (3) the special accruals required under this Part.

(b) While this section pertains to Section 12-717(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717(b)-1. Part-year resident trusts: income derived from or connected with sources within Connecticut

(a) For purposes of determining the Connecticut income tax liability of a part-year resident trust, the term “income derived from or connected with sources within this state” means the sum of: (1) the trust’s Connecticut taxable income for the period of residence, computed as if the taxable year for federal income tax purposes were limited to the period of residence, and determined under § 12-701(a)(9)-1 of Part IV as if the part-year resident trust were a resident trust, (2) the trust’s income derived from or connected with sources within Connecticut for the period of nonresidence, computed as if the taxable year for federal income tax purposes were limited

to the period of nonresidence, and determined under §§ 12-713(a)-1 through 12-713(a)-4, inclusive, of Part IV as if the part-year resident trust were a nonresident trust and (3) the special accruals required by this Part.

(b) While this section pertains to Section 12-717(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717(c)(1)-1. Special accruals: change from resident to nonresident

(a) Where the resident status of an individual changes from resident to nonresident, such individual shall, regardless of the method of accounting normally employed, accrue and include for the portion of the year prior to the change of resident status any items of income, gain, loss or deduction accruing prior to the change of residence, if not otherwise properly includible or allowable for Connecticut income tax purposes for such portion of the taxable year or for a prior taxable year. That is, in computing Connecticut adjusted gross income for the period of residence, such individual shall include in Connecticut adjusted gross income derived from or connected with Connecticut sources all items required to be included if a federal income tax return were being filed for the same period on the accrual basis, together with any other accruals, such as deferred gain on installment obligations, which are not otherwise includible or deductible for federal or Connecticut income tax purposes either for such resident period or for a prior taxable period. See § 12-717(c)(4)-1 of this Part for relief from the special accrual requirements of this section.

(b) The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual, such reference shall be construed to include a part-year resident trust, and any reference to a part-year resident individual's Connecticut adjusted gross income derived from or connected with Connecticut sources shall be construed to include a part-year resident trust's Connecticut taxable income derived from or connected with Connecticut sources.

(c) Examples.

Example 1: If an individual sells her business at a gain under a contract whereby the purchase price is to be paid in installments, and later changes her status from resident to nonresident, she shall accrue to the period of residence the entire amount of gain remaining unpaid from such installment obligations, regardless of the method of accounting she normally uses in reporting her transactions.

Example 2: If a trust sells its business or assets at a gain under a contract whereby the purchase price is to be paid in installments, and the trust later changes its status from resident to nonresident, the fiduciary of the trust shall accrue to the period of residence the entire amount of the gain remaining unpaid from such installment obligations, regardless of the method of accounting the trust normally uses in reporting such transactions.

Example 3: Where a beneficiary of a trust or estate changes status during the taxable year from resident to nonresident, such beneficiary shall accrue to the period of residence any trust or estate income credited, distributed, payable or required to be distributed to such beneficiary as of the date of such beneficiary's change of residence.

(d) A gain, the recognition of which is deferred for federal income tax purposes, need not be accrued for Connecticut income tax purposes solely because of the

change of residence. For instance, a gain realized on sale of an individual's principal residence, the recognition of which gain for federal income tax purposes is properly deferred under section 1034 of the Internal Revenue Code, need not be accrued to the period prior to such individual's change of residence.

(e) The amounts of the accrued items of an individual to be reported for the period of Connecticut residence are determined with the applicable modifications described in §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I as if such accrued items were includible or allowable for federal income tax purposes. Similarly, the amounts of the accrued items of a trust to be reported for its period of Connecticut residence are determined with the applicable modifications of §§ 12-701(a)(10)-2 and 12-701(a)(10)-3 of Part IV as if such accrued items were includible or allowable for federal income tax purposes.

Example: On September 10, 1992, B, a resident individual who, for federal income tax purposes, uses the cash receipts and disbursements method of accounting and uses the calendar year as his accounting period, retires from employment in Connecticut and moves to Florida. B's salary up to the date of termination amounts to \$18,000. On September 1, B's employer notifies him that, under his employment contract, B shall receive on October 1, 1992 a bonus of \$1,000, subject to no contingencies.

Dividend income received before the change of residence amounted to \$550, and on August 15, 1992, the XYZ Corporation declares a dividend of \$600, payable to B on September 20, 1992 if he is a stockholder of record on September 6, 1992. B also holds State of California bonds on which interest in the amount of \$300 is received on the first day of each calendar quarter (January 1, April 1, July 1 and October 1, 1992).

On January 2, 1992, B closed title with C on a tract of vacant land in Pennsylvania, taking back from C a purchase money mortgage that calls for annual payments on July 1 of each year. By reason of B's use for federal tax purposes of the installment method of accounting with respect to this transaction, B shall realize a capital gain of \$1,000 each year for five years, or \$5,000.

On September 1, 1992, B enters into a contract with D to sell B's beach property in Connecticut to D, subject to D's investigation of title and obtaining a stipulated mortgage. The property to be sold is not B's principal place of residence and is not used for rental purposes. The closing of title on this property is held on October 20, 1992. B realizes a capital gain of \$20,000 which is included in determining the gain from the sale or exchange of property reported on B's 1992 federal income tax return.

On B's 1992 Connecticut part-year resident income tax return, B includes in his Connecticut adjusted gross income for the period of residence the following items:

Regular salary	\$18,000
Bonus—not forfeitable	1,000
Dividends received before change of residence	550
Dividends accrued as of record date	600
Gain on sale of Pennsylvania property (\$1,000 from 1992 payment; \$4,000 accrued).	5,000
Modification under § 12-701(a)(20)-2 for California bond interest (\$900 received on January 1, April 1 and July 1, plus \$233 accrued on account of interest payable October 1)	1,133

For the period of nonresidence, B includes in Connecticut adjusted gross income derived from or connected with Connecticut sources the capital gain on the sale of

the Connecticut beach property (\$20,000). Such gain is not accruable to the period of residence during the taxable year because of the conditions stated in the contract of sale.

Because B accrues the bonus payment to his period of residence during 1992, he is not required to take it into account in his period of nonresidence during 1992 as an item of income derived from Connecticut sources, even though B actually receives it when he is a nonresident. See § 12-717(c)(3)-1 of this Part.

(f) While this section pertains to Section 12-717(c)(1) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717(c)(2)-1. Special accruals: change from nonresident to resident

(a) Where the resident status of an individual changes from nonresident to resident, such individual shall, regardless of the method of accounting normally employed, accrue to the portion of the year prior to such change any items of income, gain, loss or deduction accruing prior to the change of resident status, other than those items of income, gain, loss or deduction which are derived from or connected with Connecticut sources, if not otherwise properly includible (whether or not the installment method is used) or allowable for federal income tax purposes for such portion of the taxable year or for a prior taxable year. For example, a dividend with a record date prior to the change of residence shall be accrued to the period prior to the change of residence, even though it is not actually paid until after the change of residence has occurred. The amounts of accrued items of an individual are determined, with the applicable modifications required by §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I, as if such accrued items were includible or allowable for federal income tax purposes.

(b) The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual, such reference shall be construed to include a part-year resident trust, and any reference to modifications required to an individual's Connecticut adjusted gross income by §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I shall be construed to mean modifications required to a trust's Connecticut taxable income by §§ 12-701(a)(10)-2 and 12-701(a)(10)-3 of Part IV.

(c) While this section pertains to Section 12-717(c)(2) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717(c)(3)-1. Accrued items not to be included in subsequent taxable periods

(a) No items of income, gain, loss or deduction accrued under this section by a part-year resident individual for the portion of the taxable year prior to a change of resident status are to be taken into account in determining the Connecticut adjusted gross income of the individual (or, with respect to the same items of income, gain, loss or deduction, any other individual) for any subsequent taxable period.

(b) The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual, such reference shall be construed to include a part-year resident trust, and any reference

to an individual's Connecticut adjusted gross income shall be construed to mean a trust's Connecticut taxable income.

(c) Example:

F, a resident of California, who, for federal income tax purposes, uses the cash receipts and disbursements method of accounting and uses the calendar year as her accounting period, performs services as an employee in California in July 1993, for which she is paid \$10,000 in September 1993. F also owns Connecticut real estate which she leases for \$500 per month. The rent is paid to her for the first four months of 1993 but no rent is paid from May 1, 1993 to December 31, 1993, when all arrears are paid up. The taxpayer, away from home on business in July, has travel expenses of \$1,000 which were billed to her on August 1, 1993.

On August 10, 1993, F moves to Connecticut where, on September 1, 1993, she receives the \$10,000 payable for her services performed in California and pays the travel expense bill. She has no other income or deduction for the year 1993.

F shall file a Connecticut part-year resident income tax return for 1993. The \$10,000 compensation and the \$1,000 travel expenses are accrued as of the change of residence, and are not includible or allowable in computing F's Connecticut adjusted gross income during the residency portion of the taxable year because they accrued prior to the change of residence and are not derived from or connected with Connecticut sources. The rental payments from Connecticut real estate remaining unpaid as of the change of residence are not accrued because they are derived from Connecticut sources (see § 12-717(c)(2)-1 of this Part). Accordingly, on her 1993 Connecticut part-year resident income tax return, F shall include in her Connecticut adjusted gross income derived from or connected with Connecticut sources during the nonresidency portion of the taxable year the \$2,000 rent from the Connecticut real estate actually received during this period. She shall include in her Connecticut adjusted gross income during the residency portion of the taxable year the balance of the rent (\$4,000) received after her change of residence, but not the amount received for her services in California or the related travel expenses, which were accrued as of her change of residence to the nonresidency portion of the taxable year.

(c) While this section pertains to Section 12-717(c)(3) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717(c)(4)-1. Special accruals not required in certain cases

(a) **General.**

(1) The special accruals required by this Part for a part-year resident individual changing his or her status from resident to nonresident need not be made if the individual elects to defer Connecticut income tax by filing with the Department a surety bond or other security as provided herein. Except with regard to withholding from Connecticut lottery winnings (see subdivision (c)(5) below), such surety bond or other security shall be in an amount not less than the amount of additional Connecticut income tax which would be payable if no surety bond or other security were filed. The filing of a surety bond or other security is conditioned upon the filing for one or more subsequent taxable years of Connecticut nonresident individual income tax returns and the inclusion therein of amounts accruable in Connecticut adjusted gross income for one or more subsequent taxable years as if such individual had not changed resident status (i.e., such accruable amounts shall be reported as

amounts derived from or connected with Connecticut sources during those one or more subsequent taxable years). The additional Connecticut income tax which is considered in determining the amount of the surety bond or other security (except in the case of withholding from Connecticut lottery winnings) which the individual would be required to furnish is based on the amount on which the individual would have been obliged to pay tax if no bond or other security had been filed, taking into account all accrued items of income, gain, loss, deduction and any of the modifications of §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I.

(2) If a part-year resident individual elects to defer Connecticut income tax in accordance with the provisions of this section, such taxpayer shall forward with the Connecticut part-year resident income tax return a separate statement showing the nature and amount of each item of accrued income, gain, loss and deduction as of the date of the change of residence, together with a computation of the additional Connecticut income tax which would be due if the election provided by this section had not been made and if the accrued items were properly included in Connecticut adjusted gross income during the residency portion of the taxable year on the Connecticut part-year resident income tax return. In making such election, which shall be binding upon the part-year resident individual's heirs, representatives, assigns, successors, executors and administrators, the part-year resident individual expressly agrees to file the Connecticut nonresident income tax return or returns as required by this section and to include thereon the amounts so accruable under this section as amounts derived from or connected with Connecticut sources and consents to personal jurisdiction in Connecticut for Connecticut income tax purposes.

(3) A part-year resident trust is also entitled to file a surety bond or other security as provided in this section. Wherever reference is made in this section to a part-year resident individual, such reference shall be construed to include a part-year resident trust, provided any reference to a part-year resident individual's Connecticut adjusted gross income shall be construed to mean a resident trust's Connecticut taxable income.

(b) **Surety bond.** If an individual makes the election described in subsection (a) of this section and chooses to file a surety bond with the Department, the individual shall use Form CT-12-717A. The form shall be executed by a surety company which is registered with, and under the supervision of, the Insurance Department of the State of Connecticut; in an amount not less than the amount of deferred Connecticut income tax determined under subsection (a) of this section; sent by registered mail to the Director, Operations Division, Department of Revenue Services, 25 Sigourney Street, Hartford, CT 06106; and accompanied by the statement referred to in subdivision (a)(2) of this section. The individual shall also attach a copy of Form CT-12-717A and the statement referred to in subdivision (a)(2) of this section to his or her Connecticut part-year resident income tax return.

(c) **Security.**

(1) If an individual makes the election described in subsection (a) of this section and offers security to the Department as collateral in lieu of a surety bond, the individual shall use Form CT-12-717B to describe the collateral. The following types of security shall be accepted as collateral:

(A) bank passbooks and certificates of deposit;

(B) irrevocable standby letters of credit made payable to the Connecticut Department of Revenue Services; and

(C) evidence of withholding of Connecticut income tax from Connecticut lottery winnings payments (see subdivision (c)(5) below).

(2) The security offered as collateral by the individual shall be sent by registered mail to the Director, Operations Division, Department of Revenue Services, 25 Sigourney Street, Hartford, CT 06106, with the following items applicable to the taxable year that the change of residence occurred: a copy of the Connecticut part-year resident income tax return; any schedule required to be filed with such return; and the statement referred to in subdivision (a)(2) of this section. The individual shall also attach a copy of Form CT-12-717B and the statement referred to in subdivision (a)(2) of this section to his or her Connecticut part-year resident income tax return.

(3) Bank passbooks and certificates of deposit offered as collateral under this section shall be in an amount not less than the amount of deferred Connecticut income tax, as determined under subsection (a) of this section. Such bank passbooks and certificates of deposit shall represent money on deposit with a financial institution approved by the Department. Certificates of deposit shall have maturity dates at least one year subsequent to the date of filing with the Department. Additionally, bank passbooks and certificates of deposit offered under this section shall be:

(A) prepared in the name of the taxpayer making the election described in subsection (a) of this section;

(B) accompanied by a signed undated withdrawal slip;

(C) accompanied by a letter prepared on the letterhead of the bank and signed by an officer of the bank:

(i) identifying the passbooks or certificates of deposit by account number and confirming that withdrawal of principal from the passbook or certificate of deposit offered as collateral shall not be permitted without written consent from the Connecticut Department of Revenue Services, and

(ii) stating that any right of setoff which the bank may possess against the taxpayer resulting from a defaulted obligation of such taxpayer shall be subordinated to the interest of the Department in the passbook or certificate of deposit offered as collateral; and

(D) accompanied by a properly completed letter of transmittal in such form as the Department may require, advising that the proceeds of such passbook accounts or certificates of deposit may be withdrawn by the Department and applied against the taxes due; provided, however, that any interest accruing on such accounts or certificates shall belong to the taxpayer.

(4) Standby letters of credit offered as collateral under this section shall:

(A) be irrevocable for such period of time as the Department determines;

(B) be made payable to the Connecticut Department of Revenue Services;

(C) be for the amount of the deferred Connecticut income tax rounded up to the next higher thousand dollars;

(D) be issued or confirmed by a financial institution approved by the Department; and

(E) contain such other payment terms as are acceptable to the Department.

(5) **Lottery winnings.** Where Connecticut lottery winnings are subject to the special accrual rules of section 12-717 of the general statutes and a payee submits verifiable information from the Connecticut Lottery Corporation which shows the proper amount of income tax withholding to the Department of Revenue Services, in addition to Form CT-12-717B and the information required by subdivision (a)(2) of this section, such withholding serves as collateral, in lieu of the special accruals otherwise required, but only with respect to those same Connecticut lottery winnings.

(d) **Exception to requirement of surety bond or security.** If all of the amounts ordinarily accruable, as provided in this Part, are received by an individual during the portion of the year subsequent to the change of resident status, such taxpayer may, instead of accruing to the portion of the year prior to the change of status, include such amounts in Connecticut adjusted gross income derived from or connected with Connecticut sources for the portion of the year subsequent to the change of status. If the taxpayer does this, no surety bond or other security is required.

(e) While this section pertains to Section 12-717(c)(4) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended July 3, 2003)

Sec. 12-717-1. Part-year residents: capital losses and passive activity losses

(a) Where an individual changes resident status during the taxable year, the capital gains or losses or passive activity income or loss attributable to such individual are to be computed separately for the period of residence and for the period of nonresidence. In each case the computation of the capital gain or loss or passive activity income or loss to be computed as if separate federal income tax returns had been filed for the period of residence and for the period of nonresidence, except that:

(1) the separate computations applicable to the respective periods of residence and nonresidence shall include any special accruals required in this Part; and

(2) the capital gain or loss or passive activity income or loss to be reported on the Connecticut part-year resident income tax return for the period of nonresidence includes only those capital gains and losses or passive activity income and losses reported for federal income tax purposes which are derived from or connected with Connecticut sources during the nonresident period.

(b)(1) A capital loss carryforward or suspended passive activity loss from a Connecticut taxable year preceding the taxable year in which the change of residence occurred shall retain its original character and be treated in the same manner as for federal income tax purposes in determining the net capital gain or loss or passive activity income or loss attributable to the respective periods of residence or nonresidence.

(2) The amount available as a carryforward loss from a preceding Connecticut taxable year to the taxable year that the change of residence occurred shall be applied, as for federal income tax purposes, in chronological order as if separate federal income tax returns had been filed for the period of residence and for the period of nonresidence, except that where the change of residence is from nonresident to resident, effect shall be given in any subsequent year to any capital loss carryforward or suspended passive activity loss computed on the Connecticut income tax return for the period subsequent to the change of residence only to the extent such capital loss carryforward or suspended passive activity loss is includible in computing federal adjusted gross income of the individual for the subsequent year or years.

(3) The amount available as a carryforward to the resident period in the taxable year that the change of residence occurred is the same amount which would be available as a capital loss carryforward or suspended passive activity loss if a federal income tax return were being filed for the period of residence.

(4) The provisions of § 12-711(b)-6 of Part II apply in determining the Connecticut adjusted gross income derived from or connected with Connecticut sources of an individual for the period of nonresidence.

(5) Anything to the contrary in this section notwithstanding, no loss sustained in a taxable year that was not a Connecticut taxable year may be carried forward to a succeeding Connecticut taxable year. In addition, no loss sustained in a Connecticut taxable year may be carried back to a preceding taxable year that was not a Connecticut taxable year.

(6) For purposes of this section, "Connecticut taxable year" means a taxable year beginning on or after January 1, 1991 (the effective date of the Connecticut Income Tax Act).

(c) The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual, such reference shall be construed to include a part-year resident trust, and any reference to a part-year resident individual's Connecticut adjusted gross income, Connecticut adjusted gross income for the period of residence or Connecticut adjusted gross income derived from or connected with Connecticut sources for the period of nonresidence shall be construed to mean a part-year resident trust's Connecticut taxable income, Connecticut taxable income for the period of residence or Connecticut taxable income derived from or connected with Connecticut sources for the period of nonresidence, respectively. The provisions of §§ 12-713(a)-1 through 12-714(a)-2 of Part IV shall apply in determining the income derived from or connected with sources within Connecticut of a part-year resident trust for the period of nonresidence.

(d) While this section pertains to Section 12-717 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-711(b)(3) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717-2. Part-year residents: net operating loss deduction

(a) **Change of status from resident to nonresident.** Where the federal income tax return of an individual for a taxable year in which such taxpayer changes resident status from resident to nonresident includes a net operating loss deduction, the amount of such deduction used for federal income tax purposes for the period of residence shall be taken into account on the Connecticut income tax return for the period of residence. Any excess of the amount of the net operating loss deduction not used for the period of residence may be used for the period of nonresidence, but only to the extent that such excess is based solely on items of income, gain, loss and deduction derived from or connected with Connecticut sources.

(b) **Change of status from nonresident to resident.** In computing the Connecticut adjusted gross income derived from or connected with Connecticut sources of an individual for the period of nonresidence, any net operating loss deduction shall be based solely on items of income, gain, loss and deduction derived from or connected with Connecticut sources. For purposes of this subsection, the source of the net operating loss shall be determined by reference to the source of the items of income, gain, loss and deduction for the taxable year or years in which the net operating loss was sustained. A net operating loss deduction may be applied to the period of residence in the amount which would be allowed as a net operating loss deduction for federal income tax purposes, if a federal income tax return had been filed for the period of residence.

(c) **Carryback and carryforward of net operating loss.** A net operating loss sustained in the taxable year in which the change of resident status occurs may be a carryback or carryforward to another taxable year under the following conditions:

(1) If the taxable year to which the carryback or carryforward is to be applied is a taxable year in which an individual is a resident, such carryback or carryforward may be applied for the period of residence to the extent such carryback or carryforward is includible as a carryback or carryforward in the computation of federal adjusted gross income of an individual for the carryback or carryforward year.

(2) If the taxable year to which the carryback or carryforward is to be applied is a taxable year in which an individual is a nonresident, such carryback or carryforward may be applied for the period of nonresidence to the extent that such carryback or carryforward is based solely on items of income, gain, loss or deduction derived from or connected with Connecticut sources.

(3) Anything to the contrary in this section notwithstanding, no loss sustained in a taxable year that was not a Connecticut taxable year may be carried forward to a succeeding taxable year. In addition, no loss sustained in a Connecticut taxable year may be carried back to a preceding taxable year that was not a Connecticut taxable year.

(4) For purposes of this section, "Connecticut taxable year" means a taxable year beginning on or after January 1, 1991 (the effective date of the Connecticut Income Tax Act).

(d) The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual, such reference shall be construed to include a part-year resident trust, and any reference to a part-year resident individual's Connecticut adjusted gross income, Connecticut adjusted gross income for the period of residence or Connecticut adjusted gross income derived from or connected with Connecticut sources for the period of nonresidence shall be construed to mean a resident trust's Connecticut taxable income, Connecticut taxable income for the period of residence or Connecticut taxable income derived from or connected with Connecticut sources for the period of nonresidence, respectively.

(e) While this section pertains to Section 12-717 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-711(b)(3) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717-3. Part-year residents: income or loss from business, trade, profession or occupation

(a) Where the federal income tax return of an individual for a taxable year in which a change of resident status occurs includes net income or net loss from the operation of a business, trade, profession or occupation (as distinguished from personal services rendered as an employee), a separate computation of the business net income or net loss shall be made with respect to each portion of the year in which the change of residence occurred. If it is not practicable to compute separate amounts of business net income or net loss attributable to such portions of the taxable year, the amount reportable on the federal income tax return for the entire taxable year may be allocated to the portion prior to and the portion subsequent to the change of residence on the basis of the federal gross income or gross receipts of the business, trade, profession or occupation attributable to each portion, provided that the results of such allocation are consistent with the business or professional activities actually carried on during the taxable year. The amount computed in accordance with this subsection is subject to the provisions of this Part regarding

special accruals, to the extent such accruals relate to the conduct of the business, trade, profession or occupation.

(b) The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual carrying on a business, trade, profession or occupation, such reference shall be construed to include a part-year resident trust carrying on a business, trade, profession or occupation.

(c) While this section pertains to Section 12-717 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-711(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-717-4. Part-year residents: distributive or pro rata share of partners and S corporation shareholders

(a) **Partners.** Where an individual is a partner in a partnership and such individual changes resident status during the taxable year, the partner's distributive share of partnership income, gain, loss and deduction, and any modifications relating thereto described in § 12-715(a)-1 of Part VII, to be included in the determination of the numerator of the partner's Connecticut source fraction under § 12-700(c)-1 of this Part shall be the total of:

(1) the partner's distributive share of partnership income, gain, loss and deduction included in the partner's Connecticut adjusted gross income prorated to the partner's period of residence in accordance with the number of days such individual was a resident of Connecticut; and

(2) the partner's distributive share of partnership income, gain, loss and deduction included in the partner's Connecticut adjusted gross income prorated to the partner's period of nonresidence in accordance with the number of days such individual was a nonresident of Connecticut, but only to the extent such prorated amount of income, gain, loss and deduction is derived from or connected with Connecticut sources.

(3) Examples.

Example 1: D, an unmarried cash basis taxpayer, filed a 2001 federal income tax return on a calendar year basis and properly reported thereon federal adjusted gross income of \$50,000, \$40,000 of which was from the R Partnership, whose taxable year ended on December 31, 2001. The R Partnership carried on business both within and without Connecticut and 60% of its income, gain, loss and deduction for such year was derived from or connected with Connecticut sources. D was a resident of Connecticut from January 1, 2001 through July 31, 2001 and became a nonresident on August 1, 2001. The balance (\$10,000) of D's federal adjusted gross income was attributable to his period of nonresidence and was not derived from or connected with Connecticut sources. D's Connecticut adjusted gross income equals his federal adjusted gross income.

Based on the foregoing, D shall file a Connecticut part-year resident income tax return for the taxable year. D's tentative Connecticut income tax liability under § 12-700(c)-1, determined as if D were a resident, is \$1,932 (based on Connecticut adjusted gross income of \$50,000). The numerator of the Connecticut source fraction is the sum of (i) D's distributive share of partnership income, gain, loss and deduction included in his Connecticut adjusted gross income prorated to the period of D's residence in accordance with the number of days (212) D was a resident (\$40,000 multiplied by 212/365) and (ii) D's distributive share of partnership income, gain, loss and deduction included in his Connecticut adjusted gross income prorated to

the period of D's nonresidence in accordance with the number of days (153) D was a nonresident, but only to the extent such prorated amount of income, gain, loss and deduction was derived from or connected with Connecticut sources (\$40,000 multiplied by 153/365 multiplied by 60%), and the denominator is D's Connecticut adjusted gross income (\$50,000). D's Connecticut income tax is \$1,286, determined by multiplying the tentative Connecticut income tax (\$1,932) by the Connecticut source fraction ($\$33,293/\$50,000$).

Example 2: Assume the same facts as in Example 1 except that the R partnership's taxable year ended on May 31, 2001 and E, an unmarried cash basis taxpayer who was also a partner in the R Partnership and who filed a 2001 federal income tax return on a calendar year basis and properly reported thereon federal adjusted gross income of \$50,000, \$40,000 of which was from the R Partnership, was a nonresident of Connecticut from January 1, 2001 through September 30, 2001 and became a resident on October 1, 2001. The balance (\$10,000) of E's federal adjusted gross income was attributable to her period of nonresidence and was not derived from or connected with Connecticut sources. E's Connecticut adjusted gross income equals her federal adjusted gross income.

Based on the foregoing, E's tentative Connecticut income tax liability under § 12-700(c)-1, determined as if E were a resident, is the same as in Example 1 \$1,932. The denominator of the Connecticut source fraction is also the same as in Example 1 (Connecticut adjusted gross income of \$50,000). The numerator of the Connecticut source fraction is the sum of (i) E's distributive share of partnership income, gain, loss and deduction included in her Connecticut adjusted gross income prorated to the period of E's residence in accordance with the number of days (92) E was a resident (\$40,000 multiplied by 92/365) and (ii) E's distributive share of partnership income, gain, loss and deduction included in her Connecticut adjusted gross income prorated to the period of E's nonresidence in accordance with the number of days (273) E was a nonresident, but only to the extent such prorated amount of income, gain, loss and deduction was derived from or connected with Connecticut sources (\$40,000 multiplied by 273/365 multiplied by 60%). E's Connecticut income tax is \$1,083, determined by multiplying the tentative Connecticut income tax (\$1,932) by the Connecticut source fraction ($\$28,033/\$50,000$).

(b) **S corporation shareholders.** Where an individual is a shareholder of an S corporation and such individual changes resident status during the taxable year, the provisions of subsection (a) of this section apply with respect to such shareholder's pro rata share of S Corporation income, gain, loss and deduction, and any modifications relating thereto described in § 12-715(a)-2 of Part VII.

(c) **Part-year resident trusts.** The provisions of this section also apply to part-year resident trusts, and wherever reference is made in this section to a part-year resident individual who is a partner or a shareholder of an S corporation, such reference shall be construed to include a part-year resident trust that is a partner or a shareholder of an S corporation, and any reference to an individual's Connecticut adjusted gross income and Connecticut adjusted gross income derived from or connected with Connecticut sources shall be construed to include a trust's Connecticut taxable income and Connecticut taxable income derived from or connected with Connecticut sources, respectively.

(d) While this section pertains to Section 12-717 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994; amended June 29, 2001, applicable to taxable years beginning on or after January 1, 2001)

Sec. 12-717-5. Taxpayers to whom the special accrual rules apply

(a) The special accrual rules set forth in this Part apply to taxpayers who are part-year residents in a taxable year beginning on or after January 1, 1991, and do not apply to taxpayers who are part-year residents in a taxable year beginning prior to January 1, 1991.

(b) Examples.

Example 1: B is a part-year resident in his taxable year beginning January 1, 1991, having moved out-of-state in October 1991. B sold shares of stock in November 1990 and, for federal income tax purposes, recognized gain on the installment basis. B is subject to the special accrual rules of this Part and shall either accrue the remaining installments to his period of residence in 1991 or file a surety bond or other security with the Department. See § 12-717(c)(1)-1.

Example 2: Assume the same facts, including the fact that B is a part-year resident in his taxable year beginning January 1, 1991, but he moved into Connecticut in October 1991. B is subject to the special accrual rules of this Part and shall accrue the remaining installments to his period of nonresidence in 1991. See § 12-717(c)(2)-1. The gain accrued under this section for the portion of the taxable year prior to a change of residence is not to be taken into account in determining the Connecticut adjusted gross of B for any subsequent taxable period. See § 12-717(c)(3)-1.

Example 3: C was a part-year resident in her taxable year beginning January 1, 1990, having moved out-of-state in June 1990. She had won the Connecticut lottery in 1989 when she was a resident individual. C is not subject to the special accrual rules of this Part and is not required to accrue any portion of her lottery winnings (paid in installments) to Connecticut because the year in which she was a part-year resident was a taxable year beginning prior to January 1, 1991. (If C was a part-year resident in her taxable year beginning January 1, 1991, she would have the option of accruing the remaining installments to her period of residence or, in lieu of offering security for payment of the tax, having income tax withheld by the Division of Special Revenue. See § 12-717(c)(4)-1.)

Example 4: D was a part-year resident in her taxable year beginning on January 1, 1989, having moved into Connecticut in July 1989. In 1988, while a nonresident, D sold real property located in Connecticut and, for federal income tax purposes, recognized gain on the installment basis. D is not subject to the special accrual rules of this Part because the year in which she was a part-year resident was a taxable year beginning prior to January 1, 1991. D shall pay Connecticut income tax on each installment payment received after becoming a resident individual. (If D was a part-year resident in her taxable year beginning January 1, 1991, she would be subject to the special accrual rules but would not accrue items of income, gain, loss or deduction which are derived from or connected with Connecticut sources. (Such items are to be includable or allowable for Connecticut income tax purposes when properly includable or allowable for federal income tax purposes.) See § 12-717(c)(2)-1.)

(c) While this section pertains to Section 12-717 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

PART IV. Resident and nonresident trusts and estates**Sec. 12-701(a)(4)-1. Resident trust or estate**

(a) The term “resident trust or estate” includes:

(1) the estate of a decedent who, at the time of death, was a resident individual;

(2) the estate of a person who, at the time of commencement of a case in bankruptcy under Title 11 of the United States Code, was a resident individual, but shall not include the estate of such a person in a case under chapter 7 of Title 11 of the United States Code unless such estate has net taxable income, as the term is used in 11 U.S.C. § 728(b), for the entire period after the order for relief under said chapter 7 during which said case is pending;

(3) a trust, or portion of a trust, consisting of property transferred by will of a decedent who, at the time of death, was a resident individual; or

(4) a trust, or portion of a trust, consisting of the property of:

(A) a person who was a resident individual at the time such property was transferred to the trust, if such trust or portion of a trust was then irrevocable, or if it was then revocable and has not subsequently become irrevocable; or

(B) a person who was a resident individual at the time such trust, or portion of a trust, became irrevocable, if it was revocable when such property was transferred to the trust but has subsequently become irrevocable.

Example: B, who is domiciled in Canada, creates a trust with the X Trust Company in Connecticut as trustee. The entire corpus of the trust consists of securities of United States corporations, which are actively traded by the trustee on the New York Stock Exchange. The beneficiaries of the trust are all Connecticut residents. Regardless of whether the trust is deemed to be a resident of the United States for federal income tax purposes, it is, for Connecticut income tax purposes, a nonresident trust.

(b) For purposes of subsection (a) of this section, a trust or portion of a trust is revocable if it is subject to a power in the grantor, exercisable immediately or at any future time, to revest title in the person whose property constitutes such trust or portion of a trust, and a trust or portion of a trust becomes irrevocable when the possibility that such power may be exercised has been terminated.

(c) The determination of whether a trust is a resident trust does not depend on the location of the trustee or the corpus of the trust or the source of income.

(d)(1) Where there is more than one grantor, at least one of whom is a resident individual and at least one of whom is a nonresident individual, the term “portion of a trust” means property that was contributed by the resident individual or individuals and that has not been commingled with, and has maintained its separate identity from, property that was contributed by a nonresident individual or individuals.

(2) The term “portion of a trust” also includes property that was contributed by the resident individual or individuals that has been commingled with, and has not maintained its separate identity from, property that was contributed by a nonresident individual or individuals, and, where property has been so commingled, the term “portion of a trust” includes that percentage of the commingled property that the fair market value of the commingled property contributed by the resident individual or individuals, at the time of its contribution (or, if not immediately commingled after being contributed, at the time of its commingling), bears to the fair market value, at that same time, of the commingled property contributed then or earlier by all individuals, resident or nonresident. Where commingled property was contributed at different times, the percentage of the commingled property that is in the resident

portion of the trust shall be recalculated as of the time of the most recent contribution of commingled property.

(3) The provisions of this subsection also apply to grantors that are trusts or estates, and wherever reference is made in this subsection to a resident individual or to a nonresident individual, such reference shall be construed to include a resident trust or estate or a nonresident trust or estate, respectively.

(e) While this section pertains to Section 12-701(a)(4) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(9)-1. Connecticut taxable income of a resident trust or estate

(a) The Connecticut taxable income of a resident trust (other than a nontestamentary trust with one or more nonresident noncontingent beneficiaries) or resident estate (other than a bankruptcy estate in a case under chapter 7 or chapter 11 of title 11 of the United States Code in which the debtor is an individual) is the federal taxable income of the fiduciary of such trust or estate to which shall be added or subtracted, as the case may be, such trust or estate's share of the Connecticut fiduciary adjustment, as defined in this Part. Additionally, with respect to a trust which sells appreciated property within two years of the receipt of such property, there shall be added to federal taxable income the amount of any includible gain, as that term is defined in section 644 of the Internal Revenue Code.

(b)(1) The Connecticut taxable income of a resident nontestamentary trust with one or more nonresident noncontingent beneficiaries shall be the sum of:

(A) all of the Connecticut taxable income of the trust that is derived from or connected with sources within this state, and

(B) the Connecticut taxable income of the trust that is derived from or connected with all other sources multiplied by a fraction, the numerator of which is the number of resident noncontingent beneficiaries, if any, and the denominator of which is the total number of noncontingent beneficiaries, whether resident or nonresident.

(2) "Derived from or connected with sources within this state" is to be so construed so as to accord with the definition of the term "derived from or connected with sources within this state" set forth in Part II in relation to the adjusted gross income of a nonresident individual.

(3) For purposes of this subsection, "noncontingent beneficiary" means every beneficiary whose interest is not subject to a condition precedent and includes every individual to whom a trustee of a nontestamentary trust during the taxable year (i) is required to distribute currently income or corpus (or both) or (ii) properly pays or credits income or corpus (or both) or (iii) may, in the trustee's discretion, distribute income or corpus (or both). "Noncontingent beneficiary" includes every beneficiary to whom or to whose estate any of the trust's income for the taxable year is required to be distributed at a specified future date or event and every beneficiary who has the unrestricted lifetime or testamentary power, exercisable currently or at some future specified date or event, to withdraw any of the trust's income for the taxable year or to appoint such income to any person, including the estate of such beneficiary. The provisions of this subsection also apply to a noncontingent beneficiary which is a trust or an estate, and wherever reference is made in this subsection to an individual who is a noncontingent beneficiary, such reference shall be construed to include a trust or estate which is a noncontingent beneficiary, but shall not be construed to include a corporation which is a noncontingent beneficiary.

(c) Where the grantor of a trust or another person is treated for federal income tax purposes as the owner of any portion of the trust, and, in computing, for federal income tax purposes, the taxable income of such grantor or other person, those items of income or deduction that are attributable to that portion of the trust are taken into account, the same items of income or deduction are not taken into account in determining the federal taxable income of the fiduciary of the trust or, accordingly, the Connecticut taxable income of the trust.

(d)(1) Where there is more than one grantor of a trust, at least one of whom is a resident individual and at least one of whom is a nonresident individual, the Connecticut taxable income of the resident portion of the trust is the sum of:

(A) that portion of the federal taxable income of the fiduciary of such trust that is derived from property that was contributed by the resident individual or individuals and that has not been commingled with, and has maintained its separate identity from, property that was contributed by a nonresident individual or individuals.

(B) that portion of the amount of any includible gain, as that term is defined in section 644 of the Internal Revenue Code, that is derived from the sale or other disposition of property that was contributed by the resident individual or individuals and that has not been commingled with, and has maintained its separate identity from, property that was contributed by a nonresident individual or individuals.

(C) that portion of the trust's share of the Connecticut fiduciary adjustment that is derived from property that was contributed by the resident individual or individuals and that has not been commingled with, and has maintained its separate identity from, property that was contributed by a nonresident individual or individuals.

(2) Where property that was contributed by a resident individual or individuals has been commingled with, and has not maintained its separate identity from, property that was contributed by a nonresident individual or individuals, the Connecticut taxable income of the resident portion of the trust is the product of (A) the sum of (i) the federal taxable income of the trust, (ii) the amount of any includible gain, as that term is defined in section 644 of the Internal Revenue Code, and (iii) the trust's share of the Connecticut fiduciary adjustment, multiplied by (B) the percentage that is determined under § 12-701(a)(4)-1(d)(2).

(3) If the trust consists of both commingled and noncommingled property, the Connecticut taxable income of the resident portion of the trust is the sum of (A) the amount that is determined under subdivision (1) of this subsection and (B) the amount that is determined under subdivision (2) of this subsection.

(e)(1) Where there is more than one grantor of a trust, at least one of whom is a resident individual and at least one of whom is a nonresident individual, the Connecticut taxable income derived from or connected with sources within Connecticut of the nonresident portion of the trust is the sum of:

(A) that portion of the federal taxable income of the fiduciary of such trust (i) that is derived from property that was contributed by the nonresident individual or individuals and that has not been commingled with, and has maintained its separate identity from, property that was contributed by a resident individual or individuals and (ii) that is derived from or connected with Connecticut sources, in accordance with § 12-713(a)-4.

(B) that portion of the amount of any includible gain, as that term is defined in section 644 of the Internal Revenue Code, (i) that is derived from the sale or other disposition of property that was contributed by the nonresident individual or individuals and that has not been commingled with, and has maintained its separate identity from, property that was contributed by a resident individual or individuals

and (ii) that is derived from or connected with Connecticut sources, in accordance with § 12-713(a)-4.

(C) that portion of the trust's share of the Connecticut fiduciary adjustment (i) that is derived from property that was contributed by the nonresident individual or individuals has not been commingled with, and has maintained its separate identity from, property that was contributed by a resident individual or individuals and (ii) that is derived from or connected with Connecticut sources, in accordance with § 12-713(a)-4.

(2) Where property that was contributed by a nonresident individual or individuals has been commingled with, and has not maintained its separate identity from, property that was contributed by a resident individual or individuals, the Connecticut taxable income derived from or connected with sources within Connecticut of the nonresident portion of the trust is the product of (A) the sum of (i) the federal taxable income of the trust, (ii) the amount of any includible gain, as that term is defined in section 644 of the Internal Revenue Code, and (iii) the trust's share of the Connecticut fiduciary adjustment, multiplied by (B) the difference after subtracting (i) the percentage that is determined under § 12-701(a)(4)-1(d)(2) from (ii) one, multiplied by (C) the percentage of Connecticut taxable income that is derived from or connected with Connecticut sources, determined in accordance with § 12-713(a)-4.

(3) If the trust consists of both commingled and noncommingled property, the Connecticut taxable income derived from or connected with sources within Connecticut of the nonresident portion of the trust is the sum of (A) the amount that is determined under subdivision (1) of this subsection and (B) the amount that is determined under subdivision (2) of this subsection.

(f) The provisions of subsections (d) and (e) of this section also apply to grantors that are trusts or estates, and wherever reference is made in such subsections to a resident individual or to a nonresident individual, such reference shall be construed to include a resident trust or estate or a nonresident trust or estate, respectively.

(g)(1) The Connecticut taxable income of a bankruptcy estate in a case under chapter 7 or chapter 11 of title 11 of the United States Code in which the debtor is a resident individual is, as required by 11 U.S.C. § 346(b)(2), computed in the same manner as the Connecticut taxable income of any other estate. Therefore, the estate is not entitled to an exemption under Section 12-702 of the general statutes or to a credit under Section 12-703 of the general statutes.

(2) In the computation of Connecticut adjusted gross income of a resident individual who is a debtor in a case under chapter 7 or chapter 11 of title 11 of the United States Code, the provisions of section 1398 of the Internal Revenue Code affecting the computation of such individual's federal adjusted gross income shall apply, to the extent they are not superseded by the provisions of 11 U.S.C. §§ 346 and 728. In general, such individual shall compute his or her Connecticut adjusted gross income in the same manner as other individuals (using his or her federal adjusted gross income as the starting point), and may or may not, as the case may be, be entitled to an exemption under Section 12-702 of the general statutes or to a credit under Section 12-703 of the general statutes.

(h) While this section pertains to Section 12-701(a)(9) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(10)-1. Definition of Connecticut fiduciary adjustment

(a) The ‘‘Connecticut fiduciary adjustment’’ is the net amount of the modifications described in §§ 12-701(a)(10)-2 and 12-701(a)(10)-3 of this Part which relate to items of income, gain, loss or deduction of the trust or estate.

(b) *Example:* A resident trust has the following modifications for 1992:

Additions:

(1) Interest income received on bonds of the State of California	\$1000
(2) Exempt interest dividends (as defined in section 852(b)(5) of the Internal Revenue Code) on obligations issued by the State of California	<u>350</u>
Total additions:	\$1350

Subtractions:

(3) Interest income received on U.S. government bonds	\$ 600
(4) Exempt dividends paid by a regulated investment company	<u>400</u>
Total subtractions.	<u>\$1000</u>
Connecticut fiduciary adjustment	\$ 350

Since the total of the items to be added to federal taxable income is more than the total of the items to be subtracted, the share of the trust in the fiduciary adjustment is added to its federal taxable income, and the share of its beneficiaries in the fiduciary adjustment shall be added to their federal adjusted gross incomes. If the total of the items to be added to federal taxable income were less than the total of items to be subtracted, the share of the trust would be subtracted from its federal taxable income and the share of its beneficiaries in the fiduciary adjustment would be subtracted from their federal adjusted gross incomes.

(c) While this section pertains to Section 12-701(a)(10) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.
(Effective November 18, 1994)

Sec. 12-701(a)(10)-2. Modifications comprising the Connecticut fiduciary adjustment: additions

(a) The following items are to be added in computing the Connecticut fiduciary adjustment of a trust or estate:

(1) Interest income on obligations issued by or on behalf of any state or of a political subdivision, or public instrumentality, state or local authority, district or similar public entity of such state, and interest income on obligations issued by or on behalf of the District of Columbia. However, interest income on Connecticut obligations is not to be added to federal taxable income of the trust or estate. Furthermore, interest income on obligations issued by or on behalf of any territory or possession of the United States (such as Puerto Rico, Guam and the Virgin Islands), or a political subdivision or public instrumentality, authority, district or similar public entity thereof, the taxation of which by any state is prohibited by federal law, is not to be added to federal taxable income.

(2)(A) Any exempt-interest dividends, as defined in section 852(b)(5) of the Internal Revenue Code. However, exempt-interest dividends derived from Connecticut obligations are not to be added to federal taxable income. Furthermore, exempt-interest dividends derived from obligations issued by or on behalf of any territory or possession of the United States (such as Puerto Rico, Guam and the Virgin Islands), or a political subdivision or public instrumentality, authority, district or

similar public entity thereof, the direct taxation of which by any state is prohibited by federal law, are not to be added to federal taxable income.

(B) *Example:* A resident trust receives \$1,000 in exempt-interest dividends from a mutual fund that owns governmental obligations issued by or on behalf of various states, including Connecticut, and by or on behalf of the territory of Guam. If 45% of the exempt-interest dividends was derived from Connecticut obligations, 20% from New York obligations, 10% from Massachusetts obligations and 25% from Guam obligations, then the amount that is to be added to federal taxable income is \$300 (that is, the percentage of exempt-interest dividends that is not derived from Connecticut obligations and other obligations, the direct taxation of which by any state is prohibited by federal law). The percentage of exempt-interest dividends derived from Connecticut obligations and Guam obligations is not to be added to federal taxable income.

(3) Interest or dividend income on obligations or securities of any authority, commission or instrumentality issued by or on behalf of the United States, which the laws of the United States exempt from federal income tax but not from state income taxes.

(4)(A) To the extent properly includible in determining the net gain or loss from sales or other dispositions of capital assets for federal income tax purposes, any loss from the sale or exchange of Connecticut obligations, in the taxable year such loss was recognized, whether or not, for federal income tax purposes, gains from sales or other dispositions of capital assets exceed losses therefrom.

(B) *Example:* For taxable year 1992, a resident trust has \$4,000 of loss arising from the sale of Connecticut obligations and \$3,000 of loss arising from the sale of bonds issued by the State of Florida. Such trust's federal gross income shall be increased by \$4,000, the amount of loss derived from the sale of the Connecticut obligations, even though this amount exceeds the losses allowable under section 1211(b) of the Internal Revenue Code.

(5) To the extent deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, the amount of Connecticut income tax paid or accrued.

(6)(A) Interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the interest on which is exempt from Connecticut income tax, to the extent that such expenses are deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

(B) *Example:* The fiduciary of a trust borrows money to purchase United States treasury certificates, the income from which is subject to federal income tax but exempt from Connecticut income tax. To the extent that this borrowing expense is deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries, the fiduciary shall add this expense back in computing the trust's Connecticut taxable income.

(7)(A) Expenses paid or incurred during the taxable year for (i) the production or collection of income exempt from Connecticut income tax or (ii) the management, conservation or maintenance of property held for the production of income exempt from Connecticut income tax or (iii) the amortizable bond premium on any bond, the interest on which is exempt from Connecticut income tax, to the extent such expenses and premiums are deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries.

If the trust or estate's miscellaneous itemized deductions, as defined in section 67(b) of the Internal Revenue Code, exceed 2% of its federal adjusted gross income,

as computed under section 67(e) of the Internal Revenue Code, and the expenses and premiums described herein are deducted as miscellaneous itemized deductions, the portion of the excess that such expenses and premiums bear to the total miscellaneous itemized deductions shall be added to federal taxable income under this section.

If the expenses and premiums described herein are deducted under section 67(e)(1) of the Internal Revenue Code, they shall be added to federal taxable income under this section.

(B) *Example:* The fiduciary of a trust purchases shares in a mutual fund that invests solely in United States government obligations. The income therefrom is fully taxable for federal income tax purposes. The trust incurs expenses in connection with the production of such interest income. The trust has adjusted gross income of \$10,000 and the amount of its miscellaneous itemized deductions, including the \$400 of collection expenses, is \$800. The interest income on the United States bonds is includible in the trust's federal taxable income but is subtracted from federal taxable income under § 12-701(a)(10)-3 of this Part. The miscellaneous itemized deductions (\$800) exceed 2% of the trust's federal adjusted gross income (\$200). The portion of the excess (\$600) that the \$400 paid or incurred to collect such U.S. bonds interest income bears to the miscellaneous itemized deductions (\$800) is added to federal taxable income in computing Connecticut taxable income under this section. Therefore, \$300 is added to federal taxable income. If miscellaneous itemized deductions had not exceeded 2% of federal adjusted gross income, no portion of the \$400 of expenses would have been added to federal taxable income under this section.

(8) With respect to a trust or estate that is a shareholder of an S corporation carrying on business in Connecticut (as the term is used in Section 12-214 of the general statutes, and as defined in Conn. Agencies Regs. § 12-214-1), the amount of such trust or estate's pro rata share of the corporation's nonseparately computed loss (as defined in § 12-701(b)-1 of Part XIV), to the extent such loss is included in computing such trust or estate's federal gross income, multiplied by the corporation's apportionment fraction, if any, as determined under Section 12-218 of the general statutes (irrespective of whether the S corporation shall pay the additional tax under Section 12-219 of the general statutes).

(b) While this section pertains to Section 12-701(a)(10) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(10)-3. Modifications comprising the Connecticut fiduciary adjustment: subtractions

(a) The following items are to be subtracted in computing the Connecticut fiduciary adjustment of a trust or estate:

(1) Any income with respect to which taxation by any state is prohibited by federal law, to the extent properly includible in gross income for federal income tax purposes. The provisions of § 12-701(a)(20)-3(a)(1) of Part I are incorporated by reference herein.

(2)(A) Exempt dividends paid by a qualified regulated investment company. As provided in Section 12-718 of the general statutes, a regulated investment company is a qualified regulated investment company if, at the close of each quarter of its taxable year, at least 50% of the value of its total assets (as defined in section

851(c)(4) of the Internal Revenue Code) is invested in obligations the taxation of which by any state is prohibited by federal law.

(B) The portion of the dividends received by a shareholder of a qualified regulated investment company that may be subtracted in computing the Connecticut fiduciary adjustment is based upon the portion of income received by such company that is derived from obligations which states are prohibited from taxing by federal law. Where all of the income of the company is derived from interest on obligations that states are prohibited from taxing by federal law, the full amount of the dividends received by the shareholders may be subtracted. Where less than the full amount is derived from such interest, the amount to be subtracted is determined as follows:

$$\frac{\text{Interest income on obligations which states are prohibited from taxing by federal law less expenses attributable to such income}}{\text{Regulated investment company's taxable income}} = \text{Percent of dividends received by shareholders that qualifies as exempt dividends}$$

(C) In the case of a series fund, the portion of the dividends paid that is exempt from Connecticut income tax shall be determined on a fund-by-fund basis.

(D) Dividends attributable to obligations which states are prohibited from taxing by federal law that are distributed by nonqualified regulated investment companies are fully taxable for Connecticut purposes and may not be subtracted under this section.

(E) *Example:* (i) Computation for regulated investment company. A qualified regulated investment company receives income from the following sources:

Capital gains from the sale of stock	\$ 20,000
Interest income from federal obligations	70,000
Dividends from a corporation.	+ 10,000
Total:	<u>\$100,000</u>
Expenses (\$10,000 of which are directly related to interest income on federal obligations)	- 20,000
Taxable income:	\$ 80,000

The regulated investment company distributed the entire \$80,000 to its shareholders. The percentage of this distribution that may be subtracted from federal taxable income under this section is computed as follows:

$$\frac{\$70,000 - \$10,000}{\$80,000} = 75\% \quad (\text{percentage of dividends that qualifies as exempt dividends})$$

(ii) Computation for shareholder. A shareholder receives dividend distributions of \$2,000 in 1992 from the above regulated investment company. The amount of these dividends qualifying as exempt dividends is 75% of \$2,000, or \$1,500.

(3) Interest income on Connecticut obligations, to the extent properly included in gross income for federal tax purposes.

(4)(A) To the extent properly includible in determining the net gain or loss from sales or other dispositions of capital assets for federal income tax purposes, any gain (or amount that is properly treated as a capital gain dividend, as defined in section 852(b)(3) of the Internal Revenue Code) from the sale or exchange of Connecticut obligations, in the taxable year such gain was recognized, whether or

not, for federal income tax purposes, gains from sales or other dispositions of capital assets exceed losses therefrom.

(B) *Example:* A resident trust has, for federal income tax purposes, a long-term capital gain of \$3,000 arising from the sale of Connecticut obligations and a long-term capital loss of \$2,000 arising from the sale of bonds issued by or on behalf of the Commonwealth of Massachusetts. Such trust's federal gross income shall be reduced by \$3,000, the amount of the gain derived from the sale of the Connecticut obligations.

(5)(A) Interest expenses on indebtedness incurred or continued to purchase or carry obligations or securities, the interest income from which is subject to Connecticut income tax but exempt from federal income tax, to the extent such expenses would be deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries if the interest income were subject to federal income tax.

(B) *Example:* A trust borrows \$100,000 from a bank to purchase bonds issued by or on behalf of the State of California. In computing the trust's federal taxable income, income from these bonds is not includible in federal gross income, and the borrowing expense is not deductible. However, income received from these bonds is subject to Connecticut income tax and is therefore added to federal taxable income in computing the trust's Connecticut taxable income under § 12-701(a)(10)-2 of this Part. In addition, the borrowing expense shall be subtracted from the trust's federal taxable income prior to deductions relating to distributions to beneficiaries to the extent such expenses would have been deductible if the interest income were subject to federal income tax.

(6)(A) Ordinary and necessary expenses paid or incurred during the taxable year for (i) the production or collection of income which is subject to Connecticut income tax but exempt from federal income tax or (ii) the management, conservation or maintenance of property held for the production of income which is subject to Connecticut income tax but exempt from federal income tax or (iii) the amortizable bond premium on any bond, the interest income from which is subject to Connecticut income tax but exempt from federal income tax, but only to the extent that such expenses and premiums would be deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries if such income were subject to federal income tax.

If the sum of the trust or estate's miscellaneous itemized deductions, as defined in section 67(b) of the Internal Revenue Code, plus the expenses and premiums described herein, exceed 2% of the sum of its federal adjusted gross income, as computed under section 67(e) of the Internal Revenue Code, plus the income described herein which is subject to Connecticut income tax but exempt from federal income tax, the portion of the excess that such expenses and premiums described herein bear to the sum of the trust or estate's miscellaneous itemized deductions, as defined in section 67(b) of the Internal Revenue Code, plus the expenses and premiums described herein shall be subtracted from federal taxable income under this section.

If the expenses and premiums described herein would be deductible in determining federal taxable income prior to deductions relating to distributions to beneficiaries under section 67(e)(1) of the Internal Revenue Code, were such income described herein subject to federal income tax, then such expenses and premiums shall be subtracted from federal taxable income under this section.

(B) *Example:* If a trust pays or incurs \$150 of ordinary and necessary expenses in connection with the production of income from its California bonds and amortizes

\$50 of a premium paid on such bonds, the amount of such expenses and premiums which are not deductible for federal income tax purposes shall be subtracted from the federal taxable income of the trust under this section, to the extent such expenses and premiums would have been deductible if such income were subject to federal income tax. The trust has adjusted gross income of \$19,000. The amount of its miscellaneous itemized deductions is \$800. The California bond expenses and premiums (\$200) plus the miscellaneous itemized deductions (\$800) exceed 2% of (i) the trust or estate's federal adjusted gross income (\$19,000) plus (ii) the interest income on California bonds (\$1,000). The portion of the excess (\$600) that such expenses and premiums (\$200) bears to the sum of miscellaneous itemized deductions (\$800) plus such expenses and premiums (\$200) is to be subtracted from federal taxable income in computing the trust's Connecticut taxable income under this section. Therefore, \$120 is subtracted from federal taxable income. If such expenses and premiums plus the miscellaneous itemized deductions had not exceeded 2% of (i) federal adjusted gross income plus (ii) the interest income on California bonds, no portion of the \$200 would have been subtracted from federal taxable income under this section.

(7) With respect to a trust or estate that is a shareholder of an S corporation carrying on business in Connecticut (as the term is used in Section 12-214 of the general statutes, and as defined in Conn. Agencies Regs. § 12-214-1), the amount of such trust or estate's pro rata share of the corporation's nonseparately computed income (as defined in § 12-701(b)-1 of Part XIV), multiplied by the corporation's apportionment fraction, if any, as determined under Section 12-218 of the general statutes (irrespective of whether the S corporation shall pay the additional tax under Section 12-219 of the general statutes).

(b) While this section pertains to Section 12-701(a)(10) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(10)-4. Treatment of set-asides for charitable purposes

(a) The Connecticut fiduciary adjustment does not include any modification or portion thereof attributable to any amount which is paid or permanently set aside during the taxable year for a charitable purpose specified in section 170(c) of the Internal Revenue Code to a charitable or governmental organization in accordance with the terms of the governing instrument of the trust or estate. If the charitable organization is specifically designated in the governing instrument as a distributee of a particular item of income, or portion thereof, in respect of which a modification would ordinarily be required under § 12-701(a)(10)-2 or § 12-701(a)(10)-3 of this Part, (1) no part of such modification is to be included in the Connecticut fiduciary adjustment; (2) the excluded portion of such modification is that proportion of the modification as the amount paid or payable to the charitable organization bears to the total income of the trust or estate; and (3) no fiduciary adjustment is thereafter allocated to the charitable beneficiary.

(b) *Example:*

The governing instrument of a resident trust provides that the income of the trust is to be divided as follows: one-third to a charitable organization, one-third to a designated beneficiary, and the remaining one-third to be accumulated for later distribution to a minor. The income of the trust for the 1992 taxable year includes interest on California bonds of \$9,000 and ordinary dividend income of \$15,000.

Based on these facts, the Connecticut fiduciary adjustment and the modification under this section would be determined in the following manner:

Connecticut fiduciary adjustment before modification under this section (total California bond interest) \$9,000
 Less: Portion attributable to the charitable payment or set-aside computed as follows:

(Total income paid or set aside for the charitable organization)	<u>\$ 8,000</u>	x	\$9,000	(Charitable payment or set aside)	=	<u>\$3,000</u>
(Total income of the trust)	\$24,000					

Connecticut fiduciary adjustment after modification under this section \$6,000

(c) While this section pertains to Section 12-701(a)(10) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

Sec. 12-713(a)-1. Connecticut taxable income derived from or connected with sources within Connecticut of a nonresident trust or estate

(a) The Connecticut taxable income derived from or connected with sources within this state of a nonresident trust or estate is (1) its share of the items of income, gain, loss and deduction derived from or connected with Connecticut sources, as determined under § 12-714(a)-1 or § 12-714(b)-1 of this Part, plus or minus (2) the sum of the items of income, gain, loss and deduction derived from or connected with Connecticut sources, as determined under § 12-713(a)-3 of this Part, which would be included in federal adjusted gross income if the trust or estate were an individual but which are excluded from federal distributable net income, plus (3) in the case of a trust, includible gain (as defined under section 644 of the Internal Revenue Code) derived from or connected with Connecticut sources.

(b) The source of such items of income, gain, loss and deduction shall be determined as if the trust or estate were a nonresident individual. (See Part II.)

(c) While this section pertains to Section 12-713(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

Sec. 12-713(a)-2. Share of a nonresident trust or estate in distributable net income

(a) The share of a nonresident trust or estate in its distributable net income from Connecticut sources is the amount, if any, by which the distributable net income from Connecticut sources exceeds the aggregate of the shares therein of all its beneficiaries. Such share of the trust or estate is determined under §§ 12-714(a)-1 and 12-714(a)-2 of this Part.

(b) While this section pertains to Section 12-713(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-713(a)-3. Items not in distributable net income of a nonresident trust or estate

(a) In determining a nonresident trust or estate's Connecticut taxable income derived from or connected with sources within this state, there shall be added or subtracted, as the case may be, any other items of income, gain, loss or deduction of the trust or estate recognized for federal income tax purposes but not reflected in distributable net income as provided in § 12-713(a)-2 of this Part, to the extent such items are derived from or connected with Connecticut sources, as determined in accordance with the applicable regulations of Part II as in the case of a nonresident individual.

(b) While this section pertains to Section 12-713(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-713(a)-4. Items derived from or connected with Connecticut sources of a nonresident trust or estate

(a) The source of items of income, gain, loss and deduction of a nonresident trust or estate is determined in accordance with the applicable regulations of Part II as in the case of a nonresident individual. Thus, an item of income, gain, loss or deduction, including any item comprising income in respect of a decedent, is considered derived from or connected with Connecticut sources when the item is attributable to (1) the ownership by the trust or estate of any interest in real or tangible personal property in Connecticut; (2) a business, trade, profession or occupation carried on in Connecticut by the trust or estate; or (3) the ownership of shares in an S corporation by the trust or estate, to the extent determined under § 12-712(a)(2)-1 of Part VII.

(b) While this section pertains to Section 12-713(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-714(a)-1. Share of a nonresident trust, estate or beneficiary in income from Connecticut sources

(a) A nonresident trust or estate's taxable income derived from or connected with sources within this state includes its share of federal distributable net income, after taking into consideration any applicable Connecticut modifications described in §§ 12-701(a)(10)-2 and 12-701(a)(10)-3 of this Part, to the extent such share is derived from or connected with sources within this state. Such share is in proportion to such trust or estate's share of federal distributable net income.

(b) The share of a nonresident beneficiary in items of trust or estate income, gain, loss and deduction derived from or connected with sources within this state is in proportion to such beneficiary's share of federal distributable net income.

(c) The share of a trust or estate in federal distributable net income is the amount, if any, by which the federal distributable net income exceeds the aggregate of the shares therein of all its beneficiaries.

(d) A nonresident trust or estate shall determine those items of income, gain, loss and deduction entering into the definition of federal distributable net income which are derived from or connected with sources within Connecticut under the applicable regulations of Part II. Such distributable net income from Connecticut sources

includes Connecticut modifications to the extent the modified amount has not been included in federal distributable net income. (For example, tax exempt interest is included in determining federal distributable net income, thus eliminating the need to make a Connecticut modification as to this amount.)

(e) While this section pertains to Section 12-714(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-714(a)-2. Character of items

(a) Each of the trust or estate items of income, gain, loss or deduction has the same character for Connecticut income tax purposes as for federal income tax purposes. Where an item is not characterized for federal income tax purposes, the item has the same character as if realized directly from the source from which realized by the trust or estate, or incurred in the same manner as incurred by the trust or estate. The same is true if a trust or estate item is not required to be taken into account for federal tax purposes (such as interest on bonds of the State of California).

(b) While this section pertains to Section 12-714(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-714(b)-1. Special rule where a trust or estate has no federal distributable net income

(a) If a trust or estate has no federal distributable net income for a taxable year, the share of each beneficiary (including, solely for the purpose of this allocation, resident beneficiaries) in the items derived from or connected with Connecticut sources which enter into the definition of federal distributable net income shall be in proportion to such beneficiary's share of the trust or estate income for such year, under local law or the governing instrument, which is required to be distributed currently, and any other amounts which are properly paid or credited or required to be distributed during the taxable year. Any balance of such net amount shall be allocated to the trust or estate.

(b) While this section pertains to Section 12-714(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-716(a)-1. Allocating the Connecticut fiduciary adjustment among trust or estate and its beneficiaries

(a) **General.** Ordinarily, the Connecticut fiduciary adjustment is allocated among a trust or estate and its beneficiaries in proportion to their respective shares of the distributable net income, as defined in the Internal Revenue Code, of the trust or estate.

(1) The allocation of the Connecticut fiduciary adjustment is unaffected by (A) whether a trust or estate is a resident, and (B) whether any or all of the beneficiaries are residents. A beneficiary, in computing Connecticut adjusted gross income, shall

add to or subtract from, as the case may be, federal adjusted gross income such beneficiary's share of the fiduciary adjustment.

(2) Allocation of the fiduciary adjustment according to the general rule stated in subdivision (1) of this subsection is illustrated by the following example:

Example: The Connecticut fiduciary adjustment of an estate is \$1,000. The estate has federal distributable net income of \$5,000, out of which it distributes \$3,000 to B, a resident beneficiary, and \$1,500 to C, a nonresident beneficiary. B's share is 60% of federal distributable net income, and so 60% of the fiduciary adjustment (\$600) is allocated to him and shall be added to his federal adjusted gross income in determining his Connecticut adjusted gross income. C's share of the distributable net income is 30%, and so 30% of the Connecticut fiduciary adjustment (\$300) is allocated to her. Ten percent of the distributable net income was not distributed by the estate to any beneficiary, and so 10% of the fiduciary adjustment (\$100) is allocated to the estate and shall be added to the federal taxable income of the estate in determining its Connecticut taxable income.

(b) Special rule where trust or estate has no distributable net income. If the distributable net income of a trust or estate for the taxable year is zero or less than zero, the share of each beneficiary in the Connecticut fiduciary adjustment is in proportion to such beneficiary's share of the income of the trust or estate for the taxable year, determined under local law or the governing instrument, which is required to be distributed currently, plus any other amounts which are properly paid or credited or required to be distributed during the taxable year. Any balance of the fiduciary adjustment not allocable to any beneficiary is allocated to the trust or estate.

Example 1: A trust has income, for trust accounting purposes, of \$10,000, and its Connecticut fiduciary adjustment is \$5,000. Certain expenses paid by the trustee are chargeable to principal under the terms of the trust instrument but are nevertheless deductible for federal income tax purposes and have the effect of reducing distributable net income to zero.

The trust instrument requires that \$4,000 of income be distributed to D. An additional \$3,000 is paid to D pursuant to the discretionary authority of the trustee, and the remaining \$3,000 of income is accumulated by the trust. D's \$7,000 share is 70% of the total income for trust accounting purposes, so that 70% of the fiduciary adjustment (\$3,500) is allocated to her. If she is a resident, D shall add this amount to her federal adjusted gross income in determining Connecticut adjusted gross income. The remaining \$1,500 is the trust's share in the fiduciary adjustment, which shall be added to the federal taxable income of the trust in determining its Connecticut taxable income.

Example 2: The facts are the same as in Example 1, except that the fiduciary adjustment is a negative figure of (\$5,000). In computing her Connecticut adjusted gross income, D may therefore subtract \$3,500, which is her share in the fiduciary adjustment, from her federal adjusted gross income, and the trust may subtract \$1,500, its share of the fiduciary adjustment, from its federal taxable income.

(c) While this section pertains to Section 12-716(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-716(b)-1. Method of attributing certain modifications among trust or estate and beneficiaries

(a) **General.** (1) Where the Connecticut fiduciary adjustment consists of or relates to items of income, gain, loss, or deduction which are charged or credited to corpus

or principal for probate or trust accounting purposes, under local law or the governing instrument, as described in subdivision (2) of this subsection, or items in which income beneficiaries do not share pro rata, as described in subdivision (3) of this subsection, the fiduciary shall, in lieu of determining the share of the fiduciary adjustment under § 12-716(a)-1 of this Part, attribute the respective shares of a trust or estate and its beneficiaries in such fiduciary adjustment:

(A) by attributing the modifications described in §§ 12-701(a)(10)-2 and 12-701(a)(10)-3 of this Part to the trust, estate, or beneficiaries, as the case may be, in the same manner in which the items of income, gain, loss, or deduction which gave rise to such modifications are attributed to the trust, estate, or beneficiaries under local law or the governing instrument, and

(B) by allocating the remainder of the modifications which comprise the fiduciary adjustment in accordance with subsections (a) or (b) of § 12-716(a)-1 of this Part.

(2) Items of income, gain, loss or deduction charged or credited to corpus or principal for probate or trust accounting purposes include, but are not limited to:

(A) nondistributable capital gains and losses from the sale or exchange of bonds issued by the State of Connecticut or its political subdivisions;

(B) income in respect of a decedent under section 691 of the Internal Revenue Code, e.g., the portion of any interest income on obligations of the United States, or of states other than Connecticut or their instrumentalities, which became payable after death but accrued before death; and

(C) Connecticut income tax paid or incurred during the taxable year, to the extent allowed as a deduction for federal income tax purposes and attributable either to nondistributable capital gains or to income in respect of a decedent.

(3) Items in which income beneficiaries do not share pro rata include, but are not limited to, amounts with respect to which the governing instrument provides:

(A) that all interest income received from tax-exempt state or municipal bonds, including bonds of states other than Connecticut and their instrumentalities, be paid to a designated beneficiary, with all other income to be divided equally among the designated beneficiary and the other beneficiaries;

(B) that all dividends and interest be paid to a designated beneficiary, with all capital gains distributable to a different beneficiary;

(C) that a fixed annuity be paid out of the income to a designated beneficiary, with the remainder of the income to be accumulated or distributed to other beneficiaries; or

(D) any combination of the foregoing.

(4) Where a modification is subject in part to the method described in subdivision (1)(A) of this subsection, and in part to the provisions of subdivision (1)(B) of this subsection, the amount to be allocated in accordance with subdivision (1)(A) is the proportion of the total modification which the amount of income, gain, loss or deduction attributable to corpus or principal, or to a specially designated beneficiary under local law or governing instrument, bears to the total amount of such income, gain, loss or deduction.

(5) If a modification allocable in accordance with subdivision (1)(A) and subdivision (1)(B) of this subsection applies to two or more beneficiaries, the amount attributed to each is the proportion of the modification which the related item of income, gain, loss or deduction allocated to each beneficiary bears to the total amount of income, gain, loss or deduction attributable to all beneficiaries who share therein.

(b) **Schedule to be attached.** (1) A fiduciary required to use the method prescribed by this section shall file a schedule as part of the Connecticut fiduciary income tax return (Form CT-1041) setting forth the following information:

(1) A statement that the fiduciary is required to use the method prescribed in this section, rather than the method prescribed in § 12-716(a)-1, in determining to whom the items of modification comprising the Connecticut fiduciary adjustment shall be attributed;

(2) The amount of each modification relating to an item of income, gain, loss or deduction of the trust or estate;

(3) The amount of the Connecticut fiduciary adjustment as determined pursuant to § 12-701(a)(10)-1 of this Part, and of the respective shares therein of the trust or estate and each of its beneficiaries as determined under § 12-716(a)-1 of this Part;

(4) The respective shares of the trust or estate and each of its beneficiaries in the Connecticut fiduciary adjustment as determined under this section;

(5) The name and address of each beneficiary, if not otherwise set forth in the Form CT-1041, who is or would be required to report a share of one or more items of modification, or a portion thereof, either pursuant to the method provided in this section or as a component of the Connecticut fiduciary adjustment allocated pursuant to § 12-716(a)-1 of this Part;

(6) A statement that each beneficiary, whether or not otherwise identified in the Form CT-1041, was furnished with a copy of the schedule filed by the fiduciary pursuant to this section; and

(7) A statement setting forth the provisions of the will or trust, one of the consequences of which is that the fiduciary is required to use the method prescribed in this section in determining to whom the items of modification comprising the Connecticut fiduciary adjustment are to be attributed.

(c) The following example illustrates the application of this section:

Example: The 1992 federal fiduciary income tax return of a trust consists of the following items of income which constitute modifications required by §§ 12-701(a)(10)-2 and 12-701(a)(10)-3 of this Part:

United States bond interest (decrease).	\$15,000
California bond interest (increase).	<u>10,000</u>
Connecticut fiduciary adjustment	\$(5,000)

The trust has two beneficiaries (A and B). Under the trust agreement, beneficiary A receives all the interest on the United States bonds. Beneficiary B receives all the California bond interest. Pursuant to § 12-716(a)-1 of this Part, the Connecticut fiduciary adjustment is allocated on the basis of the federal distributable net income (which is \$25,000). This results in attributing (\$3,000) of the net Connecticut fiduciary adjustment of (\$5,000) to A [$15,000/25,000 \times (5,000) = (3,000)$] and (\$2,000) to B [$10,000/25,000 \times (5,000) = (2,000)$].

The method required by this section decreases A's Connecticut adjusted gross income by \$15,000, and increases B's Connecticut adjusted gross income by \$10,000.

(d) While this section pertains to Section 12-716(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

PART V. Filing status

Sec. 12-702(c)(1)-1. Connecticut income tax returns of husband and wife

(a) **Separate federal income tax returns.** If a husband and wife file federal income tax returns as married individuals filing separately, they shall also determine

their Connecticut taxable income on separate Connecticut income tax returns as married individuals filing separately. Each spouse, in computing his or her federal tentative minimum tax for Connecticut alternative minimum tax purposes, shall compute it as a married individual filing separately.

(b) **Joint federal income tax returns.** The federal rules for determining whether a husband and wife qualify for filing a joint federal income tax return also apply for Connecticut income tax purposes. If a husband and wife (other than a husband and wife described in subsection (c) or (d) of this section) file a joint federal income tax return, or if neither spouse files a federal income tax return, they shall file a joint Connecticut income tax return even though one spouse has no income, in which event their income tax liabilities shall be joint and several and each shall be liable for the entire income tax on such joint return. The provisions of this subsection also apply to a husband and wife where each is a part-year resident and has the same period of residence.

(c) **Husband and wife with different resident status.** (1) Resident or nonresident married to part-year resident. If one spouse is a resident and the other spouse is a part-year resident, the resident spouse and the part-year resident spouse shall each file a separate Connecticut income tax return as a married individual filing separately, regardless of whether the spouses file joint or separate federal income tax returns. If one spouse is a nonresident and the other spouse is a part-year resident, the part-year resident spouse (and the nonresident spouse, if otherwise required to file a Connecticut income tax return) shall file a separate Connecticut income tax return as a married individual filing separately, regardless of whether the spouses file joint or separate federal income tax returns. The provisions of this subsection also apply to a husband and wife where each is a part-year resident but each has a different period of residence.

(2) Resident married to nonresident. If one spouse is a resident and the other spouse is a nonresident, the resident spouse (and the nonresident spouse, if otherwise required to file a Connecticut income tax return) shall file a separate Connecticut income tax return as a married individual filing separately, unless the spouses file a joint federal income tax return, and they elect to file a joint Connecticut resident income tax return in which their joint Connecticut taxable income is determined as if both were residents. If the spouses file such a joint Connecticut resident income tax return, they shall be jointly and severally liable for the entire Connecticut income tax on such return. Such spouses may revoke their election to file a joint Connecticut income tax return, even if they have not or cannot revoke their election to file a joint federal income tax return. If they file separate Connecticut income tax returns, their income tax liabilities shall be separate.

(d) **Nonresident husband and wife where only one spouse has Connecticut-sourced income.** If both spouses are nonresidents and they file a joint federal income tax return, but only one spouse had income derived from or connected with sources within this state during the taxable year, only that spouse is required to file a Connecticut income tax return as a married individual filing separately, and only that spouse's income is used as the basis for the calculation of Connecticut income tax liability. However, the spouses may both elect to file a joint Connecticut nonresident income tax return, in which case their joint income shall be used to determine their Connecticut taxable income. If the spouses file such a joint Connecticut nonresident income tax return, they shall be jointly and severally liable for the entire Connecticut income tax on such return. Such spouses may revoke their election to file a joint Connecticut income tax return, even if they have not or cannot revoke their election to file a joint federal income tax return.

(e) **Member of the armed forces.** Every married member of the armed forces of the United States who:

(1) files a federal income tax return as a married individual filing separately, is subject to the provisions of subsection (a) of this section (separate Connecticut income tax returns); or

(2) files a joint federal income tax return and is a resident individual married to a nonresident individual, is subject to the provisions of subsection (c) of this section (husband and wife with different resident status); or

(3) files a joint federal income tax return and is a nonresident individual married to a resident individual, is subject to the provisions of subsection (c) of this section (husband and wife with different resident status); or

(4) files a joint federal income tax return and is a nonresident individual married to a nonresident individual, is subject to the provisions of subsection (d) of this section (nonresident spouses, where only one spouse has Connecticut-sourced income).

(f) While this section pertains to Section 12-702(c)(1) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-702(c)(1)-2. Relief of spouse from Connecticut income tax liability on joint Connecticut income tax return

(a) If a joint Connecticut income tax return was filed, pursuant to § 12-702(c)(1)-1 of this Part, on which there is a substantial understatement of Connecticut income tax attributable to grossly erroneous items of one spouse, the other spouse (the “innocent spouse”) shall be relieved of liability for such understated Connecticut income tax (including interest, penalties and other amounts) for such taxable year if:

(1) the spouse seeking relief establishes that, in signing such return, he or she did not know, and had no reason to know, that there was such substantial understatement; and

(2) taking into account all the facts and circumstances, including whether or not the spouse seeking relief benefited directly or indirectly from the grossly erroneous items, it is inequitable to hold such spouse liable for the understated Connecticut income tax for such taxable year.

(b) A spouse may make application for the relief provided for in this section by filing with the Commissioner a sworn statement stating all the facts and circumstances set forth in subdivisions (a)(1) and (2) of this section in support of such application. The Commissioner may request additional sworn statements, testimony under oath or any other proof required to determine whether the applicant should be relieved of liability for Connecticut income tax as provided in this section.

(c) For the purposes of this section:

(1) the term “grossly erroneous items” means, with respect to any spouse, any item of Connecticut adjusted gross income attributable to such spouse which is omitted from Connecticut adjusted gross income and any claim for Connecticut income tax purposes of a deduction, exemption, credit or basis by such spouse in an amount for which there is no basis in fact or law;

(2) the term “substantial understatement” means a difference between the amount of the Connecticut income tax required to be reported on the Connecticut income tax return for the taxable year and the amount of Connecticut income tax actually reported on the Connecticut income tax return that exceeds \$500; and

(3) the determination of the spouse to whom items of Connecticut adjusted gross income (other than Connecticut adjusted gross income derived from property) are attributable shall be made without regard to community property laws.

(d) Connecticut income tax liability attributable to a substantial understatement shall exceed the specified percentage (as provided in subdivision (1) of this subsection) of the innocent spouse's Connecticut adjusted gross income.

(1) Except as provided in subdivision (3) of this subsection, the provisions of this section apply:

(A) if the innocent spouse's Connecticut adjusted gross income for the most recent taxable year ending before the date the deficiency notice is mailed is \$20,000 or less, only if the liability for Connecticut income tax described in subsection (a) of this section (including interest, penalties and other amounts) attributable to the substantial understatement is greater than 10% of such Connecticut adjusted gross income; or

(B) if the innocent spouse's Connecticut adjusted gross income for the most recent taxable year ending before the date the deficiency notice is mailed is more than \$20,000, only if the liability for Connecticut income tax described in subsection (a) of this section (including interest, penalties and other amounts) attributable to the substantial understatement is greater than 25% of such Connecticut adjusted gross income.

(2) For purposes of this subsection, if the innocent spouse is married to another spouse at the close of such year, the innocent spouse's Connecticut adjusted gross income shall include the Connecticut adjusted gross income of the new spouse, whether or not they file a joint Connecticut income tax return.

(3) The requirements contained in subdivision (1) of this subsection do not apply to a substantial understatement attributable to an omission from Connecticut adjusted gross income. Therefore, the relief provided by this section shall be available without the need to meet the applicable percentage limitation specified in this subsection where there is a substantial understatement attributable to an omission from Connecticut adjusted gross income.

(f) While this section pertains to Section 12-702(c)(1) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-702(c)(1)-3. Enrolled member of federally recognized tribe

(a) **In general.** Income of an enrolled member of a federally recognized tribe is exempt from Connecticut income tax as long as the member (i) resides in Indian country and (ii) only has income that is derived from or connected with sources within Indian country. Income of an enrolled member of a federally recognized tribe is subject to Connecticut income tax in the same manner as if the person were not an enrolled member if the member does not reside in Indian country. See *McClanahan v. State Tax Commission*, 411 U.S. 164 (1973), *White Mountain Apache Tribe v. Bracker*, 448 U.S. 136 (1980) and *Oklahoma Tax Commission v. Sac and Fox Nation*, 508 U.S. , 124 L. Ed. 2d 30 (1993).

(b) **Unmarried member residing in Indian country.** Every enrolled member who is unmarried and who resides in Indian country located within Connecticut—

(1) all of whose Connecticut adjusted gross income is derived from or connected with sources within Indian country, shall be exempt from Connecticut income tax.

Such member shall file a Connecticut income tax return and write “exempt under section 12-702(c)(1)-3(b)” thereon.

(2) only some of whose Connecticut adjusted gross income is derived from or connected with sources within Indian country, shall be subject to Connecticut income tax. His or her Connecticut income tax liability shall be determined by multiplying his or her Connecticut income tax liability calculated as if he or she were not an enrolled member by a fraction, the numerator of which is Connecticut adjusted gross income that is not derived from or connected with sources within Indian country and the denominator of which is Connecticut adjusted gross income. Such member shall write “subject to tax under section 12-702(c)(1)-3(b)” on his or her Connecticut income tax return.

(c) **Unmarried member not residing in Indian country.** Every enrolled member who is unmarried and who does not reside in Indian country, shall be subject to Connecticut income tax in the same manner as if he or she were not an enrolled member of a federally recognized tribe.

(d) **Member residing in Indian country and married to nonmember.** Every enrolled member residing in Indian country and married to a person who is not an enrolled member shall file a separate Connecticut income tax return or a joint Connecticut income tax return in accordance with the provisions of section 12-702(c)(1)-1.

(1) If a joint Connecticut income tax return is required or permitted to be filed and the enrolled member’s spouse has no income, and—

(A) all of the enrolled member’s Connecticut adjusted gross income is derived from or connected with sources within Indian country, such member and his or her spouse shall be exempt from Connecticut income tax. They shall file a joint Connecticut income tax return and write “exempt under section 12-702(c)(1)-3(d)(1)” thereon.

(B) only some of the enrolled member’s Connecticut adjusted gross income is derived from or connected with sources within Indian country, such member and his or her spouse shall be subject to Connecticut income tax. Their Connecticut income tax liability shall be determined by multiplying their Connecticut income tax liability calculated as if neither of them were an enrolled member by a fraction, the numerator of which is their Connecticut adjusted gross income that is not derived from or connected with sources within Indian country and the denominator of which is their Connecticut adjusted gross income. They shall write “subject to tax under section 12-702(c)(1)-3(d)(1)” on their Connecticut income tax return.

(2) If a joint Connecticut income tax return is required or permitted to be filed and the enrolled member’s spouse has income, the enrolled member and his or her spouse shall be subject to Connecticut income tax. Their Connecticut income tax liability shall be determined by multiplying their Connecticut income tax liability calculated as if neither of them were an enrolled member by a fraction, the numerator of which is their Connecticut adjusted gross income that is not derived from or connected with sources within Indian country and the denominator of which is their Connecticut adjusted gross income. They shall write “subject to tax under section 12-702(c)(1)-3(d)(2)” on their Connecticut income tax return.

(3) If a separate Connecticut income tax return is required to be filed, the provisions of subsection (a) of this section shall apply to the enrolled member and the provisions of § 12-702(c)(1)-1(a) shall apply to his or her spouse.

(d) **Member not residing in Indian country and married to nonmember.** Every enrolled member not residing in Indian country and married to a person who is not an enrolled member shall be subject to Connecticut income tax in the same

manner as if neither of them were an enrolled member. Each shall file a separate Connecticut income tax return or a joint Connecticut income tax return in accordance with the provisions of § 12-702(c)(1)-1.

(e) **Member residing in Indian country and married to member.** Every enrolled member residing in Indian country and married to an enrolled member of the same tribe shall file a separate Connecticut income tax return or a joint Connecticut income tax return in accordance with the provisions of § 12-702(c)(1)-1.

(1) If a joint Connecticut income tax return is required or permitted to be filed by them, and—

(A) all of their Connecticut adjusted gross income is derived from or connected with sources within Indian country, they shall be exempt from Connecticut income tax. They shall file a joint Connecticut income tax return and write “exempt under section 12-702(c)(1)-3(e)(1)” thereon.

(B) only some of their Connecticut adjusted gross income is derived from or connected with sources within Indian country, they shall be subject to Connecticut income tax.

Their Connecticut income tax liability shall be determined by multiplying their Connecticut income tax liability calculated as if neither of them were an enrolled member by a fraction, the numerator of which is their Connecticut adjusted gross income that is not derived from or connected with sources within Indian country and the denominator of which is their Connecticut adjusted gross income. They shall write “subject to tax under section 12-702(c)(1)-3(e)(1)” on their Connecticut income tax return.

(2) If a separate Connecticut income tax return is required to be filed, and—

(A) all of a spouse’s Connecticut adjusted gross income is derived from or connected with sources within Indian country, the spouse shall be exempt from Connecticut income tax. The spouse shall file a separate Connecticut income tax return and write “exempt under section 12-702(c)(1)-3(e)(2)” thereon.

(B) only some of a spouse’s Connecticut adjusted gross income is derived from or connected with sources within Indian country, the spouse shall be subject to Connecticut income tax. The spouse’s Connecticut income tax liability shall be determined by multiplying his or her Connecticut income tax liability calculated as if he or she were not an enrolled member by a fraction, the numerator of which is his or her Connecticut adjusted gross income that is not derived from or connected with sources within Indian country and the denominator of which is his or her Connecticut adjusted gross income. The spouse shall write “subject to tax under section 12-702(c)(1)-3(e)(2)” on his or her Connecticut income tax return.

(f) **Member not residing in Indian country and married to member.** Every enrolled member not residing in Indian country and married to an enrolled member of the same tribe shall be subject to Connecticut income tax in the same manner as if neither of them were an enrolled member. Each shall file a separate Connecticut income tax return or a joint Connecticut income tax return in accordance with the provisions of § 12-702(c)(1)-1.

(g) **Definitions.** For purposes of this section:

(1) “Enrolled member” means an enrolled member of a federally recognized tribe.

(2) “Indian country” means Indian country, as defined in 18 U.S.C. § 1151.

(3) “Derived from or connected with sources within Indian country” is to be so construed so as to accord with the definition of the term “derived from or connected with sources within this state” set forth in Part II in relation to the adjusted gross income of a nonresident individual.

(4) “Connecticut adjusted gross income that is not derived from or connected with sources within Indian country” means the difference remaining after Connecticut adjusted gross income derived from or connected with sources within Indian country is subtracted from Connecticut adjusted gross income.

(h) While this section pertains to Section 12-702(c)(1) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

PART VI. Credit for income taxes paid to another jurisdiction

Sec. 12-704(a)-1. Resident or part-year resident credit for taxes paid to another state, political subdivision of another state, the District of Columbia, a province of Canada or political subdivision of a province of Canada

(a) **Individuals.** (1) Where a resident or part-year resident individual has paid income tax to a qualifying jurisdiction (as defined in § 12-704(a)-4 of this Part) on income derived from or connected with sources therein, such individual is allowed a credit against the Connecticut income tax on account of the income tax paid to such qualifying jurisdiction to the extent permitted by this Part.

(2) If a resident or part-year resident individual claims a credit against Connecticut income tax under this Part, such person shall attach to the Connecticut income tax return a copy of the income tax return filed with the qualifying jurisdiction(s).

(b) **Trusts and estates.** A resident trust or estate, or a part-year resident trust, is entitled to a similar credit against Connecticut income tax, computed in the same way and subject to the same exceptions and limitations set forth in this Part. Wherever reference is made in this Part to resident individuals and part-year resident individuals, such reference shall be construed to include resident trusts and estates and part-year resident trusts, respectively, provided any reference to a resident individual’s Connecticut adjusted gross income or Connecticut adjusted gross income derived from or connected with sources in a qualifying jurisdiction shall be construed to mean a resident trust or estate’s Connecticut taxable income or Connecticut taxable income derived from or connected with sources in a qualifying jurisdiction, respectively.

(c) While this section pertains to Section 12-704(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-704(a)-2. Limitations—general

(a) The amount of the credit against Connecticut income tax for income taxes paid to a qualifying jurisdiction(s) is subject to the limitations provided in subsections (b), (c), (d), and (e) of this section and in § 12-704(c)-1 of this Part. Where the credit is claimed for income taxes paid to two or more qualifying jurisdictions, other than income taxes paid to a state and one or more of its political subdivisions, these limitations shall be applied separately in accordance with this section to each such jurisdiction. Where the credit is claimed for income taxes paid to a state and one or more of its political subdivisions, the credit is subject to the limitations provided in § 12-704(a)-3 and in § 12-704(c)-1 of this Part (and not to the limitations provided in this section).

(b) The credit for income tax paid to a qualifying jurisdiction cannot exceed the income tax paid to a qualifying jurisdiction.

(c) The credit for income tax paid to a qualifying jurisdiction cannot exceed the ratio of the Connecticut tax liability that a taxpayer's Connecticut adjusted gross income derived from or connected with sources in such qualifying jurisdiction bears to such taxpayer's Connecticut adjusted gross income. In the case of a part-year resident, the credit for income tax paid to a qualifying jurisdiction cannot exceed that ratio of the Connecticut tax liability during the residence portion of the taxable year that the taxpayer's Connecticut adjusted gross income derived from or connected with sources in the qualifying jurisdiction during the residence portion of the taxable year bears to the taxpayer's Connecticut adjusted gross income during such portion of the year.

(d) Where a taxpayer is subject to income taxation in more than one qualifying jurisdiction, and a net loss derived from or connected with sources within one such jurisdiction has reduced the taxpayer's Connecticut adjusted gross income, the credit for income tax paid to a qualifying jurisdiction cannot reduce the Connecticut tax payable to an amount less than would have been due if the net loss were excluded from the taxpayer's Connecticut adjusted gross income. In such event, the net loss shall be added back to Connecticut adjusted gross income in applying the provisions of subsection (c) of this section.

(e) The credit for income tax paid to a qualifying jurisdiction(s) cannot exceed the Connecticut tax liability.

(f) The following examples illustrate the application of subsections (b), (c) and (d) of this section:

Example 1. For taxable year 1992, Taxpayer B, a resident trust, has Connecticut taxable income derived from or connected with sources in qualifying jurisdiction U of \$80,000. B's Connecticut taxable income is \$160,000. B paid income tax of \$4,800 to jurisdiction U. B's Connecticut tax liability before the credit is \$7,200. B is allowed a credit for income tax paid to jurisdiction U of \$3,600 $((80,000/160,000) \times 7,200)$.

Example 2. For taxable year 1992, Taxpayers C and D, married resident individuals filing a joint Connecticut income tax return, have the following items included in Connecticut adjusted gross income:

Income from jurisdiction V	\$100,000
Net loss from jurisdiction W	(100,000)
Other income	<u>100,000</u>
Connecticut adjusted gross income	\$100,000

C and D paid income tax of \$6,000 to jurisdiction V, but, although they filed an income tax return with jurisdiction W, they did not owe any income tax thereto for taxable year 1992. C and D's Connecticut tax liability before the credit is \$4,500. They are allowed a credit for income tax paid to jurisdiction V of \$2,250 $((100,000/(100,000 + 100,000)) \times 4,500)$.

Example 3. For taxable year 1992 Taxpayer E, a single individual, was a resident of Connecticut until September 30, 1992 when he became a resident of jurisdiction X. During the resident period, E worked in qualifying jurisdiction Y, earning \$50,000 from jurisdiction Y sources. E's total Connecticut adjusted gross income for his resident period was \$75,000, and for the entire taxable year was \$100,000. E paid income tax to jurisdiction Y in the amount of \$3,000. The Connecticut income tax before the credit for E's period of residence was \$3,375 $(75,000 \times 4.5\%)$. E is

allowed a credit for income tax paid to jurisdiction Y of \$2,250 ($(50,000/75,000) \times 3,375$).

(g) While this section pertains to Section 12-704(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended July 3, 2003)

Sec. 12-704(a)-3. Limitations where credit is claimed for income taxes paid both to a qualifying jurisdiction and also to one or more of its political subdivisions

(a) When a state of the United States imposes an income tax on income derived from sources within such state and one or more of its political subdivisions imposes income tax on the same income (or a portion thereof), the amount of the credit against Connecticut income tax for income taxes paid to that state and its political subdivision(s) is subject to the limitations provided in subsections (b), (c), (d) and (e) of this section and in § 12-704(c)-1 of this Part. When a state does not impose an income tax on income derived from sources within such state but two or more of its political subdivisions impose an income tax on income derived from sources within those respective political subdivisions, the amount of the credit against Connecticut income tax on income taxes paid to those political subdivisions is subject to the limitations provided in § 12-704(a)-2 of this Part (and not to the limitations provided in this section).

(b) Except as further limited by subdivision (3) of subsection (c) of this section, the credit for income tax paid to another state and its political subdivision(s) cannot exceed the total of the income taxes paid to those qualifying jurisdictions.

(c)(1) The credit for income tax paid to another state and its political subdivision(s) cannot exceed the proportion of the Connecticut tax liability that is described in this subsection.

(2) Where the amount of income subject to tax in another state is equal to (and not more or less than) the amount of income subject to tax in a political subdivision of such state, that common amount of income is to be included only once in the numerator, and the credit for income tax paid to a state and its political subdivision cannot exceed the proportion of the Connecticut tax liability that the common amount (the numerator) bears to the taxpayer's Connecticut adjusted gross income (the denominator).

(3) Where the amount of income subject to tax in another state is not equal to (but is more or less than) the amount of income subject to tax in a political subdivision of such state, the credit for income tax paid to a state and its political subdivision cannot exceed the aggregate limitation described in subparagraphs (A) and (B) of this subdivision.

(A) With respect to the common amount subject to tax in both the other state and a political subdivision of such state (the common amount), the credit for income tax paid on the common amount cannot exceed the proportion of the Connecticut tax liability that such common amount (the numerator) bears to the taxpayer's Connecticut adjusted gross income (the denominator). For purposes of the limitation provided in subsection (b) of this section, the income tax considered to have been paid to the qualifying jurisdiction in which the larger amount of income is subject to tax (the larger income jurisdiction) on the common amount is that percentage of the income tax actually paid to the larger income jurisdiction that the common amount bears to the amount of income subject to tax in the larger income jurisdiction.

(B) With respect to the amount in excess of such common amount (the excess amount), the credit for income tax paid on the excess amount cannot exceed the proportion of the Connecticut tax liability that such excess amount (the numerator) bears to the taxpayer's Connecticut adjusted gross income (the denominator). (For purposes of the limitation provided in subsection (b) of this section, the income tax considered to have been paid to the larger income jurisdiction on the excess amount is that percentage of the income tax actually paid to the larger income jurisdiction that the excess amount bears to the amount of income subject to tax in the larger income jurisdiction.)

(d) If a taxpayer is required, under § 12-704(a)-2(d), to add back to Connecticut adjusted gross income a net loss derived from or connected with sources within a qualifying jurisdiction, the same addback shall be made in calculating the credit limitation under subsection (c) of this section.

(e) The credit for income tax paid to another state and its political subdivision(s) cannot exceed the Connecticut tax liability.

(f) The following examples illustrate the application of subsections (b) and (c) of this section.

Example 1: Taxpayer A is a resident of Connecticut and has the following income on which he paid the following amounts of tax: (The amounts of New York State and New York City tax indicated are solely for purposes of illustration.)

(1) Connecticut adjusted gross income	\$160,000
(2) New York State income	80,000
(3) New York City income	80,000
(4) Common amount of income subject to tax in both jurisdictions	80,000
(5) New York State tax	4,800
(6) New York City tax	360
(7) Connecticut tax	7,200

The following entries shall be made on A's Connecticut income tax return (CT-1040, Schedule 2--Credit for Income Taxes Paid to Other Jurisdictions), assuming no addback is required under subsection (d) of this section:

COLUMN A (New York State and New York City)

Line A:	Modified Connecticut AGI	\$160,000
Line B:	Non-Connecticut income included on Line A and reported on another jurisdiction's income tax return (NY State and NY City)	80,000
Line C:	Divide Line B by Line A	.50
Line D:	Connecticut income tax liability	7,200
Line E:	Multiply Line C by Line D	3,600
Line F:	Income tax paid to another jurisdiction (New York State & New York City)	5,160
Line G:	Enter smaller of Line E or Line F	3,600
Line H:	Total credit allowed	\$3,600

Example 2: Taxpayer B is a Connecticut resident and has the following income on which he paid the following amounts of tax: (The amounts of New York State and New York City tax indicated are solely for purposes of illustration.)

(1) Connecticut adjusted gross income	\$100,000
(2) New York State income	40,000

(3) New York City income	50,000
(4) Common amount of income subject to tax in both jurisdictions	40,000
(5) New York State tax	2,400
(6) New York City tax	225
(7) Connecticut tax	4,500

The following entries shall be made on B's Connecticut income tax return (CT-1040, Schedule 2--Credit for Income Taxes Paid to Other Jurisdictions), assuming no addback is required under subsection (d) of this section:

Step 1:

COLUMN A (New York State and New York City)

Line A:	Modified Connecticut AGI	\$100,000
Line B:	Non-Connecticut income included on Line A and reported on another jurisdiction's income tax return	40,000
Line C:	Divide Line B by Line A	.40
Line D:	Connecticut income tax liability	4,500
Line E:	Multiply Line C by Line D	1,800
Line F:	Income tax paid to another jurisdiction: New York State tax 2,400 Prorated New York City tax (40,000/50,000 x 225)* + 180	2,580
Line G:	Enter smaller of Line E or Line F	1,800
Line H:	Credit allowed	\$1,800

Step 2:

COLUMN B (New York City excess)

Line A:	Modified Connecticut AGI	100,000
Line B:	Non-Connecticut income included on Line A and reported on another jurisdiction's income tax return (the portion of New York City income on which no tax was imposed by New York State)	10,000
Line C:	Divide Line B by Line A	.10
Line D:	Connecticut income tax liability	4,500
Line E:	Multiply Line C by Line D	450
Line F:	Income tax paid to another jurisdiction: Prorated New York City Tax (10,000/50,000 x 225)*	45
Line G:	Enter smaller of Line E or Line F	45
Line H:	Credit allowed	\$45

Step 3:

Total credit allowed:	
Step 1	\$1,800
Step 2	<u>45</u>
	\$1,845

*Line F illustrates the further limitation of subsection (b) by subdivision (c)(3) of this section.

(g) While this section pertains to Section 12-704(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended July 3, 2003)

Sec. 12-704(a)-4. Definitions

(a) As used in this Part, unless the context otherwise requires:

(1) “Connecticut tax liability” means the Connecticut income tax determined pursuant to chapter 229, after subtracting any personal credit allowable under Section 12-703 of the general statutes, but before subtracting the credit for taxes paid to other qualifying jurisdictions allowable under Section 12-704 of the general statutes and the regulations of this Part, but does not include any net Connecticut minimum tax, as defined in section 12-701 of the General Statutes.

(2) “Income tax paid to a qualifying jurisdiction” means the lesser of (i) the income tax (other than an alternative minimum tax that is similar to that imposed under section 12-700a of the General Statutes) that is actually due to a qualifying jurisdiction for the taxable year, exclusive of any interest and penalties, or (ii) the income tax (other than an alternative minimum tax that is similar to that imposed under section 12-700a of the General Statutes) that is actually paid thereto for the taxable year, exclusive of any penalties or interest.

(3) “Income derived from or connected with sources within a qualifying jurisdiction” is to be construed so as to accord with the definition of the term “derived from or connected with sources within this state” set forth in Part II in relation to the adjusted gross income of a nonresident individual. Thus, the credit against Connecticut income tax is allowed for income tax imposed by another jurisdiction upon compensation for personal services performed in the other jurisdiction, income from a business, trade or profession carried on in the other jurisdiction, and income from real or tangible personal property situated in the other jurisdiction. On the other hand, the credit is not allowed for tax imposed by another jurisdiction upon income from intangibles, except where such income is from property employed in a business, trade or profession carried on in the other jurisdiction. For example, no credit is allowed for an income tax of another jurisdiction on dividend income not derived from property employed in a business, trade or profession carried on in such jurisdiction.

(4) “Qualifying jurisdiction” means a state of the United States, a political subdivision of such a state, or the District of Columbia, but does not mean the United States or any other nation or political subdivision of any other nation.

(b) While this section pertains to Section 12-704(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended June 29, 2001, July 3, 2003)

Sec. 12-704(b)-1. Amended Connecticut income tax return to report any change in the amount of income tax required to be paid to a qualifying jurisdiction

(a) If a taxpayer has claimed a credit under this part for a taxable year for income tax paid to a qualifying jurisdiction, and a change or correction is made to the income tax return of the qualifying jurisdiction by the tax officers or other competent authorities of such jurisdiction for such taxable year in such a manner that the

amount of income tax that the taxpayer is finally required to pay to that jurisdiction is different from the amount used to determine the credit under this part, the taxpayer, on or before the date that is 90 days after the final determination of such amount, shall file an amended Connecticut income tax return for the taxable year affected, irrespective of any otherwise applicable statute of limitations, but only if the change or correction of the income tax return of the qualifying jurisdiction increases or decreases the taxpayer's Connecticut tax liability (by decreasing or increasing the amount of the credit under this part). If such a change or correction so increases the taxpayer's Connecticut tax liability, such taxpayer shall be required to pay the additional tax, plus interest, to the department for the taxable year affected, irrespective of any otherwise applicable statute of limitations. If such a change or correction so decreases the taxpayer's Connecticut tax liability, § 12-732(b)-1(b)(1) of Part XII shall also apply. If the taxpayer has not filed the required return within three months after such final determination, the provisions of § 12-735(b)-1 of Part XII shall also apply.

(b) If a taxpayer who has claimed a credit under this part for a taxable year for income tax paid to a qualifying jurisdiction subsequently files a timely amended income tax return for such taxable year with such jurisdiction in such a manner that the amount of income tax that the taxpayer is required to pay to that jurisdiction is different from the amount used to determine the credit under this part, the taxpayer, on or before the date that is 90 days after the date of filing of such amended return, shall file an amended Connecticut income tax return for the taxable year affected, irrespective of any otherwise applicable statute of limitations, but only if the amendment of the income tax return of the qualifying jurisdiction increases or decreases the taxpayer's Connecticut tax liability (by decreasing or increasing the amount of the credit under this part). If such an amendment so increases the taxpayer's Connecticut tax liability, such taxpayer shall be required to pay the additional tax, plus interest, to the department for the taxable year affected, irrespective of any otherwise applicable statute of limitations. If such an amendment so decreases the taxpayer's Connecticut tax liability, § 12-732(b)-1(b)(2) of Part XII shall also apply. If the taxpayer has not filed the required return within three months after the date of filing of such amended return, the provisions of § 12-735(b)-1 of Part XII shall also apply.

(c) While this section pertains to Section 12-704(b) of the Connecticut General Statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the Connecticut General Statutes, the adoption of this section is authorized by Section 12-740(a) of the Connecticut General Statutes.

(Effective November 18, 1994; amended June 29, 2001)

Sec. 12-704(c)-1. Disallowance where credit is claimed against the income tax imposed by a qualifying jurisdiction for a taxpayer's Connecticut tax liability

(a) No credit for income tax paid to a qualifying jurisdiction shall be allowed if a taxpayer has claimed or shall claim a credit against the income tax imposed by such jurisdiction for the taxpayer's Connecticut tax liability on the same income.

(b) The following example illustrates the application of this section:

Example: Taxpayer H, a resident individual, has Connecticut adjusted gross income derived from or connected with sources within qualifying jurisdiction Z, and files an income tax return with that jurisdiction. Under the laws of jurisdiction Z, credit is allowed against the income tax imposed by that jurisdiction, to persons who are nonresidents of jurisdiction Z, for income tax payable to another jurisdiction on the same income that is subject to the income tax imposed by jurisdiction Z. If

Taxpayer H, in filing his income tax return with jurisdiction Z, claims the credit allowed under the laws of that jurisdiction for income tax payable to Connecticut on the same income, Taxpayer H shall not be allowed a credit against Connecticut income tax for income tax paid to jurisdiction Z.

(c) While this section pertains to Section 12-704(c) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended July 3, 2003)

Sec. 12-704(d)-1.

(Effective November 18, 1994; amended and renumbered to § 12-704 (c)-1, July 3, 2003)

PART VII. Partnerships and S corporations

Sec. 12-712(a)(1)-1. Partnership income and deductions of a nonresident partner derived from Connecticut sources

The Connecticut adjusted gross income derived from or connected with sources within this state of a nonresident partner includes such partner's distributive share of all items of partnership income, gain, loss and deduction entering into federal adjusted gross income to the extent such items are derived from or connected with Connecticut sources, as defined in Part II.

(Effective November 18, 1994)

Sec. 12-712(a)(2)-1. Nonresident shareholder's pro rata share of S corporation income derived from or connected with sources within Connecticut

(a) The Connecticut adjusted gross income derived from or connected with sources within this state of a nonresident individual who is a shareholder of an S corporation that has any income, gain, loss or deduction derived from or connected with sources within Connecticut includes such shareholder's pro rata share of the S corporation's separately and nonseparately computed income or loss entering into federal adjusted gross income to the extent such income or loss is derived from or connected with Connecticut sources, as defined in Part II.

(b) With respect to a nonresident individual who is a shareholder of an S corporation that has any income, gain, loss or deduction derived from or connected with sources within Connecticut, the portion of such shareholder's pro rata share of the modifications described in §§ 12-715(a)-2 and 12-715(b)-2 of this Part relating to the S corporation's separately and nonseparately computed income or loss that is derived from or connected with sources within Connecticut is to be determined so as to accord with the definition of the term "derived from or connected with sources within this state" set forth in Part II.

(Effective November 18, 1994; amended March 8, 2006)

Sec. 12-712(b)-1. Special rules as to nonresident partners

(a) In determining whether a nonresident partner's share of partnership income is derived from or connected with Connecticut sources, no effect is given to a provision in a partnership agreement which characterizes payments to a partner as either salary or other compensation paid or distributable for services rendered to the partnership by the partner, or as being interest or other consideration paid or distributable for the use of capital of a partner.

(b) Likewise, no effect is given to a provision in a partnership agreement which allocates to a nonresident partner, as income or gain derived from or connected

with sources outside Connecticut, a greater proportion of such partner's distributive share of partnership income or gain than the ratio of partnership income or gain from sources outside Connecticut to partnership income or gain from all sources. For example, if a nonresident partner's distributive share of partnership income for federal income tax purposes is \$5,000 and 60% of the partnership income is derived from or connected with Connecticut sources, the nonresident partner is required to report on the Connecticut nonresident income tax return \$3,000 (60% of \$5,000) as such partner's distributive share of partnership income derived from or connected with sources within this state, even though, under the partnership agreement, such partner's share of the total Connecticut income of the partnership may have been fixed at less than \$3,000.

(c) Likewise, no effect is given to a provision in a partnership agreement which allocates to a nonresident partner a greater proportion of a particular partnership item of loss or deduction derived from or connected with sources within Connecticut than such partner's proportionate share for federal income tax purposes of partnership loss or deduction generally. For example, if a nonresident partner's distributive share of partnership loss for federal income tax purposes is \$5,000, and 60% of the partnership loss is derived from or connected with Connecticut sources, the nonresident partner is required to report on the Connecticut nonresident income tax return \$3,000 (60% of \$5,000) as such partner's distributive share of partnership loss derived from or connected with sources within this state, even though, under the partnership agreement, such partner's share of the total Connecticut loss of the partnership may have been fixed at more than \$3,000.

(d) While this section pertains to Section 12-712(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-712(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-715(a)-1. Modification of partnership items in partner's income tax return

(a) In determining the Connecticut adjusted gross income of a resident partner, any of the modifications referred to in §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I that relate to a partnership item of income, gain, loss or deduction shall be made with respect to the distributive share of the partner in such item as determined for federal income tax purposes. Such modification, if applicable, shall be made regardless of whether, in the partner's federal income tax return, the partnership item is reflected in such partner's distributive share of partnership taxable income or loss reported in accordance with section 702(a)(8) of the Internal Revenue Code or is one of the items separately reported under the other subparagraphs of such section 702(a).

(b) In determining Connecticut adjusted gross income, a resident partner shall combine the modifications relating to such partner's share of any partnership item with the modification relating to any similar item from sources other than the partnership. For example, if some of the partnership income is derived from interest on bonds of another state, not subject to federal income tax, and if the individual income of a resident partner also includes similar bond interest, such partner shall add to federal adjusted gross income both the distributive share of the partnership income from such bonds and the interest from similar bonds that such partner received individually rather than from the partnership.

(c) The amount of any modification to be made by a partner with respect to a partnership item of income, gain, loss or deduction is to be determined as follows:

(1) If a modification relates to any item subject to special allocation among the partners under the partnership agreement, which item is therefore accounted for separately for federal income tax purposes, the amount of each partner's share of the modification is determined by such partner's distributive share of such item for federal income tax purposes.

(2) If a modification relates to an item that is included in computing the partnership's taxable income or loss generally (i.e., that portion of federal adjusted gross income described in section 702(a)(8) of the Internal Revenue Code), other than an item subject to a special allocation among the partners under the partnership agreement that differs from the allocation of partnership taxable income or loss generally, each partner's modification relating to that item is determined by such partner's distributive share for federal income tax purposes of the taxable income or loss of the partnership required to be reported in accordance with said section 702(a)(8).

(3) If a modification relates to an item that is not taken into account for federal income tax purposes (such as interest income on bonds of other states) and such item is not one which is subject to a special allocation among the partners under the partnership agreement that differs from the allocation of partnership taxable income or loss generally, each partner's modification in respect to such an item is determined by such partner's distributive share for federal income tax purposes of the taxable income or loss of the partnership described in section 702(a)(8) of the Internal Revenue Code.

(4) If a modification relates to an item that is not taken into account for federal income tax purposes (such as interest income on bonds of other states) and such item is one which is subject to a special allocation among the partners under the partnership agreement that differs from the allocation of partnership taxable income or loss generally, each partner's modification in respect to such an item is determined by the allocation provided for in the partnership agreement.

(d) The modifications covered by this section do not apply to any item attributable to the partner directly and not reflected on the Connecticut partnership informational return (Form CT-1065), such as a gain that the partner realizes on the sale of the partnership interest.

(e) While this section pertains to Section 12-715(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-715(a)-2. Modification of S corporation items in shareholder's income tax return

(a) In determining the Connecticut adjusted gross income of a resident shareholder of an S corporation, any of the modifications referred to in §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I that relate to an item of S corporation income or loss shall be made with respect to the pro rata share of the shareholder in such item as determined for federal income tax purposes, whether or not, in the shareholder's federal income tax return, such item is reflected in such shareholder's pro rata share of the separately computed income or loss or in such shareholder's pro rata share of the nonseparately computed income or loss.

(b) In determining Connecticut adjusted gross income, a resident shareholder shall combine the modifications relating to such shareholder's pro rata share of any S corporation item with the modification relating to any similar item from sources other than the S corporation. For example, if some of the S corporation income is derived from interest on bonds of another state, not subject to federal income tax, and if the individual income of a resident shareholder also includes similar bond interest, such shareholder shall add to federal adjusted gross income both the pro rata share of the S corporation income from such bonds and the interest from similar bonds that such shareholder received individually rather than from the S corporation.

(c) The amount of any modification to be made by a shareholder with respect to an S corporation item of income or loss is to be determined in accordance with such shareholder's pro rata share of such item for federal income tax purposes. If a modification relates to an item that is not taken into account for federal income tax purposes (such as interest income on bonds of other states), each shareholder's modification in respect to such an item is determined by such shareholder's pro rata share for federal income tax purposes of the S corporation income or loss.

(d) The modifications covered by this section do not apply to any item attributable to the shareholder directly and not reflected on the Connecticut S corporation informational return (Form CT-1120SI), such as a gain that the shareholder realizes on the sale of shares in the S corporation.

(e) While this section pertains to Section 12-715(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-715(b)-1. Character of partnership items

(a) In order that the modifications described in § 12-715(a)-1 of this Part, and the passive activity loss and capital loss limitations described in § 12-711(b)-6 of Part II, may be properly applied to partnership items of income, gain, loss or deduction, each of such partnership items shall have the same character for a partner for Connecticut income tax purposes as for federal income tax purposes. Where an item is not characterized for federal income tax purposes, the item shall have the same character for a partner as if realized directly from the source from which realized by the partnership or incurred in the same manner as incurred by the partnership. If a partnership item is not required to be taken into account for federal income tax purposes (such as interest on bonds of another state), the character of the item for a partner for Connecticut income tax purposes is the same as if the partner, as an individual, had realized or incurred the item directly.

(b) While this section pertains to Section 12-715(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-715(b)-2. Character of S corporation items

(a) In order that the modifications described in § 12-715(a)-2 of this Part, and the passive activity loss and capital loss limitations described in § 12-711(b)-6 of Part II, may be properly applied to S corporation items of income or loss, each of such S corporation items shall have the same character for a shareholder for Connecticut income tax purposes as for federal income tax purposes. Where an item is not

characterized for federal income tax purposes, the item shall have the same character for a shareholder as if realized directly from the source from which realized by the S corporation or incurred in the same manner as incurred by the S corporation. If an S corporation item is not required to be taken into account for federal income tax purposes (such as interest on bonds of another state), the character of the item for a shareholder for Connecticut income tax purposes is the same as if the shareholder, as an individual, had realized or incurred the item directly.

(b) While this section pertains to Section 12-715(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-715(c)-1. Connecticut income tax avoidance or evasion

(a) If a partnership agreement provides for a special allocation among the partners of any item of partnership income, gain, loss or deduction, federal income tax law requires that such a provision be disregarded for federal income tax purposes, where its principal purpose is the avoidance or evasion of federal income tax. In such a case, each partner's distributive share of such item is determined by such partner's distributive share for federal income tax purposes of the taxable income or loss of the partnership as described in section 702(a)(8) of the Internal Revenue Code. This treatment and distribution of the item is reflected in each partner's federal adjusted gross income and, therefore, in each partner's Connecticut adjusted gross income, even though in a particular case no Connecticut income tax avoidance or evasion may be involved.

(b) In certain cases, however, a provision for special allocation does not have as its principal purpose the avoidance or evasion of federal income tax, but has as its principal purpose the avoidance or evasion of Connecticut income tax. In such an instance, any such provision shall be disregarded and each partner's share of the pertinent item of partnership income, gain, loss or deduction shall also be determined by the partner's distributive share for federal income tax purposes of the taxable income or loss of the partnership as described in section 702(a)(8) of the Internal Revenue Code.

(c) Whether the principal purpose of a special allocation of an item is the avoidance or evasion of Connecticut income tax depends on the surrounding facts and circumstances. Among the relevant facts to be considered are the following: whether the partnership or partner individually has a business purpose for the allocation; whether the allocation has substantial economic effect, as the term is used in section 704(b)(2) of the Internal Revenue Code (i.e., whether the allocation may actually affect the dollar amount of the partners' shares of the total partnership income or loss independently of Connecticut income tax consequences); whether related items of income, gain, loss or deduction from the same source are subject to the same allocation; whether the allocation was made without recognition of normal business factors and only after the amount of the specially allocated item could reasonably be estimated; the duration of the allocation; and the overall Connecticut income tax consequences of the allocation.

Example: A and B are equal partners. The partnership agreement, however, allocates to A, who has a higher effective rate of Connecticut income tax than B, all interest income on bonds of the State of Connecticut held by the partnership and allocates to B all interest income on bonds of other states. The partnership agreement also provides that any difference in the amounts of such interest income

allocated to each partner is to be equalized out of other partnership income. Because the purpose and effect of this allocation is solely to reduce the Connecticut income tax of A without actually affecting the distributive shares of A and B in partnership income, such allocation is not recognized. Accordingly, in determining their respective Connecticut adjusted gross incomes, A and B each shall add to federal adjusted gross income one-half of the interest income from bonds of other states under § 12-701(a)(20)-2 of Part I.

(d) While this section pertains to Section 12-715(c) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-726(a)-1. Informational return required from partnership

(a) A partnership as such is not subject to the income tax, but a partnership which has any income, gain, loss or deduction derived from or connected with sources within Connecticut (as determined under Part II), regardless of the amount, is required by Section 12-726(a) of the Connecticut General Statutes to file Form CT-1065/CT-1120SI. The return shall be filed on or before the fifteenth day of the fourth month following the close of the taxable year of the partnership, irrespective of the taxable years of its partners.

(b) The return shall set forth, for each taxable year of the partnership—

(1) all items of income, gain, loss and deduction;

(2) the complete name and address, taxable year and social security or federal employer identification number of each partner;

(3) the amount of each partner's distributive share of income, gain, loss and deduction (A) derived from or connected with sources within Connecticut and (B) derived from or connected with sources without Connecticut;

(4) the amount of each partner's distributive share of the modifications described in §§ 12-715(a)-1 and 12-715(b)-1 of this Part that relate to partnership items of income, gain, loss or deduction (A) derived from or connected with sources within Connecticut and (B) derived from or connected with sources without Connecticut; and

(5) such other information or schedules as the Department may prescribe on its forms and instructions.

(c) On or before the date on which the return is filed, the partnership shall furnish to each person who was a partner during the taxable year to which the return pertains such information as is shown thereon concerning the amount of such partner's (1) distributive share of income, gain, loss and deduction (A) derived from or connected with sources within Connecticut and (B) derived from or connected with sources without Connecticut and (2) distributive share of the modifications described in §§ 12-715(a)-1 and 12-715(b)-1 of this Part that relate to partnership items of income, gain, loss or deduction (A) derived from or connected with sources within Connecticut and (B) derived from or connected with sources without Connecticut.

(Effective November 18, 1994; amended March 8, 2006)

Sec. 12-726(b)-1. Informational return required from S corporation

(a) An S corporation as such is not subject to the income tax, but an S corporation that has any income, gain, loss or deduction derived from or connected with sources within Connecticut is required by Section 12-726(b) of the Connecticut General Statutes to file Form CT-1065/CT-1120SI. The return shall be filed on or before

the fifteenth day of the fourth month following the close of the taxable year of the S corporation, irrespective of the taxable years of its shareholders.

(b) The return shall set forth, for each taxable year of the S corporation—

(1) all items of income, gain, loss and deduction, and the complete name and address, taxable year and social security or federal employer identification number of each shareholder;

(2) the amount of each shareholder's pro rata share of the S corporation's (A) nonseparately computed income or loss (i) derived from or connected with sources within Connecticut and (ii) derived from or connected with sources without Connecticut, and (B) separately computed income or loss (i) derived from or connected with sources within Connecticut and (ii) derived from or connected with sources without Connecticut.

(3) the amount of each shareholder's pro rata share of (A) the modifications described in §§ 12-715(a)-2 and 12-715(b)-2 of this Part that relate to S corporation items of income or gain derived from or connected with sources within Connecticut and (B) the modifications described in §§ 12-715(a)-2 and 12-715(b)-2 that relate to S corporation items of income or gain derived from or connected with sources without Connecticut.

(4) such other information or schedules as the Department may prescribe on its forms and instructions.

(c) On or before the date on which the return is filed, the S corporation shall furnish to each person who was a shareholder during the taxable year to which the return pertains such information as is shown thereon concerning the amount of such shareholder's (1) pro rata share of separately computed income or loss (A) derived from or connected with sources within Connecticut and (B) derived from or connected with sources without Connecticut, (2) pro rata share of nonseparately computed income or loss. (A) derived from or connected with sources within Connecticut and (B) derived from or connected with sources without Connecticut, and (3) pro rata share of the modifications described in §§ 12-715(a)-2 and 12-715(b)-2 of this Part that relate to S corporation items of income or gain (A) derived from or connected with sources within Connecticut and (B) derived from or connected with sources without Connecticut.

(Effective November 18, 1994; amended March 8, 2006)

PART VIII. Estimated tax

Sec. 12-701(a)(11)-1. Estimated tax

(a) For Connecticut income tax purposes, "estimated tax" means the amount which an individual estimates to be his or her income tax for the taxable year less the amount which such individual estimates to be the sum of any credits allowable for tax withheld pursuant to Part IX. In estimating his or her income tax for the taxable year, a resident individual or part-year resident individual shall take into account the credit allowable for income tax paid to a qualifying jurisdiction pursuant to Part VI. A resident trust or estate, or a part-year resident trust, is entitled to estimate its income tax for the taxable year in a similar fashion and is subject to the same exceptions and limitations set forth in Part VI.

(b) While this section pertains to Section 12-701(a)(11) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-701(a)(12)-1. Required annual payment**(a) General.**

(1) “Required annual payment” means the lesser of (A) 90% of the tax shown on the return for the taxable year, or, if no return is filed, 90% of the tax for such year, or (B) if the preceding taxable year was a taxable year of twelve months and (i) the taxpayer filed a return for the preceding taxable year, 100% of the tax shown on the return of the taxpayer for such preceding taxable year or (ii) zero, if no return was filed, the taxpayer did not have any Connecticut income tax liability for such year and throughout such year the taxpayer was (a) a resident individual, or (b) a nonresident or part-year resident individual with Connecticut-sourced income.

(2) “The tax” means the income tax, as defined in section 12-701(b)-1(a)(10) of Part XIV, taking into account the credit allowable for income tax or alternative minimum tax paid to a qualifying jurisdiction.

(3) “The return” means the originally filed return for the taxable year, provided, if an amended return is filed on or before the due date (determined with regard to any extension of time for filing) of the return for the taxable year, “the return” is such amended return (see Rev. Rul. 83-36, 1983-1 C.B. 358); if an amended return is filed as a consequence of a retroactive change in the provisions of law applicable to the taxable year, “the return” means the amended return, to the extent that the amendment is due to such retroactive change of law; and if separate returns are originally filed by persons married to each other, although they were eligible to file a return jointly, for the taxable year, and, within the time prescribed by Conn. Gen. Stat. § 12-732 for claiming a refund, they file a return jointly for the taxable year, “the return” means such joint return (see Rev. Rul. 80-355, 1980-2 C.B. 374).

(4) In the event that the taxpayer makes a mathematical error, as defined in section 12-731-1, on the return, including but not limited to the making of an incorrect tax computation or the failure to enter a tax computation, “the tax shown on the return” means the tax, as correctly computed.

(5) The same principles apply in determining whether a resident individual, a nonresident individual or a part-year resident individual has made the required annual payment. The principles that apply in determining whether a resident individual, a nonresident individual, or a part-year resident individual has made the required annual payment also apply in determining whether a resident trust or estate, a nonresident trust or estate, or a part-year resident trust, respectively, has made the required annual payment.

(b) Change from joint return to separate returns. If separate Connecticut income tax returns are filed by a husband and wife who filed a joint Connecticut income tax return in the preceding taxable year, the required annual payment for each spouse means the lesser of (A) 90% of the tax shown on the return for the taxable year, or, if no return is filed, 90% of the tax for such year, or (B) if the preceding taxable year was a taxable year of twelve months, the product of the joint Connecticut income tax liability for the preceding taxable year multiplied by a fraction, the numerator of which is the spouse’s separate Connecticut income tax liability for the preceding taxable year (as if a joint Connecticut income tax return had not been filed for the preceding taxable year) and the denominator of which is the sum of each spouse’s separate Connecticut income tax liability for the preceding taxable year (as if a joint Connecticut income tax return had not been filed for the preceding taxable year). The same rule applies where separate Connecticut income tax returns

are filed by unmarried persons who were married to each other and who had filed a joint Connecticut income tax return in the preceding taxable year.

(c) Change from separate returns to joint return. If a joint Connecticut income tax return is filed by a husband and wife who filed separate Connecticut income tax returns (whether as unmarried persons or as married persons filing separately) in the preceding taxable year, the required annual payment of the spouses means the lesser of (A) 90% of the tax shown on the joint return for the taxable year, or (B) if, for each spouse, the preceding taxable year was a taxable year of twelve months, and each spouse filed a return, the sum of 100% of the tax shown on the return of each spouse for such preceding taxable year. If only one of the spouses (whether as an unmarried person or as a married person filing separately) filed a Connecticut income tax return for the preceding taxable year, the required annual payment of the spouses means 90% of the tax shown on the joint return for the taxable year unless the spouse who did not file a Connecticut income tax return for such preceding taxable year did not have any Connecticut income tax liability for such year and was throughout such year (i) a resident individual or (ii) a nonresident or part-year resident individual with Connecticut-sourced income. If neither spouse filed a Connecticut income tax return for the preceding taxable year, the required annual payment of the spouses means 90% of the tax shown on the joint return for the taxable year unless each spouse had no Connecticut income tax liability for such preceding taxable year and each spouse was through such year (i) a resident individual or (ii) a nonresident or part-year resident individual with Connecticut-sourced income.

(d) While this section pertains to Section 12-701(a)(12) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended December 19, 2002)

Secs. 12-720(a)-1—12-720(a)-12.

Repealed, April 6, 2000.

Sec. 12-720(b)-1.

Repealed, April 6, 2000.

Sec. 12-720(c)-1.

Repealed, April 6, 2000.

Sec. 12-720(d)-1.

Repealed, April 6, 2000.

Sec. 12-721(a)-1.

Repealed, April 6, 2000.

Sec. 12-721(b)-1.

Repealed, April 6, 2000.

Sec. 12-722-1. Estimated tax payments by husband and wife. Change of status. Death of a spouse

(a) **General.** A husband and wife may make joint estimated tax payments, as if a joint Connecticut income tax return shall be filed by them for the taxable year, provided that they are eligible to file a joint Connecticut income tax return for the

taxable year. If joint estimated tax payments are made, the liability for estimated tax determined under this Part is joint and several.

(b) Change of status.

(1) The fact that joint estimated tax payments are made by a husband and wife shall not preclude them from filing separate Connecticut income tax returns. Where joint estimated tax payments are made for a taxable year but a joint Connecticut income tax return is not filed for the taxable year, the joint payments for such year may be divided between the husband and wife in such manner as they may agree. If the separate Connecticut income tax returns of the husband and of the wife claim, in the aggregate, more than 100% of the joint estimated tax payments, the Department will treat the husband and wife as not having agreed on the division of the joint estimated tax payments.

(2) In the absence of such an agreement, the portion of the joint estimated tax payments allocated to a spouse shall be that portion of the aggregate of all such joint payments made, as the amount of tax shown on the separate Connecticut income tax return of each taxpayer bears to the sum of the taxes shown on the separate Connecticut income tax returns of the taxpayer and such taxpayer's spouse. The allocation shall be final and shall not be affected by any documentation submitted by either spouse purporting to establish that he or she is entitled to be credited with making all or a portion of such joint payments.

(c) Death of a spouse.

(1) If joint estimated tax payments are made by a husband and wife for a taxable year and later during that same taxable year one spouse dies, no further estimated tax payments are required from the deceased spouse's estate. The surviving spouse, however, may either continue to make joint estimated tax payments for the remainder of the taxable year or may make his or her own separate estimated tax payments. If a surviving spouse elects to make his or her own separate estimated tax payments and a joint Connecticut income tax return is not filed, the joint estimated tax payments previously made may be divided between the deceased spouse's estate and the surviving spouse in such proportion as the surviving spouse and the legal representative of the deceased spouse's estate may agree. If the separate Connecticut income tax returns of the surviving spouse and of the deceased spouse's estate claim, in the aggregate, more than 100% of the joint estimated tax payments, the Department will treat the surviving spouse and the legal representative of deceased spouse's estate as not having agreed on the division of the joint estimated tax payments.

(2) In the absence of such agreement, if separate Connecticut income tax returns are filed by or on behalf of the deceased spouse's estate and surviving spouse, the joint estimated tax payments made up to the date of death shall be allocated to each Connecticut income tax return in the proportion that the amount of the tax shown on such separate Connecticut income tax return bears to the tax shown on the separate Connecticut income tax returns of the surviving spouse and of the deceased spouse's estate. The allocation shall be final and shall not be affected by any documentation submitted by either the surviving spouse or the representative of the deceased spouse's estate purporting to establish that he or she is entitled to be credited with making all or a portion of such joint payments.

(d) While this section pertains to Section 12-722 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Adopted effective February 10, 2004)

Sec. 12-722(a)-1. Addition to tax not subject to interest or penalty

(a) If an individual is subject to an addition to tax under section 12-722(a) of the Connecticut General Statutes, the addition to tax shall not be subject to interest or penalty, whether or not the individual pays the addition to tax on or before the period of underpayment, as described in section 12-722(b) of the General Statutes, expires.

(b) While this section pertains to Section 12-722(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended February 10, 2004)

Sec. 12-722(a)-2.

Repealed, February 10, 2004.

Sec. 12-722(b)-1.

Repealed, February 10, 2004.

Sec. 12-722(c)-1.

Repealed, April 6, 2000.

Sec. 12-722(d)(2)-1. Annualized income installments

(a) A taxpayer may use the annualized income installment method if the taxpayer's income fluctuates throughout the year due to, for example, the operation of a seasonal business. A taxpayer also may use the annualized income installment method if it becomes apparent during the year that the taxpayer overestimated Connecticut taxable income at the time the taxpayer paid any prior installment of estimated income tax. Using the annualized income installment method may enable the taxpayer to reduce the amount of, or eliminate, one or more required installments. To use the annualized income installment method, the taxpayer should establish, by completing a Form CT-2210 (and the annualized income installment schedule thereto) and attaching such form to the Connecticut income tax return for the taxable year, that, in the case of any required installment, the annualized income installment is less than the required installment, as determined under subdivision (1) of subsection (d) of Section 12-722 of the general statutes. A taxpayer who uses the annualized income installment method for any installment due date shall use it for all installment due dates.

(b) In the case of any required installment, the annualized income installment is the excess, if any, of an amount equal to the applicable percentage of the tax for the taxable year on the annualized Connecticut taxable income for months in the taxable year ending before the due date for the installment, over the aggregate amount of any prior required installments for months in the taxable year ending before the due date for the installment. Such prior required installments shall include, in accordance with subsection (k) of section 12-722 of the General Statutes, any tax withheld under chapter 229 of the General Statutes. Where the annualized income installment is less than any required installment, any reduction in such required installment resulting from the application of subdivision (2) of subsection (d) of section 12-722 of the General Statutes shall be recaptured by increasing the amount of the next required installment by the amount of such reduction and by increasing subsequent required installments to the extent that the reduction has not previously been recaptured under such subdivision.

(c) **Example:** A is an unmarried resident individual whose 1992 Connecticut taxable income was \$50,000. The tax shown on A's 1992 Form CT-1040 was \$2249. A's 1992 taxable year was a taxable year of twelve months.

First Required Installment. By the end of the third month of A's 1993 taxable year, A has Connecticut taxable income in the amount of \$15,000. On the basis of A's Connecticut taxable income during the first three months of his 1993 taxable year (\$15,000), A's annualized income is \$60,000 (\$15,000 multiplied by the annualization factor of 4). Therefore, when the first required installment for A's 1993 taxable year is due, the tax that will be shown on A's 1993 Form CT-1040, based on A's projected 1993 Connecticut taxable income of \$60,000, is \$2699. Accordingly, A's required annual payment is the lesser of:

- \$2249, which is 100% of the tax shown on A's 1992 Form CT-1040, or
- \$2429, which is 90% of the tax that will be shown on A's 1993 Form CT-1040 (\$2699), based on A's projected 1993 Connecticut taxable income of \$60,000.

Therefore, A's required annual payment is \$2249. The amount that A shall pay for the first required installment is \$562 (25% of \$2249).

Second Required Installment. By the end of the fifth month of A's 1993 taxable year, A has Connecticut taxable income in the amount of \$20,000 and decides to use the annualized income installment method. On the basis of A's Connecticut taxable income during the first five months of his 1993 taxable year (\$20,000), A's annualized income is \$48,000 (\$20,000 multiplied by the annualization factor of 2.4). The tax on such annualized income is \$1943. The amount that A shall pay for the second required installment is the lesser of:

- \$562, which is 25% of A's required annual payment of \$2249, or
- \$312, which is the tax on the annualized income (\$1943) multiplied by the applicable percentage (0.45), from which product (\$874) is subtracted the amount of the prior required installment for the taxable year (\$562).

The amount that A shall pay for the second required installment is \$312. The amount that shall be recaptured in subsequent required installments is \$250, which is the amount by which the required installment (\$562) is reduced by using the annualized income installment method (\$312).

Third Required Installment. By the end of the eighth month of A's 1993 taxable year, A has Connecticut taxable income in the amount of \$25,000. Because A paid the tax on his annualized income for the second installment, he shall compute the annualized income installment for his third installment. On the basis of A's Connecticut taxable income during the first eight months of his taxable year (\$25,000), A's annualized income is \$37,500 (\$25,000 multiplied by the annualization factor of 1.5). The tax on such annualized income is \$1518. The amount that A shall pay for the third required installment is the lesser of:

- \$812, which is the sum of \$562 (25% of A's required annual payment of \$2249) plus \$250 (the recaptured reduction in the preceding required installment resulting from annualization), or
- \$150, which is the tax on the annualized income amount (\$1518) multiplied by the applicable percentage (0.675), from which product (\$1024) is subtracted the aggregate amount of any prior required installments for the taxable year (\$874).

The amount that A shall pay for the third required installment is \$150. The amount that shall be recaptured in subsequent required installment is \$662, which is the amount by which the required installment (\$812) is reduced by using the annualized income installment method (\$150).

Fourth Required Installment. At the end of A's 1993 taxable year, A has Connecticut taxable income in the amount of \$75,000. Because A paid the tax on his annualized income for the third installment, he shall compute the annualized income installment for his fourth installment. A's total Connecticut taxable income for the year (\$75,000) is the same as his annualized income (\$75,000 multiplied by the annualization factor of 1). The tax on \$75,000 is \$3374. The amount that A shall pay for the fourth required installment is the lesser of:

- \$1224, which is the sum of \$562 (25% of A's required annual payment of \$2249) plus \$662 (the recaptured reduction in the preceding required installment resulting from annualization), or

- \$2013, which is the tax on the annualized income amount (\$3374) multiplied by the applicable percentage (0.9), from which product (\$3037) is subtracted the aggregate amount of any prior required installments for the taxable year (\$1024).

The amount that A shall pay for the fourth installment is \$1224.

If A makes four timely installments in the amounts required, a is not subject to an addition to tax for his 1993 taxable year, and shall pay the balance of tax due (\$1126) on or before the fifteenth day of the fourth month following the close of A's 1993 taxable year.

(d) While this section pertains to Section 12-722(d) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Adopted effective February 10, 2004)

Sec. 12-722(f)-1.

Repealed, February 10, 2004.

Sec. 12-722(g)-1.

Repealed, February 10, 2004.

Sec. 12-722(h)-1.

Repealed, February 10, 2004.

Sec. 12-722(i)-1.

Repealed, April 6, 2000.

Sec. 12-722(j)-1.

See § 12-722(d)(2)-1.

Renumbered and amended, February 10, 2004.

Sec. 12-722(n)-1. Installments due after date of death

(a) In the case of a decedent, payments of estimated income tax installments due after the date of death of the decedent and in respect of income that is earned before the death of the decedent and that is taxable to the decedent (and not to the decedent's estate) are not required, and no addition to tax shall be imposed on any such installments. If the decedent had been making joint estimated tax payments with his or her spouse for the taxable year, no further estimated tax payments are required from the decedent's estate. The surviving spouse may continue to make joint estimated tax payments for the remainder of the taxable year or may make his or her own separate estimated tax payments. If, however, the surviving spouse continues to make joint estimated tax payments for the remainder of the taxable year, the

surviving spouse shall be subject to the imposition of an addition to tax in accordance with the provisions of Section 12-722 of Connecticut General Statutes.

(b) While this section pertains to Section 12-722 of the Connecticut General Statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the Connecticut General Statutes, the adoption of this section is authorized by Section 12-740(a) of the Connecticut General Statutes.

(Adopted effective February 10, 2004.)

PART IX. Withholding

Sec. 12-705(a)-1. Requirement of withholding

(a) An employer is required to register with the Department and deduct and withhold Connecticut income tax if such employer maintains an office or transacts business within this state and pays wages subject to Connecticut income tax.

(b) The income tax is to be withheld on the basis of the same payroll period which is used for federal withholding tax purposes. The employer shall deduct and withhold the tax from the wages of its employees as and when paid, either actually or constructively. Wages are constructively paid when they are credited to the account of or set apart for an employee so that they may be drawn upon by such employee at any time, although not then actually reduced to possession. To constitute payment in such a case, the wages shall be credited to or set apart for the employee without any substantial limitation or restriction as to the time or manner of payment or condition upon which payment is to be made, and shall be made available to the employee so that they may be drawn upon at any time, and their payment brought within the employee's own control and disposition.

(c) Except as otherwise provided in this Part, payments that are, or are treated as if they are, wages on which Connecticut income tax shall be deducted and withheld are those payments that are, or are treated as if they are, wages on which federal income tax shall be deducted and withheld.

(d) See § 12-701(b)-1 of Part XIV for the meaning of terms used in this Part.
(Effective November 18, 1994)

Sec. 12-705(a)-2. Determining Connecticut income tax to be deducted and withheld from wages paid to resident employees

(a) Every employer maintaining an office or transacting business in Connecticut and making payments of wages shall, as provided in this section, deduct and withhold from such wages an amount of Connecticut income tax as determined in accordance with the current edition of the Connecticut Circular CT (Employer Tax Guide and Withholding Tables), except that if the department issues income tax withholding tables subsequent to the publication of the current edition of the Connecticut Circular CT, then the employer shall use those income tax withholding tables to determine how much Connecticut income tax to deduct and withhold from wages.

(b)

(1) Except as otherwise provided in subdivision (2) of this subsection, an employer maintaining an office or transacting business in Connecticut shall deduct and withhold Connecticut income tax from all wages paid to an employee who is a resident individual, even if some or all of the services for which the wages are paid were performed outside Connecticut.

(2) (A) Employee working in one qualifying jurisdiction. If an employee who is a resident individual works for an employer solely in one qualifying jurisdiction, as defined in part VI of these sections, and the employer maintains an office or

transacts business both in Connecticut and in that qualifying jurisdiction, the employer shall first deduct and withhold from the wages paid to an employee who is a resident individual working in that qualifying jurisdiction the income tax required to be deducted and withheld from such wages for that qualifying jurisdiction. If the Connecticut income tax otherwise required to be deducted and withheld from such wages exceeds the income tax required to be deducted and withheld from such wages for that qualifying jurisdiction, the employer shall then deduct and withhold from such wages the difference and pay over that difference to the Department. (See examples 1, 2 and 3 in subdivision (3) of this subsection.)

(B) Employee working in more than one qualifying jurisdiction. If an employee who is a resident individual works for an employer in more than one qualifying jurisdiction, but not in Connecticut, and the employer maintains an office or transacts business both in Connecticut and in the same qualifying jurisdictions in which the employee works for the employer, the employer shall first determine the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages, and shall prorate such amount ("prorated tax amount") between the qualifying jurisdictions in which the employee works for the employer. The prorated tax amount for a qualifying jurisdiction shall be calculated by multiplying the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages by a fraction. The numerator of the fraction is the employee's wages for work performed in the qualifying jurisdiction. The denominator of the fraction is the employee's total wages. The employer shall then deduct and withhold from the employee's wages the income tax required to be deducted and withheld for each such qualifying jurisdiction. If the prorated tax amount for a qualifying jurisdiction exceeds the income tax required to be deducted and withheld from such wages for such qualifying jurisdiction, the employer shall then deduct and withhold from such wages the difference and pay over that difference to the department. (See example 4 in subdivision (3) of this subsection.)

(C) Employee working in one or more qualifying jurisdictions and in Connecticut. If an employee who is a resident individual works for an employer in one or more qualifying jurisdictions and in Connecticut, and the employer maintains an office or transacts business both in Connecticut and in the same one or more qualifying jurisdictions in which the employee works for the employer, the employer shall first determine the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages, and shall prorate such amount ("prorated tax amount"), between Connecticut and the one or more qualifying jurisdictions in which the employee works for the employer. The prorated tax amount for a qualifying jurisdiction shall be calculated by multiplying the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages by a fraction. The numerator of the fraction is the employee's wages for work performed in the qualifying jurisdiction. The denominator of the fraction is the employee's total wages. The employer shall then deduct and withhold from the employee's wages the income tax required to be deducted and withheld for each such qualifying jurisdiction. If the prorated tax amount for a qualifying jurisdiction exceeds the income tax required to be deducted and withheld from such wages for such qualifying jurisdiction, the employer shall then deduct and withhold from such wages the difference and pay over that difference to the department. The employer shall also deduct and withhold from the employee's wages the prorated tax amount for Connecticut, and pay over that amount to the department. The prorated tax amount for Connecticut shall be calculated by sub-

tracting the prorated tax amount for each qualifying jurisdiction in which the employee works for the employer from the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages. (See example 5 in subdivision (3) of this subsection.)

(3) The following examples illustrate the application of this section:

Example 1: A resident individual is employed in Rhode Island by an employer maintaining an office or transacting business both in Connecticut and in Rhode Island. Assuming that the Rhode Island income tax required to be deducted and withheld from the employee's wages is \$100 and that the Connecticut income tax that would otherwise be required to be deducted and withheld from such wages is \$160. The amount of Connecticut income tax that would be required to be deducted and withheld is \$60.

Example 2: A resident individual is employed in Massachusetts by an employer maintaining an office or transacting business both in Connecticut and in Massachusetts. Assuming that the Massachusetts income tax required to be deducted and withheld from the employee's wages is \$200 and that the Connecticut income tax that would otherwise be required to be deducted and withheld from such wages is \$200, no Connecticut income tax would be required to be deducted and withheld from such wages.

Example 3: A resident individual is employed in New York by an employer maintaining an office or transacting business both in Connecticut and in New York. Assuming that the New York income tax required to be deducted and withheld from the employee's wages is \$300 and that the Connecticut income tax that would otherwise be required to be deducted and withheld from such wages is \$250, no Connecticut income tax would be required to be deducted and withheld from such wages.

Example 4: A resident individual is employed in New York and New Jersey by an employer maintaining an office or transacting business in Connecticut, New York and New Jersey. Assume that the Connecticut income tax that would be required to be deducted and withheld from the employee's total wages for work performed in New York and New Jersey is \$500, and that half of the employee's wages are for work performed in New York and the other half are for work performed in New Jersey. Therefore, the prorated tax amount for New York is \$250, and the prorated tax amount for New Jersey is \$250. Assuming that the New York income tax that would be required to be deducted and withheld from the employee's New York wages is \$300, no Connecticut income tax would be required to be deducted and withheld from the employee's New York wages, because the New York income tax required to be deducted and withheld from the employee's wages exceeds the prorated tax amount for New York. Assuming that the New Jersey income tax that would be required to be deducted and withheld from the employee's New Jersey wages is \$210, the amount of Connecticut income tax that would be required to be deducted and withheld from the employee's New Jersey wages is \$40. (This is the amount by which the prorated tax amount for New Jersey (\$250) exceeds the New Jersey income tax required to be deducted and withheld from the employee's wages. Therefore, the amount of Connecticut income tax that would be required to be deducted and withheld from the employee's total wages is \$40.

Example 5: A resident individual is employed in Connecticut and New York by an employer maintaining an office or transacting business in Connecticut and New York. Assume that the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages for work performed in

Connecticut and New York is \$450, and that two-thirds of the employee's wages are for work performed in Connecticut and the other one-third are for work performed in New York.

Therefore, the prorated tax amount for New York is \$150. The prorated tax amount for New York (\$150) is subtracted from the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages (\$450) to calculate the prorated tax amount for Connecticut ($\$450 - \$150 = \$300$).

Assuming that the New York income tax that would be required to be deducted and withheld from the employee's New York wages is \$210, no Connecticut income tax would be required to be deducted and withheld from the employee's New York wages, because the New York income tax required to be deducted and withheld from the employee's New York wages exceeds the prorated tax amount for New York. The amount of Connecticut income tax that would be required to be deducted and withheld from the employee's Connecticut wages is \$300 (the prorated tax amount for Connecticut). Therefore, the amount of Connecticut income tax that would be required to be deducted and withheld from the employee's total wages is \$300.

Example 6: A resident individual is employed in Connecticut, Rhode Island and Massachusetts by an employer maintaining an office or transacting business in Connecticut, Rhode Island and Massachusetts. Assume that the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages for work performed in Connecticut, Rhode Island and Massachusetts is \$800, and that one-fifth of the employee's wages are for work performed in Connecticut, one-fifth of the employee's wages are for work performed in Massachusetts, and the other three-fifths of the employee's wages are for work performed in Rhode Island. Therefore, the prorated tax amount for Massachusetts is \$160, and the prorated tax amount for Rhode Island is \$480. The prorated tax amount for Massachusetts (\$160) and the prorated tax amount for Rhode Island (\$480) are subtracted from the Connecticut income tax that would otherwise be required to be deducted and withheld from the employee's total wages (\$800) to calculate the prorated tax amount for Connecticut ($\$800 - (\$160 + \$480) = \160). Assuming that the Massachusetts income tax that would be required to be deducted and withheld from the employee's Massachusetts wages is \$200, no Connecticut income tax would be required to be deducted and withheld from the employee's Massachusetts wages, because the Massachusetts income tax required to be deducted and withheld from the employee's Massachusetts wages exceeds the prorated tax amount for Massachusetts. Assuming that the Rhode Island income tax that would be required to be deducted and withheld from the employee's Rhode Island wages is \$450, the amount of Connecticut income tax that would be required to be deducted and withheld from the employee's Rhode Island wages is \$30. (This is the amount by which the prorated tax amount for Rhode Island (\$480) exceeds the Rhode Island income tax required to be deducted and withheld from the employee's Rhode Island wages. Therefore, the amount of Connecticut income tax that would be required to be deducted and withheld from the employee's total wages is \$190 ($\$160 + \30).

(c) To determine the amount required to be deducted and withheld from wages paid to employees who are nonresident individuals, see § 12-705(a)-6.

(Effective November 18, 1994; amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002)

Sec. 12-705(a)-3. Certain supplemental compensation

(a) **Supplemental compensation.** “Supplemental compensation” includes bonuses, commissions and overtime pay, paid at the same or a different time as ordinary wages.

(1) When supplemental compensation is paid at the same time as regular wages, the amount of the tax required to be withheld is determined as if the total of the supplemental and regular wages were a single payment for the regular payroll period. For example, if an employee worked overtime hours during a pay period, the employer shall combine the employee’s regular pay and overtime pay in computing the tax to be withheld.

(2) When supplemental compensation is paid at a different time than regular wages, the method of withholding to be used depends on whether the employer withheld income tax from the employee’s regular wages:

(A) If the employer did not withhold from the regular wages, the regular and supplemental compensation shall be added together and the tax computed on the total amount.

(B) If the employer did withhold from the regular wages, the employer shall compute the tax on the combined regular and supplemental compensation, with the tax to be withheld from the supplemental compensation to be the difference between the tax so computed less the tax withheld from regular wages.

(b) **Supplemental unemployment compensation benefits.** Withholding of Connecticut income tax is required with respect to payments of supplemental unemployment compensation benefits paid to an individual to the extent of the amount considered to be wages for federal income tax withholding purposes. Where wages are only partially subject to withholding of Connecticut income tax because a nonresident employee performs services within and without Connecticut, supplemental unemployment compensation benefits paid to such individual are subject to Connecticut income tax withholding to the same extent, in accordance with § 12-705(a)-6 of this Part.

(c) **Wages paid by the United States to members of the armed forces.** Connecticut income tax withholding does not apply to payments by the United States to nonresident military personnel stationed or performing services for the United States armed forces in Connecticut.

(d) **Wages exempt from federal income tax withholding.** Connecticut income tax withholding is not required on any compensation paid to an employee which is exempt from federal income tax withholding (see Internal Revenue Service Circular E, Employer’s Tax Guide).

(e) **Claims for wages under 11 U.S.C. § 507(a)(3).** To the extent that the payment of an allowed priority claim under 11 U.S.C. § 507(a)(3) is treated as a “payment of wages” under section 3402(a)(1) of the Internal Revenue Code by a person who or which is treated as an “employer” under section 3401(d) of the Internal Revenue Code, and the wages are Connecticut wages, as defined in § 12-706(b)-1, such person shall be required to (1) withhold Connecticut income tax from such payment at the highest effective rate of withholding, (2) furnish the wage and tax statement, as described in § 12-706(b)-1, to each claimant and the “state copy” thereof to the Department, and (3) file a quarterly withholding tax return (Form CT-941) and the annual reconciliation return (Form CT-W3) with the Department. This regulation shall not be construed as limiting the generality of the provisions of this Part, or limiting the applicability of such provisions to persons treated as “employers” under section 3401(d) of the Internal Revenue Code.

(f) While this section pertains to Section 12-705(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-705(c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-705(a)-4. Withholding or exemption certificate

(a)

(1) On or before the commencement of employment, an employee shall furnish a completed and signed Form CT-W4 (Employee Withholding or Exemption Certificate) to the employer identifying, by filing status, the personal exemption amount to which such employee is entitled. The employee may not claim a personal exemption amount that is greater than the amount to which such employee is entitled under the existing facts and circumstances, nor may the employee use in determining the proper Connecticut income tax to be withheld the tax shown on the Connecticut income tax return of such employee for the preceding taxable year or 90% of the tax expected to be shown on the Connecticut income tax return for the taxable year.

(2) The employer is required to obtain a Form CT-W4 from the employee. If the employee fails to furnish such form, the employee shall be subject to the highest effective rate of withholding.

(b)

(1) Except as otherwise provided in this section, in cases in which no previous Form CT-W4 is in effect, the employee's Form CT-W4 shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the date on which the form is furnished to the employer by the employee. Except as otherwise provided in this section, such form shall remain in effect until another form takes effect.

(2) Except as otherwise provided in this section, in cases in which a previous Form CT-W4 is in effect, the employee's Form CT-W4 shall take effect as of the beginning of the first payroll period ending, or the first payment of wages made without regard to a payroll period, on or after the thirtieth day after the day on which the form is furnished to the employer by the employee.

(3) Except as otherwise provided in this section, such form shall remain in effect until another form takes effect.

(c) If an employee, in completing a Form CT-W4, claims that wages paid are not subject to withholding, the employer shall forward a copy of such form for the quarter during which such claim is made to the Department, along with the employer's Form CT-941 for such quarter, if the employee is employed by that employer on the last day of the quarter and the employer reasonably expects that

(1) in the case of an employee filing a federal income tax return as a married individual filing separately, the employee's annual wages shall exceed \$36,000,

(2) in the case of an employee eligible to file, and filing, a federal income tax return as a head of household, the employee's annual wages shall exceed \$57,000,

(3) in the case of an employee filing a federal income tax return jointly with his or her spouse, the employee's annual wages shall exceed \$72,000, or

(4) in the case of an employee filing a federal income tax return as an unmarried individual, the employee's annual wages shall exceed three times the maximum exemption amount to which an unmarried individual is entitled under section 12-702 of the general statutes.

(d) If an employee claims exemption from the tax during any calendar year, the employer shall obtain a new completed Form CT-W4 for the following year by

February 15 of the following year or, until such time as the employee furnishes a new completed Form CT-W4, the employer shall withhold Connecticut income tax from the employee's wages at the highest effective rate.

(e) An employer is required, upon written request of the Department, to submit a copy of any Form CT-W4 in effect or make the original available for inspection, together with a copy of any written statement received from the employee in support of the information entered on the Form CT-W4. The Department's request may relate either to one or more named employees or to one or more reasonably segregable units of the employer.

(f)

(1) Except as otherwise provided in subsection (d) or (g) of this section, an employer shall withhold on the basis of the information entered on a Form CT-W4 until the employer receives written notice from the Department indicating that the form is defective and the reason that the form is defective, and instructing the employer how Connecticut income tax is to be withheld from the employee's wages.

(2) If the Department notifies the employer that a Form CT-W4 is defective, the Department shall provide the employer with a copy for the employee of such notice. If the employee is still in such employer's employ, the employer shall promptly furnish such copy to the employee and shall deduct and withhold Connecticut income tax from the employee's wages as instructed by the department.

(3) The employer shall continue to withhold as instructed by the Department unless and until the Director of the Audit Division by written notice revokes the earlier instructions and advises the employer that the employer may accept a new Form CT-W4 completed and signed by the employee. The department shall provide the employer with a copy for the employee of such notice. The employer shall promptly furnish such copy to the employee and shall request that the employee complete and sign a new Form CT-W4. After the employee completes and signs a new Form CT-W4, the employer shall withhold on the basis of the information entered on the form.

(g) Where the employee and the department have entered into an agreement providing for payment of the employee's unpaid taxes and the agreement requires that a certain amount of Connecticut income tax be deducted and withheld from the employee's wages, the department shall provide written notice to an employer, instructing the employer to deduct and withhold Connecticut income tax on the basis of the information entered on a Form CT-W4 that is provided by the department. The department shall provide the employer with a copy for the employee of such notice. The employer shall promptly furnish such copy to the employee. The employer shall deduct and withhold Connecticut income tax from the employee's wages as instructed by the department until the employer receives written notice from the department advising the employer that the employer may accept a new Form CT-W4 completed and signed by the employee. The department shall provide the employer with a copy for the employee of such notice. The employer shall promptly furnish such copy to the employee and shall request that the employee complete and sign a new Form CT-W4. After the employee completes and signs a new Form CT-W4, the employer shall withhold on the basis of the information entered on the form.

(h) While this section pertains to Section 12-705(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002)

Sec. 12-705(a)-5. Addition to or reduction from withholding

(a) In addition to the tax required to be deducted and withheld under this Part, the employee may request that the employer withhold an additional amount from the employee's wages. An employee with other income in addition to compensation subject to withholding may have additional amounts deducted and withheld in order to avoid the requirement of paying estimated taxes. The additional amount deducted and withheld shall be considered as tax required to be deducted and withheld under the Income Tax Act.

(b) An employee may also request that the employer withhold an amount less than that which would otherwise be withheld from such employee in his or her exemption category. Such request may be made when the employee expects to sustain losses which would reduce federal adjusted gross income and thereby reduce such employee's Connecticut adjusted gross income or expects to make modifications under § 12-701(a)(20)-3 in computing Connecticut adjusted gross income. The employee may not use in determining the proper Connecticut income tax to be withheld the tax shown on the Connecticut income tax return of such employee for the preceding taxable year or 90% of the tax expected to be shown on the Connecticut income tax return for the taxable year.

(Effective November 18, 1994)

Sec. 12-705(a)-6. Determining Connecticut income tax to be withheld on wages paid to nonresident employees

(a) Every employer maintaining an office or transacting business in Connecticut and making payments of wages shall, as provided in this section, deduct and withhold from such wages an amount of Connecticut income tax as determined in accordance with the current edition of the Connecticut Circular CT (Employer Tax Guide and Withholding Tables), except that if the department issues income tax withholding tables subsequent to the publication of the current edition of the Connecticut Circular CT, then the employer shall use those income tax withholding tables to determine how much Connecticut income tax to deduct and withhold from wages.

(b) An employer maintaining an office or transacting business in Connecticut shall deduct and withhold Connecticut income tax from all wages paid to an employee who is a nonresident individual if the services of the employee are performed entirely within Connecticut. No Connecticut income tax is to be deducted and withheld from wages paid to an employee who is a nonresident individual for services performed entirely outside Connecticut. Where wages are paid to an employee who is a nonresident individual for services performed partly within and partly without Connecticut, the employer shall deduct and withhold Connecticut income tax from all wages paid to such employee, except as otherwise provided in subsection (c) of this section.

(c) An employer is required to withhold Connecticut income tax on all wages paid to an employee who is a nonresident individual for services performed partly within and partly without Connecticut unless there is filed with such employer a Form CT-W4NA (Employee Withholding or Exemption Certificate--Nonresident Apportionment) or unless the employer maintains adequate current records to determine accurately the amount of wages that is paid for the performance of services within Connecticut. The employer should withhold Connecticut income tax on the wages paid by such employer to an employee who is a nonresident individual performing services partly within and partly without Connecticut on the basis of the apportionment shown by such employee on the Form CT-W4NA, but shall make necessary adjustments during the year so that the proper amount of Connecticut

income tax is withheld from the employee's wages if the employer knows or has reason to know that the apportionment shown on the Form CT-W4NA is not correct. For purposes of making these adjustments, the proportion of wages that is paid for the performance of services within Connecticut is in the same proportion that such employee's wages derived from or connected with sources within Connecticut (determined under the provisions of Part II) bear to the employee's total wages. The proportion of wages that is paid for the performance of services within Connecticut may be determined by the employer on the basis of the preceding year's experience, if reasonable, except that the employer shall make any necessary adjustments during the year to ensure that the required Connecticut income tax is being withheld for the current year if the employer knows or has reason to know that the apportionment shown on the Form CT-W4NA is no longer correct. If the employee reasonably expects that the preceding year's experience shall not be applicable to the current year, the employee shall furnish a new Form CT-W4NA to the employer, estimating the proportion of wages that shall be paid for the performance of services within this state. Forms CT-W4NA shall be retained by the employer and be available for inspection by the Department.

(d) To determine the amount to be withheld from wages paid to employees who are resident individuals, see § 12-705(a)-2.

(Effective November 18, 1994; amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002)

Sec. 12-705(a)-7. Wages paid through an agent, fiduciary or other person on behalf of two or more employers

If payment of wages is made by an employer through an agent, fiduciary, or other person who also pays, or has the control, receipt, custody, or disposal of, the wages payable by another employer to the same employee, the amount of the tax required to be withheld on each wage payment to be made through such agent, fiduciary, or other person shall, whether the wages are paid separately on behalf of each employer or in a lump sum on behalf of all such employers, be determined upon the aggregate amount of such wage payment or payments in the same manner as if the aggregate amount had been paid by one employer. In such a case, each employer is liable for the return and payment of a pro rata portion of the tax so determined, such portion to be determined in the ratio which the amount contributed by the particular employer bears to the aggregate of such wages.

(Effective November 18, 1994)

Sec. 12-705(a)-8. Furnishing amended withholding or exemption certificate

(a) If, during the taxable year, an employee who has in effect a Form CT-W4 has a change occur in his or her circumstances that shall result in underwithholding of Connecticut income tax, the employee shall within 10 days of the change furnish to his or her employer a new Form CT-W4 reflecting such change.

(b)

(1) In completing a Form CT-W4, an employee is required to check a filing status.

(A) Filing status "A" is to be claimed if an employee is married but filing a federal income tax return separately from his or her spouse; or is married and filing a federal income tax return jointly with his or her spouse who is employed and their combined Connecticut adjusted gross income is \$100,500 or less.

(B) Filing status "B" is to be claimed if an employee is eligible to file, and filing, a federal income tax return as a head of household.

(C) Filing status “C” is to be claimed if an employee is married and filing a federal income tax return jointly with his or her spouse who is not employed.

(D) Filing status “D” is to be claimed if an employee is married and filing a federal income tax return jointly with his or her spouse who is employed, and their combined Connecticut adjusted gross income is more than \$100,500; or if the employee has significant nonwage income and wishes to avoid having insufficient tax withheld; or if the employee is a nonresident individual and has substantial other income.

(E) Filing status “E” is to be claimed if an employee expects a refund of all Connecticut income withheld during the taxable year because he or she expects to have no Connecticut income tax liability for such year.

(F) Filing status “F” is to be claimed if an employee is unmarried but is not eligible to file a federal income tax return as a head of household.

(2) Some examples of when a new Form CT-W4 is required to be provided are as follows:

Example 1: X originally indicated filing status “A” on her Form CT-W4 because she is married, filing jointly, and the combined income of the spouses was expected to be less than or equal to \$100,500. In August, X’s spouse changed jobs, and as a result the spouses’ combined income for the taxable year is expected to exceed \$100,500. Filing status “A” would therefore no longer be correct, and X is required to file a new Form CT-W4 within 10 days of the change and check filing status “D” on her new Form CT-W4.

Example 2: Y originally indicated filing status “C” on his Form CT-W4 because he is married, filing jointly, and his spouse was not employed. In May, Y’s spouse became employed. Filing status “C” would therefore no longer be correct, and Y is required to file a new Form CT-W4 within 10 days of the change and check either filing status “A” on his new Form CT-W4 and use the supplemental table for married couples filing jointly that is attached thereto, if the spouses’ combined income for the taxable year is not expected to exceed \$100,500, or filing status “D” on his new Form CT-W4, if the spouses’ combined income for the taxable year is expected to exceed \$100,500.

Example 3: Z requested reduced withholding on her original Form CT-W4 because she expected to have a loss passed through to her from a partnership in which she is a partner. In February, however, she learns that the expected loss will be much less than originally anticipated. Z is required to redetermine whether she is entitled to reduced withholding, and, if the adjustment of the loss amount results in a change in the amount to be withheld, file a new Form CT-W4 within 10 days of the change.

(c) While this section pertains to Section 12-705(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002)

Sec. 12-705(b)-1. Professional athletes and entertainers

(a)(1) Any person which maintains an office or transacts business within this state and during a calendar year pays compensation, in cash or otherwise, for personal services as an entertainer or professional athlete, in connection with a performance or athletic event, to an entertainer or professional athlete who is not considered an employee for federal withholding tax purposes and who is—

(A) a resident individual, shall withhold Connecticut income tax from such compensation, whether or not the performance or athletic event is held within Connecticut.

(B) a nonresident individual, shall withhold Connecticut income tax from the portion of such compensation that is derived from or connected with sources within this state.

(2) The value of noncash prizes and awards shall be their fair market value. As used in this section, compensation paid for personal services in a performance includes, but is not limited to, compensation paid to actors, singers, musicians, dancers, circus performers, writers, directors, set designers, and any person appearing on television, radio, the stage, in a night club performance or hotel show and any person whose performance is recorded or filmed, and compensation paid for personal services in an athletic event includes, but is not limited to, compensation paid to referees and trainers.

(b) Even though a person whose services are covered by this section is not considered an employee for federal withholding tax purposes, such person shall be treated as an employee, and the person paying compensation to such person, or to the agent thereof, shall be treated as an employer, for purposes of this Part. The person treated as an employer shall (1) register for Connecticut income tax withholding purposes by filing a Form REG-1 (Application for Tax Registration Number) with the Department, (2) deduct and withhold Connecticut income tax on the compensation at the highest marginal rate, (3) depending on whether the person treated as an employer is a weekly remitter, monthly remitter or quarterly remitter, as those terms are used in section 12-707 of the Connecticut General Statutes, pay over the deducted and withheld Connecticut income tax to the Department on or before the date specified in subparagraph (B) of subdivision (3), (4) or (5) of subsection (b) of said section 12-707, and, if not required to pay over such tax by electronic funds transfer pursuant to chapter 228g of the Connecticut General Statutes and the regulations adopted thereunder, file Form CT-8109 with such payment, (4) file with the Department for each calendar year a Form CT-945 on or before the last day of January of the next succeeding calendar year, provided, Form CT-945 may be filed on or before the tenth day of February of the next succeeding calendar year if timely deposits of Connecticut withholding tax have been made in full payment of such taxes due for such year, (5) show the amount of Connecticut income tax deducted and withheld on the Federal Form 1099-MISC that is to be furnished to each person treated as an employee under this section by the person treated as an employer under this section on or before the last day of January of the next succeeding calendar year, and (6) file with the Department a Form CT-1096, with a copy of each Federal Form 1099-MISC, on or before the last day of February of the next succeeding calendar year.

(Effective November 18, 1994; amended August 3, 2001, March 8, 2006)

Sec. 12-705(b)-2. Gambling winnings

(a) **Winnings subject to withholding.** (1) The following winnings are subject to Connecticut income tax withholding:

(A) any payment made by the Connecticut Lottery Corporation of winnings from a wager placed in a lottery conducted by the Connecticut Lottery Corporation to an individual who was a resident on the date that the numbers of such winning Connecticut lottery ticket were drawn (or if no drawing of numbers was conducted, on the date that such winning lottery ticket was purchased), if federal income tax withholding is required under section 3402(q) of the Internal Revenue Code;

(B) any payment of winnings from a wager placed in a pari-mutuel pool with respect to horse or dog races or jai-alai games to an individual who was a resident on the date of the race, if federal income tax withholding is required under section 3402(q) of the Internal Revenue Code; and

(C) any payment of gambling winnings by any other payer who maintains an office or transacts business within Connecticut to an individual who was a resident on the date the wager was made or to someone receiving them on behalf of a Connecticut resident, if such winnings are subject to federal income tax withholding under section 3402(q) of the Internal Revenue Code.

(2) For purposes of this section, the proceeds from a wager are determined by reducing the amount received by the amount of the wager, and the terms “winnings” and “gambling winnings” shall include both cash and noncash winnings. The value of noncash winnings shall be their fair market value. Where the proceeds from a wager or wagering transaction are subject to Connecticut income tax withholding under this section, the total amount of the proceeds, not merely the portion of the proceeds exceeding \$5,000 in the case of proceeds from a wager placed in a lottery described in section 3402(q)(3)(B) of the Internal Revenue Code or from a wager or wagering transaction described in section 3402(q)(2)(A) or (C) of the Internal Revenue Code, is subject to such withholding.

(b) **Other payments subject to withholding.** (1) Any payment of moneys to an assignor, who was a resident individual on the date that the numbers of his or her winning Connecticut lottery ticket were drawn (or if no drawing of numbers was conducted, on the date that such winning lottery ticket was purchased) by an assignee in consideration for the assignment of a Connecticut lottery prize payment or payments is subject to Connecticut income tax withholding. Subsequent to an assignment, the Connecticut Lottery Corporation shall no longer be required to deduct and withhold Connecticut income tax from Connecticut lottery prize payments made to the assignee pursuant to such assignment.

(2) For purposes of this subsection, “assignor” means a Connecticut lottery prize winner who makes an assignment of his or her Connecticut lottery prize to an assignee; “assignee” means a person to whom an assignor makes an assignment of a Connecticut lottery prize; and “assignment” means a contract between an assignor and an assignee, approved by the Superior Court and recognized by the Connecticut Lottery Corporation, in accordance with section 12-831 of the General Statutes, and the rules of operations of the Connecticut Lottery Corporation, whereby the assignee shall be granted the right to receive, to the extent assigned, a Connecticut lottery prize, in installments, that the assignor would otherwise be entitled to receive, and the Connecticut Lottery Corporation shall be discharged from any further liability to the assignor for the Connecticut lottery prize.

(c) **Treatment of payer of winnings or other payments subject to withholding.** (1) Any person making payments of winnings that are subject to Connecticut income tax withholding under subsection (a) of this section and any assignee making payments that are subject to Connecticut income tax withholding under subsection (b) of this section shall be treated in the same manner that an employer making payments of wages that are subject to Connecticut income tax withholding is treated under the regulations of this Part. Therefore, a person not otherwise required to register with the Department to withhold Connecticut income tax shall, by virtue of making payments of winnings that are subject to Connecticut income tax withholding under subsection (a) of this section or such other payments that are subject to Connecticut income tax withholding under subsection (b) of this section, be required to so register

by filing a Form REG-1 (Application For Tax Registration Number). Connecticut income tax deducted and withheld from such winnings by a payer or from such other payments by an assignee shall be treated and paid over to the Department in the same manner as Connecticut income tax deducted and withheld from wages paid by an employer required to deduct and withhold such tax under this Part.

(2) A payer of winnings that are subject to Connecticut income tax withholding under subsection (a) of this section shall give to each payee the "state copy" of the federal Form W-2G, showing thereon the amount of Connecticut income tax that was withheld, on or before January 31 of the succeeding taxable year. A payer of such winnings shall file a Form CT-1096, with a duplicate of the "state copy" of such federal Form W-2G, with the Department on or before the due date that is specified in § 12-727(a)-2 of Part XI.

(3) An assignee making payments that are subject to Connecticut income tax withholding under subsection (b) of this section shall give to each assignor the "state copy" of the federal Form 1099-MISC, showing thereon the amount of Connecticut income tax that was withheld, on or before January 31 of the succeeding taxable year. An assignee making such payments shall file a Form CT-1096, with a duplicate of the "state copy" of such federal Form 1099-MISC, with the Department on or before the due date that is specified in § 12-727(a)-2 of Part XI.

(d) **Amount to be withheld.** The amount of Connecticut income tax to be deducted and withheld by the payer from winnings that are subject to Connecticut income tax withholding under subsection (a) of this section and by the assignee from payments that are subject to Connecticut income tax withholding under subsection (b) of this section shall be computed at the highest marginal Connecticut income tax rate for the taxable year.

(e) **Determination of winner's status as a Connecticut resident.** (1) The winner's resident status shall be determined by the payer based on two Forms of identification provided by the winner. Before the payment of any winnings, the payer shall obtain from the winner sufficient information to enable the payer to complete a Federal Form W-2G (Certain Gambling Winnings) pertaining to the winner.

(2) If more than one individual is entitled to a share of the gambling winnings, one federal Form 5754 (Statement by a Person(s) Receiving Gambling Winnings) shall be completed, identifying each of the persons entitled to a share. Form 5754 is also used when the recipient is an individual not entitled to a share. This Form lists the name, address, and taxpayer identification number of all individuals entitled to any share of the winnings. In the event the identity or residence of any individual entitled to share in the winnings cannot be satisfactorily established by the individual receiving the winnings, the share of the winnings to which such individual is entitled shall be considered to have been won by a resident of Connecticut and the income tax shall be withheld. The Form shall be signed, under penalties of perjury, by the individual(s) receiving the winnings.

(f) **Change of resident status by Connecticut Lottery prize winner.** Where a resident payee of Connecticut lottery winnings changes status from a resident individual to a nonresident individual, or where a nonresident payee of Connecticut lottery winnings changes status from a nonresident individual to a resident individual, Connecticut income tax shall continue to be withheld by the Connecticut Lottery Corporation from such winnings.

(Effective November 18, 1994; amended August 3, 2001, July 3, 2003)

Sec. 12-705(b)-3. Withholding for resident individuals who are recipients of pensions or annuities

(a) **General.** Any payer of pensions or annuities maintaining an office or transacting business within this state shall withhold Connecticut income tax from pension or annuity payments that are distributed to a resident individual recipient if requested to do so by such recipient. This requirement applies to all payers, whether public or private, and to all payments, including lump sum distributions, on account of which a federal Form 1099-R is required to be furnished to the payee by the payer, whether or not such payments are made from a Connecticut location.

(b) **To qualify for withholding.** To qualify for withholding of Connecticut income tax, the pension or annuity payment shall be income to the recipient that would be includible in such recipient's Connecticut adjusted gross income.

(c) **Amount to be deducted and withheld.** The request to deduct and withhold Connecticut income tax shall be made in a specific whole dollar amount. This amount shall be at least \$10 per payment.

(d) **Manner of making request.** The payer shall provide all resident individuals who are recipients of pension or annuity payments with a Form CT-W4P (Withholding Certificate for Pension or Annuity Payments) or a facsimile thereof. A request to deduct and withhold Connecticut income tax on pension or annuity payments should be made by the payee by completing the Form provided by the payer.

(e) **When request becomes effective.** Upon receipt of a request by a payee to deduct and withhold Connecticut income tax from pension or annuity payments, the payer shall deduct and withhold the amount specified in such request commencing no later than the first payment made on or after the date which occurs:

(1) in a case in which no previous request is in effect, three calendar months after the date on which the request is furnished to such payer; or

(2) in a case in which a previous request is in effect, the first status determination date (January 1, May 1, July 1 and October 1 of each year) which occurs at least 30 days after the date on which such request is so furnished.

(f) **Duration and termination of request.** The request under this section shall remain in effect until terminated by the payee. The payee may terminate the request by furnishing the payer with a signed written notice of termination. Except as otherwise provided, such notice of termination is effective with respect to the first payment of a pension or annuity made on or after the first status determination date (January 1, May 1, July 1 and October 1 of each year) which occurs at least 30 days after the date on which such notice of termination is furnished. However, the payer may elect to terminate withholding of Connecticut income tax with a pension or annuity payment made on or after the date the termination notice is furnished and before the status determination date.

(g) **Effect of request for withholding.** Amounts deducted and withheld from a pension or annuity payment by a payer shall be treated in the same manner as tax deducted and withheld from wages by an employer required to deduct and withhold tax under this Part if, at the time payment is made, a request that such payment be subject to withholding is in effect.

(h) **Reporting the tax withheld.** Except as otherwise provided in this section or in § 12-707-1, payers of pensions or annuities who withhold Connecticut income tax shall report and pay over taxes in the same manner that employers are required to report and pay over Connecticut income tax under this Part. Payers of pensions or annuities shall give to each payee from whom Connecticut income tax was withheld the "state copy" of the federal Form 1099-R, showing thereon the amount

of Connecticut income tax that was deducted and withheld, on or before January 31 of the succeeding taxable year. Payers of pensions or annuities shall file a Form CT-1096, with a duplicate of the “state copy” of such federal Form 1099-R for each payee from whose pension or annuity Connecticut income tax was deducted and withheld, with the Department on or before the due date that is specified in § 12-727(a)-2 of Part XI.

(Effective November 18, 1994; amended August 3, 2001)

Sec. 12-705(b)-4. Distributions

(a) Any payer that maintains an office or transacts business within this state and that makes a distribution or payment that is, or is treated as if it is, wages on which federal income tax shall be deducted and withheld from a plan to a—

(1) resident individual, shall file a Form CT-W3, with a duplicate of the “state copy” of the federal Form W-2, with the Department on or before the due date for filing the federal Form W-2.

(2) nonresident individual from whose wages Connecticut income tax has previously been withheld by the payer, shall file a Form CT-W3, with a duplicate of the “state copy” of the federal Form W-2, with the Department on or before the due date for filing the federal Form W-3.

(b) The term “distribution or payment from a plan” means a distribution or payment of deferred compensation, and includes, but is not limited to, a supplemental executive retirement (“top hat”) plan distribution, income recognized under section 83 of the Internal Revenue Code, income characterized as compensation upon exercise of nonqualified stock options, and other benefit plans.

(c) The following examples illustrate the application of this section:

Example 1: On January 1, 1991, X Corporation sells to E, a nonresident employee working only in Connecticut during 1991, 100 shares of its stock for \$15 per share. At that time, the fair market value of the stock is \$20 per share. The stock is subject to a substantial risk of forfeiture: if E terminates her employment within two years, she shall return the stock to X Corporation at her original purchase price of \$15 per share. On January 1, 1993, the fair market value of the stock is \$30 per share and E’s substantial risk of forfeiture has lapsed. At that time, E shall include in her Connecticut adjusted gross income for that taxable year, as compensation, \$1,500 (\$15 per share). (This is equal to the value of the stock at the time the restriction lapsed (\$30 per share) less the amount E paid for the stock (\$15 per share).) Because X Corporation had withheld Connecticut income tax from E’s wages during 1991, X Corporation shall report the amount of the distribution on its Form CT-W3, and file that form, with a duplicate of the “state copy” of the federal Form W-2 (without being required to indicate how much of the payment is Connecticut wages) for E, with the Department, whether or not E is still working for X Corporation in Connecticut. (X Corporation may but is not required to indicate how much of the payment is Connecticut wages.) If E sells her stock three years later for \$50 per share, she shall recognize a capital gain of \$20 per share that is not derived from or connected with sources within this state.

Example 2: Assume the same facts, except that E elects under section 83(b) of the Internal Revenue Code to include the fair market value of the property in her federal gross income in the taxable year during which such property was transferred. At the time of the initial sale of the stock to E, E shall include in her Connecticut adjusted gross income for that taxable year, as compensation, \$500 (\$5 per share). (This is equal to the value of the stock at the time of the election (\$20 per share) less the amount E paid for the stock (\$15 per share).) X Corporation shall report

such amount on its Form CT-W3, and file that form, with a duplicate of the “state copy” of the federal Form W-2 for E, with the Department. (X Corporation may but is not required to indicate how much of the payment is Connecticut wages.) If E sells her stock three years later for \$50 per share, she shall recognize a capital gain of \$30 per share that is not derived from or connected with sources within this state.

Example 3: On January 1, 1985, Y Corporation and F, a nonresident employee, enter into an employment contract, one of the provisions of which is that F, upon terminating his employment with Y Corporation, shall receive an additional \$500,000, one-tenth of which shall be payable in 10 equal annual installments, the first such installment to be paid one year after F terminates his employment. F terminates his employment on June 30, 1994. As an employee, F performed services for Y Corporation partly within and partly without Connecticut. Y Corporation shall report such amount on its Form CT-W3, and file that form, with a duplicate of the “state copy” of the federal Form W-2 for F, with the Department. (Y Corporation may but is not required to indicate how much of each installment is Connecticut wages.) For those years in which installments are received, F shall include in his Connecticut adjusted gross income derived from or connected with Connecticut sources the percentage of F’s deferred compensation that is determined under § 12-711(b)-19 of Part II.

(Effective November 18, 1994)

Sec. 12-705(b)-5. Liability of third parties paying wages

(a)(1) A lender, surety or other person:

(A) who is neither an employer nor a fiduciary, agent or other person authorized to perform acts required of employers with respect to an employee or group of employees; and

(B) who pays wages directly to such employee or group of employees, employed by one or more employers, or to an agent on behalf of such employee or employees, is liable for payment of an amount equal to the sum of the Connecticut income taxes required to be deducted and withheld from those wages by the employer and interest from the due date of the Connecticut employer’s return relating to such Connecticut income taxes for the period in which the wages are paid.

Example: Pursuant to a wage claim, a surety company paid an employee of a construction company his net wages. This was done in accordance with the surety company’s payment bond covering a private construction job on which such employee was employed by the construction company. If the construction company fails to make timely payment or deposit of the Connecticut income tax required to be deducted and withheld from such employee’s wages, the surety company becomes personally liable for the amount equal to the unpaid Connecticut income taxes, plus interest upon such amount from the due date of the construction company’s Connecticut withholding tax payment.

(2) As used in this section, the term “other person” means any person who directly pays the wages of an employee or group of employees of another employer. It does not include a person acting only as agent of the employer or as agent of the employees.

(b)(1) A lender, surety or other person may satisfy the personal liability imposed by this section by payment of the amount of Connecticut income tax and interest due, accompanied by a letter of explanation. In the event the lender, surety or other person does not satisfy the liability imposed by this section, the Department may collect the liability from the lender, surety or other person in the manner provided

in Section 12-734 of the general statutes after assessment of the Connecticut income tax against the employer.

(2)(A) A lender, surety or other person paying the amounts of Connecticut income tax required to be deducted and withheld pursuant to this section is not required to file quarterly or annual reconciliation of withholding returns with respect to those wages, or furnish annual wage and withholding tax statements to the employees.

(B) Any amounts paid by a lender, surety or other person to the Department pursuant to this section shall be credited against the liability of the employer on whose behalf those payments are made and also reduce the total liability imposed upon the lender, surety or other person under this section.

(C) Any amounts paid to the Department by an employer and applied to such employer's liability reduces the total liability imposed upon that employer. Such payments shall also reduce the liability imposed upon a lender, surety or other person under this section, except that such liability shall not be reduced by any portion of an employer's payment applied against the employer's liability which is in excess of the total liability imposed upon the lender, surety or other person.

(c) This regulation does not relieve the employer of the responsibilities imposed upon him to file the Connecticut employer's returns and supply the statements required under this Part.

(d) The liability under this section of a lender, surety or other person paying or supplying funds for the payment of wages is incurred on the last day prescribed for the filing of the Connecticut employer's return of withheld Connecticut income taxes (determined without regard to any extension of time) in respect of such wages.

(Effective November 18, 1994)

Sec. 12-705(c)-1. Voluntary withholding other than by employers

Any person (other than an employer) who is not otherwise required to register to withhold Connecticut income tax may, pursuant to an agreement between such person and a payee who is a Connecticut resident individual (or a nonresident individual, where payment or payments shall be part of such individual's Connecticut adjusted gross income derived from or connected with sources within Connecticut), register solely for the purpose of withholding Connecticut income tax from payment or payments made to such payee. Where a person so registers, such person shall be treated as an employer required to register under this Part with respect to such payee while such agreement remains in effect.

(Effective November 18, 1994)

Sec. 12-705(c)-2. Voluntary withholding by employers

(a) Any employer that is not otherwise required to register to withhold Connecticut income tax may, pursuant to an agreement between such employer and an employee who is a Connecticut resident individual (or a nonresident individual, where the wages shall be part of such individual's Connecticut adjusted gross income derived from or connected with sources within Connecticut), register solely for the purpose of withholding Connecticut income tax from wages paid to such employee. Where an employer so registers, such employer shall be treated as an employer required to register under this Part with respect to such employee while such agreement remains in effect.

(b) Any household employer that is not otherwise required to register to withhold Connecticut income tax and that, pursuant to an agreement between such employer and a household employee, registers solely for the purpose of withholding Connecticut income tax from wages paid to such household employee may, upon the employ-

er's written request, be permitted by the department to file a Form CT-941, Connecticut quarterly reconciliation of withholding, for only the last calendar quarter of the calendar year for which such employer has agreed to deduct and withhold Connecticut income tax. Such form shall report the Connecticut income tax that such employer agreed to deduct and withheld for the entire calendar year. A household employer may obtain permission to file one Form CT-941 for the last calendar quarter of the calendar year by sending a written request on or before the last day of the first calendar quarter of the calendar year to which the request pertains to the registration section of the operations division of the department. The department shall provide written notice of its decision to grant or deny permission. If permission is granted, permission need not be sought, and no new request need be made, for succeeding calendar years. If permission is not granted, the employer shall be required to file a Form CT-941 for each calendar quarter and shall be subject to the provisions of § 12-735(a)-1 of Part XII if it fails to file such a return for each calendar quarter.

(Effective November 18, 1994; amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002)

Sec. 12-705(c)-3. Voluntary withholding for military retirees

(a) The United States Department of Defense has entered into an agreement with the Department of Revenue Services under 10 U.S.C. § 1045 and 32 C.F.R. § 78.7 to withhold Connecticut income tax from the monthly retired pay of members who are retired from the regular and reserve components of the Uniformed Services, who are resident individuals, and who request in writing that the Uniformed Services withhold Connecticut income tax from their monthly retired pay.

(b) For purposes of this section:

(1) the term "Uniformed Services" refers to the Army, Navy, Air Force, Marine Corps, Coast Guard, commissioned corps of the Public Health Service, and commissioned corps of the National Oceanic and Atmospheric Administration;

(2) the term "member" means a person originally appointed or enlisted in, or conscripted into, a Uniformed Service who has retired from such regular or reserve component of such Uniformed Service;

(3) the term "retired pay" means retainer pay or pay and benefits received by a member based on conditions of the retirement law, pay grade, years of service, date of retirement, transfer to the Fleet Reserve or Fleet Marine Corps Reserve, or disability.

(c) A member may request voluntary tax withholding by completing a Form CT-W4P and submitting it to the retired pay office of his or her Uniformed Service. The Form CT-W4P shall be signed by the member, or in the case of incompetence, his or her guardian or trustee. The amount to be withheld shall be an even dollar amount, not less than \$10.

(Effective November 18, 1994)

Sec. 12-705(c)-4. Voluntary withholding for civil service retirees

(a) The United States Office of Personnel Management (U.S.O.P.M.) has entered into an agreement with the Department of Revenue Services pursuant to 5 U.S.C. § 8345(k) and 5 U.S.C. § 8469 under which agreement Connecticut income tax shall be deducted and withheld by U.S.O.P.M. from the regular, recurring monthly civil service annuity payments of retired civil service employees who are resident individuals and who have made a request to U.S.O.P.M., in the manner specified by

U.S.O.P.M., that Connecticut income tax be deducted and withheld from their regular, recurring monthly civil service annuity payments.

(b) Under the agreement between U.S.O.P.M. and the Department of Revenue Services, income tax may be deducted and withheld for only one state at a time. Annuitants who wish to change the state for which they have income tax deducted and withheld shall make a request to U.S.O.P.M., in the manner specified by U.S.O.P.M., to revoke their prior request and to initiate the deduction and withholding of income tax for a new state. Annuitants may also change the amount of Connecticut income tax being deducted and withheld, or may revoke their prior request to have Connecticut income tax deducted and withheld by making a request to U.S.O.P.M., in the manner specified by U.S.O.P.M., to change or revoke their prior request.

(Effective November 18, 1994; amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002)

Sec. 12-706(b)-1. Wage and tax statement

(a)

(1) Each employer that paid Connecticut wages to an employee during a calendar year shall furnish to each such employee by January 31 of the succeeding year a federal Form W-2, showing the correct amount of Connecticut wages paid by the employer to the employee and the correct amount of Connecticut income tax deducted and withheld from such wages.

(2) If an employer that paid Connecticut wages to an employee during a calendar year subsequently files a Form CT-941 for a calendar quarter of such calendar year as a final return, the employer shall furnish to the employee, on or before the last day of the month in which the final return is required to be filed, a federal Form W-2, showing the correct amount of Connecticut wages paid by the employer to the employee and the correct amount of Connecticut income tax deducted and withheld from such wages.

(3) If an employee's employment is terminated before the close of a calendar year, the employer, at the employer's option, shall furnish the federal Form W-2 to the employee at any time after the termination but no later than January 31 of the succeeding year, except that if an employee whose employment is terminated before the close of a calendar year requests the employer to furnish the federal Form W-2 to the employee at a time earlier than January 31 of the succeeding year, and if there is no reasonable expectation on the part of both employer and employee of further employment during such calendar year, then the employer shall furnish the federal Form W-2 to the employee on or before (A) the later of (i) the thirtieth day after the date of the request or (ii) the thirtieth day after the date on which the last payment of wages is made, or (B) if the employer files a Form CT-941 for a calendar quarter of such calendar year as a final return, the date that the employer is required to furnish the federal Form W-2 to the employee under subdivision (2) of this subsection, whichever is earlier.

(4) See § 12-735(d)-1 of Part XII for the penalty for failure to timely furnish such correct information.

(b) If an employer who paid Connecticut wages to an employee during a calendar year fails to furnish to each such employee by January 31 of the succeeding year (or, if later, by the time that the employee files his or her Connecticut income tax return) a federal Form W-2, showing the correct amount of Connecticut wages paid by the employer to the employee and the correct amount of Connecticut income tax withheld, the employee shall complete and attach to his or her Connecticut income tax return a Form CT-4852 (Substitute for Form W-2, Wage and Tax

Statement, or Form 1099R, Distribution from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.), indicating thereon the employer's name and address, the correct amount of Connecticut wages paid by the employer to the employee, the correct amount of Connecticut income tax withheld from the employee's Connecticut wages by the employer, the reasons (if known) why the Form W-2 was not furnished by the employer and an explanation of the employee's efforts to obtain the Form W-2.

(c) For purposes of this section, "Connecticut wages" means—

(1) with respect to an employee who is a resident individual, all wages paid to such employee, irrespective of the location at which the employee is employed by the employer, and

(2) with respect to an employee who is a nonresident individual,

(A) all wages paid to such employee, where the services of the employee are performed entirely within Connecticut, and

(B) all wages paid to such employee, where the services of the employee are performed both partly within Connecticut and partly without Connecticut.

(d) While this section pertains to Section 12-706(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002)

Sec. 12-706(c)-1. Withheld amounts to be credited against income tax liability of employees

(a) If an employee has tax deducted and withheld from his or her wages, such withheld amounts shall be deemed to have been paid to the Commissioner, and the employee shall be credited with having paid such amount of income tax for the taxable year.

(b) While this section pertains to Section 12-706(c) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-707-1. Schedule for filing withholding tax returns and payment of taxes

(a) Each employer required to deduct and withhold Connecticut income tax from wages shall, depending on whether the employer is a weekly remitter, monthly remitter or quarterly remitter, as those terms are used in section 12-707 of the Connecticut General Statutes, pay over the deducted and withheld Connecticut income tax to the department on or before the date specified in subparagraph (A) of subdivision (3), (4) or (5) of subsection (b) of said section 12-707, and, if not required to pay over such tax by electronic funds transfer pursuant to Chapter 228g of the Connecticut General Statutes and the Regulations adopted thereunder, file Form CT-WH with such payment.

(b)

(1) Each employer shall file a Form CT-941, Connecticut quarterly reconciliation of withholding, for the calendar quarters ending March 31, June 30, September 30 and December 31 on or before the last day of the first calendar month following the period for which the return is made (namely, April 30, July 31, October 31 and

January 31, respectively). However, a return may be filed on or before the tenth day of the second calendar month following such period if timely deposits of Connecticut withholding tax have been made in full payment of such taxes due for such period. The employer shall file a Form CT-941 for the first calendar quarter for which the employer is registered with the department to deduct and withhold Connecticut income tax from Connecticut wages, as defined in § 12-706(b)-1(c) of this part, and for each subsequent quarter until the employer in any calendar quarter ceases to pay wages and files a Form CT-941 for such quarter as a final return. An employer that has only temporarily ceased to pay wages, because of seasonal activities or for other reasons, shall not make a final return but shall continue to file returns.

(2) A return made as a final return shall be marked “final return” by the employer and shall show the date of the last payment of wages. There shall be executed as a part of each final return a statement showing the address at which the records required by the regulations of this part will be kept, the name of the person keeping such records, and, if the business of an employer has been sold or otherwise transferred to another person, the name and address of such person and the date on which such sale or transfer took place. If no such sale or transfer occurred or the employer does not know the name of the person to whom the business was sold or transferred, that fact should be included in the statement. Such statement shall include all information required by this section regarding the date of the last payment of wages.

(c)(1) Except as otherwise provided in this subsection, each employer shall file a Form CT-W3, Connecticut Annual Reconciliation of Withholding, with the “state copy” of all federal Forms W-2 reporting Connecticut wages paid during the preceding calendar year, on or before the last day of February of the next succeeding calendar year. If an employer has filed a Form CT-941, Connecticut Quarterly Reconciliation of Withholding, as a final return for a calendar quarter (“Final Calendar Quarter”) ending prior to December 31, the employer shall file a Form CT-W3, with the “state copy” of all federal Forms W-2 reporting Connecticut wages paid during the portion of the calendar year ending on the last day of such final calendar quarter, on or before the last day of the second calendar month next succeeding the final calendar quarter.

(2) Where an employer has filed electronically federal Forms W-2 and the Department has announced that employers may file electronically the “state copy” of federal Forms W-2 reporting Connecticut wages paid during the preceding calendar year, and the employer chooses to file electronically the “state copy” of those federal Forms W-2 with the Department, such employer shall file electronically the “state copy” of those federal Forms W-2 with the Department on or before the last day of March of the next succeeding calendar year.

(d)

(1) A seasonal employer may, upon its written request, be permitted by the Department to file Forms CT-941 for only those calendar quarters in which it is required to deduct and withhold Connecticut income tax. Such employer may obtain permission to file as a seasonal employer by sending a written request on or before the last day of the calendar quarter to which the request pertains to the Registration Section of the Operations Division of the Department. The department shall provide written notice of its decision to grant or deny permission. If permission is granted, then, as long as the employer remains a seasonal employer, permission need not be sought, and no new request need be made, for succeeding calendar quarters. If permission is not granted, the employer shall be required to file a Form CT-941

for each calendar quarter and shall be subject to the provisions of § 12-735(a)-1 of Part XII if it fails to file such a return for each calendar quarter. For purposes of this subsection, the term “seasonal employer” means an employer that is required to deduct and withhold Connecticut income tax because it regularly pays Connecticut wages, as defined in § 12-706(b)-1(c), in the same one or more calendar quarters each year, but that also regularly has no withholding tax liability because it pays no Connecticut wages in the same one or more calendar quarters each year.

(2)

(A) An employer that is not required to deduct and withhold any amount of Connecticut income tax from wages of employees for all four calendar quarters of a calendar year may, upon its written request, be permitted by the department to file a Form CT-941 for only the last calendar quarter of each calendar year. Such form shall report Connecticut wages paid by such employer for the entire calendar year. Such employer may obtain permission to file one Form CT-941 for the last calendar quarter of the calendar year by sending a written request on or before the last day of the first calendar quarter of the calendar year to which the request pertains to the registration section of the operations division of the department. The department shall provide written notice of its decision to grant or deny permission. If permission is granted, then, as long as the employer is not required to deduct and withhold any amount of Connecticut income tax from wages of employees for all four calendar quarters of a calendar year, the employer may continue to file one Form CT-941 for the last calendar quarter of each succeeding calendar year, except that if the employer is required to deduct and withhold any amount of Connecticut income tax from wages of employees for one or more calendar quarters of a calendar year, the employer shall be required to file a Form CT-941 for each calendar quarter, and shall be subject to the provisions of § 12-735(a)-1 of part XII if it fails to do so, until such time as it is again permitted, in accordance with this subparagraph and upon its request, or instructed, in accordance with subparagraph (B) of this subdivision, to file one Form CT-941 for only the last calendar quarter of the calendar year. If permission is not granted, the employer shall be required to file a Form CT-941 for each calendar quarter and shall be subject to the provisions of § 12-735(a)-1 of part XII if it fails to file such a return for each calendar quarter.

(B) The department may, on its own initiative, instruct an employer that is not required to deduct and withhold any amount of Connecticut income tax from wages of employees for all four calendar quarters of a calendar year to file a Form CT-941 for only the last calendar quarter of each calendar year. Such form shall report Connecticut wages paid by such employer for such entire calendar year. If the department instructs an employer to file one Form CT-941 for the last calendar quarter of the calendar year, then, as long as the employer is not required to deduct and withhold any amount of Connecticut income tax from wages of employees for all four calendar quarters of a calendar year, the employer shall continue to file one Form CT-941 for the last calendar quarter of each succeeding calendar year, except that if the employer is again required to deduct and withhold any amount of Connecticut income tax from wages of employees for one or more calendar quarters of a calendar year, the employer shall be required to file a Form CT-941 for each calendar quarter and shall be subject to the provisions of § 12-735(a)-1 of part XII if it fails to do so until such time as it is again permitted, in accordance with subparagraph (A) of this subdivision, or instructed, in accordance with this subparagraph, to file one Form CT-941 for only the last calendar quarter of the calendar year.

(e) (1) Each payer, as defined in section 12-707 of the Connecticut General Statutes, required to deduct and withhold Connecticut income tax from nonpayroll

amounts, as defined in said section 12-707, shall, depending on whether the payer is a weekly remitter, monthly remitter or quarterly remitter, as those terms are used in section 12-707 of the Connecticut General Statutes, pay over the deducted and withheld Connecticut income tax to the department on or before the date specified in subparagraph (B) of subdivision (3), (4) or (5) of subsection (b) of said section 12-707, and, if not required to pay over such tax by electronic funds transfer pursuant to Chapter 228g of the Connecticut General Statutes and the Regulations adopted thereunder, file Form CT-8109 with such payment.

(2) Each payer shall file with the department for each calendar year a Form CT-945 on or before the last day of January of the next succeeding calendar year, provided, Form CT-945 may be filed on or before the tenth day of February of the next succeeding calendar year if timely deposits of Connecticut withholding tax have been made in full payment of such taxes due for such year.

(f) While this section pertains to Section 12-707 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended August 3, 2001, February 28, 2002, applicable to taxable years beginning on or after January 1, 2002; amended March 8, 2006)

Sec. 12-707-2. Liability for tax

(a) Every employer required under the Income Tax Act to deduct and withhold tax from the wages of an employee is liable for the payment of such tax whether or not it is collected from the employee. If, for example, an employer deducts less than the correct amount of the tax, or fails to deduct any part of the tax, such employer is nevertheless liable for the correct amount of the tax.

(b) If an employer fails to deduct and withhold the tax as required under the Income Tax Act, and thereafter the income tax against which the withheld tax may be credited is paid by the employee, the employer shall not be liable for the withholding tax. However, despite such payment of the withholding tax, such employer shall still be liable for any penalties and interest (which shall accrue from the time at which the tax was required to be paid over to the department until the time at which the tax is paid either by the employee or by the employer) otherwise attributable to the employer's failure to deduct and withhold. Such employer shall not be relieved of liability for the payment of the tax required to be withheld unless the employer can prove that the tax has been paid.

(c) While this section pertains to Section 12-707 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended February 28, 2002, applicable to taxable years beginning on or after January 1, 2002)

Sec. 12-707-3. Withheld taxes trust fund

(a) Any amount of Connecticut income tax deducted and withheld constitutes a special fund in trust for the State of Connecticut, Department of Revenue Services.

(b) If the Commissioner determines that any person required to collect, account for, and pay over any Connecticut income tax has failed to collect, truthfully account for, or pay over any such tax, or make deposits, payments, or returns on any such tax, at the time and manner prescribed by the Income Tax Act or regulations thereunder, such person, if notified to do so by the Commissioner, shall--

(1) collect, at the times and in the manner provided by the Income Tax Act or regulations thereunder, all taxes which become collectible by such person after receipt of such notice;

(2) deposit the taxes so collected, not later than the end of the second banking day after collection, with a bank, as defined in section 581 of the Internal Revenue Code, in a separate account established in accordance with subsection (c) of this section; and

(3) keep in such account the taxes so deposited until payment thereof is made to the Department as required by the Income Tax Act or regulations thereunder.

The separate bank account requirements of this section are applicable to Connecticut income tax deducted and withheld after receipt of the notice from the Commissioner, irrespective of whether the income on which such tax was deducted and withheld was earned prior to or after receipt of the notice.

(c) The separate bank account shall be established under the designation, "(Name of person required to establish account), Trustee, Special Fund in Trust for the State of Connecticut, Department of Revenue Services under Section 12-707 of the general statutes." The taxes deposited in such account shall constitute a fund in trust for the State of Connecticut payable only to the Department of Revenue Services.

(d) Notice to any person requiring such person's compliance with the provisions of this section shall be in writing and shall be served personally or by certified or registered mail. In the case of a trade or business carried on other than as a sole proprietorship, such as a corporation, partnership, or trust, notice, once served, shall be deemed to have been served on all officers, partners, trustees, and employees thereof.

(e) The Commissioner may relieve a person on whom notice requiring separate bank accounts has been served pursuant to this section from further compliance with such requirement whenever he is satisfied that such person shall comply with all requirements of the Income Tax Act and the regulations thereunder. Notice of cancellation of the requirement for separate bank accounts shall be made in writing and shall take effect at such time as is specified in the notice of cancellation.

(f) While this section pertains to Section 12-707 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

PART X. Extensions

Sec. 12-723-1. Extension of time for filing returns

(a) **General.** Except as set forth herein, no taxpayer shall receive any extension of time for filing a Connecticut income tax return. Any taxpayer who requests an extension of time for filing a return pursuant to this Part can assume that the Commissioner has acquiesced to the request unless otherwise notified. Consequently, a taxpayer shall not receive any confirmation that a request for extension has been accepted, but shall be notified if such request is denied. An extension of time to file shall terminate six months from the original due date of the return. An application for extension of time to file does not extend the time for payment of tax (see § 12-723-3 of this Part). Any person who is granted an extension under the provisions of this section shall attach a copy of the form applying for such extension to the face of the return when filed.

(b) Federal extension requested.

(1) Any individual, partnership, S corporation or fiduciary of a trust or estate which has requested an extension of time for filing the federal income tax return for the taxable year shall be granted an extension of time for filing the Connecticut return for such taxable year, if the requirements of either subdivision (2) or subdivision (3) of this subsection are met. The extension of time for filing the Connecticut income tax return for the taxable year shall be for the maximum period allowable under section 6081(a) of the Internal Revenue Code. A further extension of time for filing the Connecticut return for such taxable year shall be granted under subsection (c) of this section, if the taxpayer can demonstrate good cause for still being unable to file the return.

(2) An individual shall be granted an extension of time for filing the Connecticut return for such taxable year, if a tentative tax, as computed under subsection (d) of this section, is due from such individual, provided such individual files an application on the appropriate Form (Form CT-1040 EXT) and pays the tentative tax on or before the original due date of the Connecticut return. A partnership, S Corporation or fiduciary of a trust or estate shall be granted an extension of time for filing the Connecticut return for such taxable year, provided such partnership, S Corporation or fiduciary files an application on the appropriate Form (form CT-1065 EXT, Form CT-1120SI EXT, or Form CT-1041 EXT, respectively), and pays the tentative tax, if any, on or before the original due date of the Connecticut return.

(3) An individual shall be granted an extension of time for filing the Connecticut return for such taxable year without having to file Form CT-1040 EXT if no tentative tax, as computed under subsection (d) of this section, is due from such individual.

(c) Extension for good cause. (1) A taxpayer who has not requested or been granted an extension of time for filing a federal income tax return (or who has been granted an extension of time for filing a Connecticut income tax return under subsection (b) of this section but seeks a further extension of time under this subsection) may apply for an extension of time for filing a Connecticut return, provided such taxpayer can demonstrate good cause for being unable to file the return on or before the appropriate due date. Such extension shall be granted only if the taxpayer files an application on the appropriate form (Form CT-1040 EXT, Form CT-1041 EXT, Form CT-1065 EXT or Form CT-1120SI EXT) and pays the tentative tax on or before the original due date of the return. Additional extensions of time for filing the Connecticut return for such taxable year shall be granted, if the taxpayer can demonstrate good cause for still being unable to file the return, and files an application on the appropriate form on or before the date on which the previous extension expires.

(2) The provisions of this subsection apply to an individual who is a United States citizen or resident who (A) lives outside the United States and Puerto Rico, and whose tax home (within the meaning of section 162(a)(2) of the Internal Revenue Code) for federal income tax purposes is outside the United States and Puerto Rico, or (B) is in the armed forces of the United States serving outside the United States and Puerto Rico on the date such individual's federal income tax return is due. Such individual may demonstrate good cause for requesting an extension to file a Connecticut income tax return by stating on the application that he or she qualifies for the automatic extension of time for federal income tax purposes for United States citizens abroad. If such individual has been granted any extension of time for filing a federal income tax return, which extension terminates more than six months after the original due date of his or her Connecticut income tax return, such

individual need not request any further extension of time for filing his or her Connecticut income tax return but, upon its filing, shall attach thereto proof that such federal extension was granted.

(d) **Paying tentative tax.** (1) An individual or a fiduciary of a trust or estate who requests an extension of time for the filing of a Connecticut return as provided in subsections (b) and (c) of this section shall pay a tentative tax on or before the original due date of the return.

(2) The tentative tax is computed by estimating Connecticut taxable income and the tax thereon as though no extension had been requested. In computing the tentative tax due, credit should be taken for estimated tax payments made for the taxable year and Connecticut income tax withheld during the taxable year.

(3)

(A) If the tentative tax paid is less than the tax shown on the tax return for the taxable year, the taxpayer shall be assessed interest on the amount of underpayment at the statutory rate under Section 12-723 of the General Statutes for each month or fraction thereof from the original due date of the return until the date of full payment of the tax due for the taxable year. Except as otherwise provided in subparagraph (B) of this subdivision, a penalty of 10% of the amount by which the tax shown on the tax return for the taxable year exceeds the tentative tax paid shall also apply if the time to pay the tax has not been extended (see § 12-723-3 of this Part). (For the definition of “month or fraction thereof,” see § 12-701(b)-1 of Part XIV.)

(B) No penalty shall be imposed if all of the following three conditions are met. First, the excess of the tax shown on the tax return for the taxable year over the tax paid on or before the original due date of such return is no greater than 10% of the tax shown on such tax return. Second, any balance due shown on such return for the taxable year is remitted with such return. Third, such tax return is filed on or before the extended due date thereof.

(e) **Termination of automatic extension to file Connecticut income tax return.** The Commissioner may, in his discretion, terminate at any time an automatic extension by mailing to the taxpayer a notice of termination. Such notice shall be mailed at least ten days prior to the termination date designated in such notice. The notice of termination shall be sufficient for all purposes when mailed to the address shown on the application for extension or to the person who requested such extension for the taxpayer at such person’s last known place of business, even if such person is deceased or under a legal disability.

(Effective November 18, 1994; amended December 19, 2002, July 3, 2003)

Sec. 12-723-2. Extension of time for filing group returns

(a) The Commissioner may grant a six month extension of time to file a group return if the following requirements are met:

(1) An application is filed on Form CT-G EXT. The form shall show the partnership name and be signed by a partner having authority to act as an agent for the qualified electing nonresident partners. In addition, the partnership shall attach a list to the application showing each qualified electing nonresident partner’s name, address and social security number.

(2) The application shall be filed on or before the date prescribed for filing the Form CT-G.

(b) The provisions of this section also apply to S corporations and trusts or estates, and wherever reference is made herein to partnerships and partners, such reference

shall be construed to mean S corporations and shareholders thereof, and trusts or estates and beneficiaries thereof.

(Effective November 18, 1994; amended March 8, 2006)

Sec. 12-723-3. Extension of time for payment of Connecticut income tax

(a) The Commissioner may, apart from any extension of time to file a Connecticut income or withholding tax return, grant a reasonable extension of time for payment of Connecticut tax upon the filing on or before the original due date of the Connecticut tax return (determined without regard to any extension of time) by the taxpayer of a Form CT-1127 (Application For Extension of Time For Payment of Income Tax) that gives complete information as to the reasons for such taxpayer's inability by reason of undue hardship, as the term is defined in 26 C.F.R. § 1.6161-1(b), to make payment of the tax on or before the original due date of the Connecticut tax return (determined without regard to any extension of time). The period of such extension shall not be in excess of six months from the original due date of the Connecticut tax return (determined without regard to any extension of time). No further extension of time for payment of Connecticut tax shall be granted by the Commissioner.

(b) If an extension of time for payment of Connecticut tax has been granted pursuant to this Section, interest shall be added at the statutory rate under Section 12-723 of the General Statutes for each month or fraction thereof on any balance due from the original due date of the Connecticut tax return (determined without regard to any extension of time) to the date of actual payment. If such balance due is not paid on or before the extended due date for payment, a penalty shall apply to such balance in accordance with Section 12-735 of the General Statutes.

(c) If an extension of time for payment of Connecticut tax has not been granted pursuant to this section, interest shall be added at the statutory rate under Section 12-735 of the General Statutes for each month or fraction thereof on any balance due from the original due date of the Connecticut tax return (determined without regard to any extension of time) to the date of actual payment. Except as otherwise provided in subparagraph (B) of subdivision (3) of subsection (d) of Section 12-723-1 of this part, a penalty shall apply to such balance in accordance with Section 12-735 of the General Statutes.

(d) For the definition of "month or fraction thereof," see § 12-701(b)-1 of Part XIV.

(Effective November 18, 1994; amended December 19, 2002)

Sec. 12-723-4. Extension of time to file informational returns

(a) Any person required to file informational returns, whether on paper or magnetic media, may request an extension of time to file such returns upon demonstrating good cause by filing a Form CT-8809 (Request For Extension of Time to File Informational Returns) on or before the original due date of the returns.

(b) Where an extension is requested for filing federal informational returns, an extension of time to file such returns with the Department may be requested by filing a Form CT-8809, together with a copy of the letter from the Internal Revenue Service approving the request for a federal extension, with the Department.

(c) In general, if a request for extension was granted for federal tax purposes, an extension also shall be granted for Connecticut tax purposes. However, if a federal extension was not applied for or was not granted, good cause for granting an extension of time for Connecticut purposes may be demonstrated by furnishing an explanation on Form CT-8809.

(d) An extension of time to file informational returns shall not be automatically granted. The Department shall notify the applicant whether the application is approved or denied.

(e) The time to file informational returns shall be extended for 30 days from the original due date of the returns. If additional time to file is needed beyond the original extension period, an additional 30 days may be requested by submitting another Form CT-8809 and a copy of the first approval letter from the Department before the end of the original extension period.

(f) Approval of a request for an extension of time to file only extends the due date for filing the returns. It shall not extend the due date for furnishing the required copies or statements to the employees or payees.

(g) For purposes of this section, "informational returns" means a duplicate of the "state copy" of federal Forms W-2 (reporting payment of Connecticut wages), W-2G (for winnings paid to resident individuals, even if no Connecticut income tax was withheld), 1099-MISC (for payments to resident individuals or, if the payments relate to services performed wholly or partly within Connecticut, payments to nonresident individuals, even if no Connecticut income tax was withheld), 1099-R (for payments or distributions to resident individuals, but only if Connecticut income tax was withheld) and 1099-S (for all Connecticut real estate transactions).

(Effective November 18, 1994)

Sec. 12-723-5. Extension of time to file withholding tax returns

(a) Where, for good cause, a federal Form 941 is filed late, a Connecticut quarterly withholding tax return (Form CT-941) also may be filed late. In such a case, a copy of the statement attached to the late-filed federal Form 941 shall be attached to the late-filed Form CT-941.

(b) Where an extension is requested for filing a federal Form W-3, an extension of time to file a Form CT-W3 may be requested by filing a Form CT-8809 (Request For Extension of Time to File Informational Returns), together with a copy of the letter from the Internal Revenue Service approving or denying the request for a federal extension, with the Department.

(Effective November 18, 1994)

Sec. 12-723-6. Person other than taxpayer requesting extension

(a) **Extension of time to file.** (1) Any person who is authorized by § 12-725-1 of Part XI to sign a return on behalf of another person may request an extension of time for filing a return on behalf of such person, subject to the same conditions that would apply had such other person requested the extension.

(2) Any person standing in a close personal or business relationship, as the term is used in 26 C.F.R. § 1.6081-1(b)(4), to another person may request an extension of time for filing a return on behalf of such other person, subject to the same conditions that would apply had such other person requested the extension.

(b) **Extension of time to pay.** Any person who is authorized by § 12-725-1 of Part XI to sign a return on behalf of another person may request an extension of time for paying the tax that is reported thereon on behalf of such other person, subject to the same conditions that would apply had such other person requested the extension.

(Effective November 18, 1994)

Sec. 12-723-7. Definitions

As used in this Part, unless the context otherwise requires:

(1) "Return" includes a return, declaration, statement or other document required or permitted to be made or filed under the Income Tax Act upon which a signature is required pursuant to forms or instructions issued by the Department.

(2) “Taxpayer” includes any person required or permitted under the Income Tax Act to file a return.

(3) “Original due date” means the date prescribed by law for the filing of a return (determined without regard to any extension of time for filing).

(Effective November 18, 1994)

PART XI. Returns

Secs. 12-719-1—12-719-2.

Repealed, March 8, 2006

Sec. 12-725-1. Signing of Connecticut income tax returns, declarations, statements or other documents

(a) **General.** Except as provided in subsection (b) of this section, any Connecticut return shall be signed by the individual making or filing it. The individual shall sign the return in the manner prescribed in forms, instructions, or other appropriate guidance of the department. The fact that an individual’s name is signed to a Connecticut return is prima facie evidence for all purposes that the individual actually signed such return. For purposes of this section, the term “return” means any return, statement or other document required or permitted to be made or filed under the Income Tax Act upon which a signature is required pursuant to forms or instructions issued by the Department.

(b) **Signature by agent.** When illness, absence, minority or other good cause prevents the person required or permitted to make or file any Connecticut return from doing so, an agent, or a fiduciary charged with the care of the person or property of such taxpayer, may make and sign such return. The agent or fiduciary shall sign the return in the manner prescribed in forms, instructions, or other appropriate guidance of the department. When a Connecticut return is made and signed by an agent, such agent assumes, and the principal retains, responsibility for making and signing such return, and incurs liability for the penalties provided for erroneous, false or fraudulent Connecticut returns. Whenever a return is made by an agent, the agent shall have obtained and shall retain a power of attorney (or a copy thereof) authorizing the agent to represent the principal in making, executing or filing the return. (A Form LGL-001, properly completed, is sufficient.)

(c) **Husband and wife signatures.** (1) Except as provided below in the case of the death of a spouse, a joint return shall be signed by both the husband and wife unless the return is made by an agent of both spouses, or one spouse signs individually and as the agent of the other. Any spouse who makes a joint return through an agent retains the responsibility for making the return and incurs liability for the penalties provided for erroneous, false or fraudulent returns. One spouse cannot sign as the agent of the other unless the return is accompanied by a power of attorney that is executed by the spouse not signing the return authorizing the other spouse to sign the return therefor. However, if the signature or authorization of either spouse cannot be obtained because of disease or injury, and no power of attorney or written authorization is available for the same reason, a Connecticut return signed by one spouse and offered for filing as a joint return may be accepted as such where the signatures and evidence of authorization required under the applicable provisions of the Internal Revenue Code and regulations thereunder are attached to and made part of the return.

(2) In the case of death of one or both spouses during a taxable year for which a joint return is made under the circumstances referred to in § 12-740-4(c) of this Part, the signatures and evidence of authorization required under the applicable provisions of the Internal Revenue Code and regulations thereunder shall be required for Connecticut income tax purposes.

(Effective November 18, 1994; amended March 8, 2006)

Sec. 12-725-2. Signing of Connecticut returns prepared by a person other than the taxpayer

(a)(1) An individual who is a return preparer (as defined in subsection (b) of this section), with respect to a Connecticut return, shall sign such return in the appropriate space provided on the return after it is completed and before it is presented to the taxpayer (or nontaxable entity) for signature. The preparer shall sign the return in the manner prescribed in forms, instructions, or other appropriate guidance of the department. In addition, any Connecticut return prepared by a return preparer shall bear both a Connecticut tax registration number, if any, and such federal identification number as is necessary for securing proper identification of the preparer, the preparer's employer, or both, as may be required by forms and instructions. If the preparer is unavailable for signature, another preparer shall review the entire preparation of the return, and then shall sign such return and furnish such identifying number(s).

(2) Each Connecticut return which is prepared by one or more return preparers shall have typed or printed the name or names of the individual preparer(s) or the name of the firm (if applicable), and the street address, city, state and postal ZIP code of such preparer's place of business where the preparation of the Connecticut income tax return was completed. If such place of business is not maintained on a year-round basis, the return shall bear the street address, city, state and postal ZIP code of the preparer's principal office or business location which is maintained on a year-round basis, or if none, of the preparer's residence.

(3) If more than one return preparer is involved in the preparation of a Connecticut return, the individual preparer who has the primary responsibility as between or among the preparers for the overall substantive accuracy of the preparation of such return shall be considered to be the return preparer for purposes of this section.

(4) The following examples illustrate the application of the provisions of subdivisions (1) through (3) of this subsection.

Example 1: Assume Y, a lawyer, is an employee of law firm X and is employed to prepare income tax returns. Also, assume law firm X has been hired by taxpayer T to prepare his 1992 Connecticut income tax return. Employee Y is assigned to obtain the information necessary for completing T's Connecticut income tax return and for making determinations with respect to the proper application of the tax laws to such information in order to determine T's Connecticut income tax liability. Employee Y then forwards such information to C, a computer tax service which performs the mathematical computations and prints the Connecticut income tax return form by means of computers. C then sends the completed Connecticut income tax return to Y who reviews its accuracy. Y is the individual preparer who is primarily responsible for the overall accuracy of taxpayer T's Connecticut income tax return. Therefore, employee Y shall sign the Connecticut income tax return as the preparer and indicate on such return the name and address of her employer, law firm X.

Example 2: Assume company A is a national accounting firm which receives compensation for preparation of income tax returns. B and C, who are employees of A, are involved in preparing the 1992 Connecticut partnership return of partnership P. After they complete such return, including the gathering of the necessary information, the proper application of the tax laws to such information, and the performance of the necessary mathematical computations,

D, a supervisory employee of company A, reviews the Connecticut partnership return. As part of this review, D reviews the information provided and the application of the tax laws to this information. The mathematical computations are proved by E, an employee in A's comparing and proving department. The policies and practices of company A require that employee F finally review the Connecticut partnership return. The scope of F's review includes reviewing the information provided by applying to this information F's knowledge of partnership P's affairs, observing that company A's policies and practices have been followed, and making the final determination with respect to the proper application of the tax laws. F may or may not exercise these responsibilities, or may exercise them to a greater or lesser extent, depending on the degree of complexity of the Connecticut income tax return, F's confidence in D (or B and C) and other factors. F is the individual preparer who is primarily responsible for the overall accuracy of partnership P's Connecticut partnership return. Therefore, F shall sign the Connecticut partnership return as the preparer and indicate thereon the name and address of his firm, company A.

Example 3: Assume company C maintains an office in Seattle, Washington for the purpose of preparing income tax returns for compensation. Company C makes compensatory arrangements with individuals (but provides no working facilities) in several states to collect information from taxpayers and to make determinations with respect to the proper application of the tax laws to the information in order to determine the tax liabilities of such taxpayers. Also, assume E, an individual, who has such an arrangement in Connecticut with company C, collects information from T, a taxpayer, regarding T's Connecticut income tax return and completes a worksheet kit supplied by company C which is stamped with E's name and an identification number assigned to E by C. In this process, E classifies this information in appropriate income and deduction categories for the tax determination. The completed worksheet kit signed by E is then mailed to company C. When the worksheet kit is received in company C's office, it is reviewed by D, an employee there, to ensure that the kit was properly completed. Employee D does not review the information obtained from taxpayer T for its validity or accuracy. D may, but does not, make the final determination with respect to the proper application of tax laws to the information. The data from the worksheet is then entered into a computer and the Connecticut income tax return form is completed. Such return is prepared for submission to T with filing instructions. Based on the above facts, E is the individual preparer primarily responsible for the overall accuracy of taxpayer T's Connecticut income tax return. Therefore, E shall sign such return as the preparer and indicate thereon the name and address of company C.

Example 4: Assume company X employs A, B and C to prepare income tax returns for taxpayers. Employees A and B have each been assigned to collect information from taxpayers and apply the tax laws to the information. Such taxpayers' Connecticut income tax return forms are completed by a computer service. On the day the returns are ready for A's and B's signatures as paid preparers, A is out of the city for one week on another assignment and B is on detail to another office for the day. Employee C may sign the Connecticut income tax return prepared by A, provided that C reviews the information obtained by A and the preparation of the return by A. Employee C may not sign the Connecticut income tax return prepared by B because B is available. In addition, each Connecticut income tax return shall indicate thereon the name and address of company X.

(5)(A) After the return is signed by the preparer, no person other than the preparer may alter any entries thereon other than to correct arithmetical errors discernible on the return. The employer of the preparer or the partnership in which the preparer is a partner, or the preparer (if not employed or engaged by a preparer and not a partner of a partnership which is a preparer), shall retain a copy of the return. A record of any arithmetical errors corrected shall be retained by the person required to retain the copy of the Connecticut return and be made available upon request.

(B) If mechanical preparation of the Connecticut return is accomplished by computer not under the control of the individual preparer, then the signature requirement of this subsection may be satisfied by a signed attestation by the individual preparer

attached to such return that all the information contained in the return was obtained from the taxpayer and is true and correct to the best of such preparer's knowledge, but only if such information (including any supplemental written information provided and signed by such preparer) is not altered on the return by another person. For purposes of the preceding sentence, the correction of arithmetical or clerical errors discernible from the information submitted by the preparer does not constitute an alteration. The information submitted by the preparer shall be retained by the employer of the preparer or by the partnership in which the preparer is a partner, or by the preparer (if not employed or engaged by a preparer and not a partner of a partnership which is a preparer). A record of any arithmetical or clerical errors corrected shall be retained by the person required to retain the information submitted by the preparer and made available upon request.

(C) Any items required to be retained and kept available for inspection under subparagraphs (A) and (B) of this subdivision shall be retained and kept available for inspection for a period of six years after the due date of the Connecticut return, including extensions. Any retained items requested by the Department to be submitted for review shall be signed by the return preparer.

(b) For purposes of this section, the term "return preparer" has the same meaning as the term "income tax return preparer" under the Internal Revenue Code and regulations thereunder, as if the Connecticut return were a federal tax return being prepared by an income tax return preparer.

(c) A return preparer who fails to sign a Connecticut return or retain a copy of a completed return, as required by this section, may be liable for the penalties provided in Sections 12-736(b) and 12-737 of the general statutes.

(Effective November 18, 1994; amended March 8, 2006)

Sec. 12-727(a)-1. Filing on magnetic media

(a) Every person that is required to file with the Internal Revenue Service for a taxable year a number of informational returns that is more than or equal to the number that is specified in section 6011(e)(2) of the Internal Revenue Code is required to furnish those returns to the Department on magnetic media. (A Form CT-4804, Transmittal of Informational Returns Reported Magnetically, shall be completed by the transmitter (who may be the agent of the person that is required to file informational returns) of such magnetic media and shall be filed therewith.) Such persons are not permitted to file these informational returns to the Department using paper forms, including machine-readable paper forms, in lieu of furnishing the information on magnetic media, and filing these returns using paper forms shall be treated as a failure to file that is subject to penalty under § 12-735(d)-1 of Part XII. However, if 24 or fewer informational returns are required to be furnished to the Department, those returns may be furnished to the Department using paper forms, even though those returns are furnished to the Internal Revenue Service on magnetic media. For example, if a payer has made payments to 24 or fewer Connecticut independent contractors, the payer may furnish the "state copy" of the federal Form 1099-MISC to the Department using paper forms, even though the payer is required to furnish those returns to the Internal Revenue Service on magnetic media.

(b) The magnetic media specifications, which are available upon request from the Department, are virtually identical to those adopted by the Internal Revenue Service or the Social Security Administration, as the case may be.

(c) The Commissioner may waive the requirements of this section if hardship is shown on a Form CT-8508 (Request for Waiver from Filing Connecticut Informational Returns on Magnetic Media). Such waiver request shall specify the period

to which it applies and shall be subject to such terms and conditions regarding the method of reporting as may be prescribed by the Commissioner. In determining whether hardship has been shown, the principal factor to be taken into account shall be the amount, if any, by which the cost of filing forms on magnetic media in accordance with this section exceeds the cost of filing such forms on other media. Form CT-8508 shall be filed with the Department at least 45 days before the date on which persons are required to furnish information to the Department.

(d) If a waiver is granted, paper forms may be filed for that taxable year. Generally, if a waiver has been granted for federal tax purposes, a waiver shall be granted for Connecticut tax purposes. An approved waiver shall provide exemption from magnetic media filing for the current taxable year only. A new Form CT-8508 shall be submitted for each year a waiver is requested; however, a waiver shall generally not be granted on the same basis for succeeding years.

(e) For purposes of this section, “informational returns” means a duplicate of the “state copy” of federal Forms W-2 (reporting payment of Connecticut wages), W-2G (for winnings paid to resident individuals, even if no Connecticut income tax was withheld), 1099-MISC (for payments to resident individuals or, if the payments relate to services performed wholly or partly within Connecticut, payments to nonresident individuals, even if no Connecticut income tax was withheld), 1099-R (for payments or distributions to resident individuals, but only if Connecticut income tax was withheld) and 1099-S (for all Connecticut real estate transactions).

(Effective November 18, 1994)

Sec. 12-727(a)-2. Informational reporting by certain employers, payers or real estate reporting persons

(a)(1) Except as otherwise provided in this subsection, where, during a calendar year, an employer pays remuneration which is not subject to federal income tax withholding, but which is subject under federal law to informational reporting on a federal Form W-3, to an employee who is a resident individual, regardless of where the employee’s services are performed, or to an employee who is a nonresident individual, where the employee’s services are performed entirely or partly within Connecticut, the employer shall file a Form CT-W3, with a duplicate of the “state copy” of the federal Form W-2, with the Department on or before the last day of February of the next succeeding calendar year. Some examples of remuneration subject to such informational reporting include remuneration paid to household domestic employees, ministers or members of religious orders.

(2) Where an employer has filed electronically federal Forms W-2 and the Department has announced that employers may file electronically the “state copy” of all federal Forms W-2 reporting Connecticut remuneration paid during the preceding calendar year, and the employer chooses to file electronically the “state copy” of those federal Forms W-2 with the Department, such employer shall file electronically the “state copy” of those federal Forms W-2 with the Department on or before the last day of March of the next succeeding calendar year.

(b)(1) Except as otherwise provided in this subsection, where, during a calendar year, any person makes a payment or payments that are subject under federal law to informational reporting on a federal Form 1099-MISC to a resident individual, or, if payment or payments are made for services that were performed wholly or partly within Connecticut, to a nonresident individual, the payer shall file a Form CT-1096, with a duplicate of the “state copy” of such federal Form 1099-MISC, with the Department on or before the the last day of February of the next succeeding calendar year.

(2) Where a payer has filed electronically federal Forms 1099-MISC and the Department has announced that payers may file electronically the “state copy” of all federal Forms 1099-MISC reporting Connecticut payments made during the preceding calendar year, and the payer chooses to file electronically the “state copy” of those federal Forms 1099-MISC with the Department, such payer shall file electronically the “state copy” of those federal Forms 1099-MISC with the Department on or before the last day of March of the next succeeding calendar year.

(c)(1) Except as otherwise provided in this subsection, where, during a calendar year, any person is a real estate reporting person, as defined in section 6045(e) of the Internal Revenue Code, and is subject under federal law to informational reporting on a federal Form 1099-S with respect to a real estate transaction or transactions pertaining to real estate situated in Connecticut, such person shall file a Form CT-1096, with a duplicate of the “state copy” of each federal Form 1099-S pertaining to a Connecticut real estate transaction, with the Department on or before the last day of February of the next succeeding calendar year.

(2) Where a real estate reporting person has filed electronically federal Forms 1099-S and the Department has announced that real estate reporting persons may file electronically the “state copy” of all federal Forms 1099-S reporting Connecticut real estate transactions during the preceding calendar year, and the real estate reporting person chooses to file electronically the “state copy” of those federal Forms 1099-S with the Department, such person shall file electronically the “state copy” of those federal Forms 1099-S with the Department on or before the last day of March of the next succeeding calendar year.

(d)(1) Except as otherwise provided in this subsection, where, during a calendar year, any person receives funds from a mortgagor who is an individual with respect to a mortgage on real property situated in Connecticut, which funds are to be held in escrow for payment of property taxes on such property to a Connecticut municipality, the person receiving such funds shall file a Form CT-1096, with a duplicate of the “state copy” of federal Form 1098, with the Department on or before the last day of February of the next succeeding calendar year.

(2) Where a person receiving funds from a mortgagor has filed electronically federal Forms 1098 and the Department has announced that persons receiving funds from mortgagors may file electronically the “state copy” of all federal Forms 1098 reporting funds so received and held in escrow for payment of property taxes to Connecticut municipalities during the preceding calendar year, and the person receiving funds from a mortgagor chooses to file electronically the “state copy” of those federal Forms 1098 with the Department, such person shall file electronically the “state copy” of those federal Forms 1098 with the Department on or before the last day of March of the next succeeding calendar year.

(e)(1) Except as otherwise provided in this subsection, where, during a calendar year, any person is subject under federal law to informational reporting on a federal Form W-2G with respect to payment or payments of winnings that are subject to federal income tax withholding, such person shall file a Form CT-1096, with a duplicate of the “state copy” of each federal Form W-2G pertaining to Connecticut income tax withholding under § 12-705(b)-2 of part IX, with the Department on or before the last day of February of the next succeeding calendar year.

(2) Where a payer has filed electronically federal Forms W-2G and the Department has announced that payers may file electronically the “state copy” of all federal Forms W-2G reporting payments of winnings that are subject to Connecticut income tax withholding made during the preceding calendar year, and the payer chooses to

file electronically the “state copy” of those federal Forms W-2G with the Department, such payer shall file electronically the “state copy” of those federal Forms W-2G on or before the last day of March of the next succeeding calendar year.

(f)(1) Except as otherwise provided in this subsection, where, during a calendar year, any person is subject under federal law to informational reporting on a federal Form 1099-R with respect to pension or annuity payments that are subject to federal income tax withholding, such person shall file a Form CT-1096, with a duplicate of the “state copy” of each federal Form 1099-R pertaining to Connecticut income tax withholding under § 12-705(b)-3 of part IX, with the Department on or before the last day of February of the next succeeding calendar year.

(2) Where a payer has filed electronically federal Forms 1099-R and the Department has announced that payers may file electronically federal Forms 1099-R reporting pension or annuity payments that are subject to Connecticut income tax withholding made during the preceding calendar year, and the payer chooses to file electronically the “state copy” of those federal Forms 1099-R with the Department, such payer shall file electronically the “state copy” of those federal Forms 1099-R with the Department on or before the last day of March of the next succeeding calendar year.

(Effective November 18, 1994; amended August 3, 2001)

Sec. 12-740-1. Who must file a Connecticut income tax return

(a) Except as otherwise provided in these sections, a Connecticut income tax return shall be made and filed by or for:

(1) every resident individual having federal gross income, increased by any applicable modifications as set forth in § 12-701(a)(20)-2 of Part I, in excess of such individual’s Connecticut personal exemption;

(2) every resident trust or estate that either had a federal fiduciary income tax return filed for it or that had any Connecticut income;

(3) every nonresident individual having:

(A)(i) income derived from or connected with Connecticut sources, as determined under Part II, and (ii) federal gross income, increased by any applicable modifications as set forth in § 12-701(a)(20)-2 of Part I, in excess of such individual’s Connecticut personal exemption; or

(B) incurred a net operating loss for Connecticut income tax purposes but not for federal income tax purposes; or

(C) incurred a net passive activity loss or net capital loss for Connecticut income tax purposes but did not incur a net passive activity loss or net capital loss, respectively, for federal income tax purposes;

(4) every part-year resident individual meeting any of the following conditions:

(A)(i) such individual has income derived from or connected with sources within Connecticut (as determined under Part III), and (ii) such individual’s federal gross income, increased by any applicable modifications as set forth in § 12-701(a)(20)-2 of Part I, exceeds such individual’s Connecticut personal exemption; or

(B) such individual is a nonresident of Connecticut at the close of the taxable year and has incurred a net operating loss for Connecticut income tax purposes but did not incur a net operating loss for federal income tax purposes; or

(C) such individual is a nonresident of Connecticut at the close of the taxable year and has incurred a net passive activity loss or net capital loss for Connecticut income tax purposes but did not incur a net passive activity loss or net capital loss, respectively, for federal income tax purposes;

(5) every nonresident trust or estate meeting any of the following conditions:

(A) such trust or estate has income derived from or connected with Connecticut sources, as determined in accordance with the applicable regulations of Parts II and IV as in the case of a nonresident individual; or

(B) such trust or estate incurred a net operating loss for Connecticut income tax purposes, but not for federal income tax purposes; or

(C) such trust or estate incurred a net passive activity loss or net capital loss for Connecticut income tax purposes but did not incur a net passive activity loss or net capital loss, respectively, for federal income tax purposes;

(6) every part-year resident trust meeting any of the following conditions:

(A) such trust had a federal fiduciary income tax return filed for it; or

(B) such trust had any Connecticut income during the residency portion of its taxable year; or

(C) such trust had income derived from or connected with Connecticut sources, as determined under Parts II and IV as in the case of a nonresident individual, during the nonresidency portion of its taxable year; or

(D) such trust is a nonresident of Connecticut at the close of the taxable year and has incurred a net operating loss for Connecticut income tax purposes but did not incur a net operating loss for federal income tax purposes; or

(E) such trust is a nonresident trust at the close of the taxable year and has incurred a net passive activity loss or net capital loss for Connecticut income tax purposes but did not incur a net passive activity loss or net capital loss, respectively, for federal income tax purposes; and

(7) every person seeking a refund, even though a Connecticut income tax return would not otherwise be required under the preceding conditions.

(b) A person who comes within any of the requirements set forth in subsection (a) of this section shall file a return even if such return, after any Connecticut personal exemption and any Connecticut personal credit, discloses no income tax liability.

(c)(1) Every member of the armed forces of the United States who is:

(A) a resident individual, wherever stationed, is subject to the provisions of subdivision (a)(1) of this section;

(B) a nonresident individual stationed in Connecticut is subject to the provisions of subdivision (a)(3) of this section. Thus, if such individual's only income is military pay and other income that is not derived from or connected with sources within Connecticut, no Connecticut income tax return need be filed. However, if such individual has (i) income derived from or connected with sources within Connecticut, as determined under Part II, and (ii) federal gross income, increased by any applicable modifications as set forth in § 12-701(a)(20)-2 of Part I, in excess of such individual's Connecticut personal exemption, then a Connecticut income tax return shall be filed.

(2) Except as otherwise provided in Section 12-724 of the general statutes with respect to a member of the armed forces who is serving in an area properly designated as a combat zone or who is hospitalized as a result of such service, every member of the armed forces who is required to file a Connecticut income tax return shall file at the same time and in the same manner as any other individual.

(Effective November 18, 1994)

Sec. 12-740-2. Returns by or for minors or persons under a disability

For Connecticut income tax purposes, a minor or person under a disability is subject to the same requirements for making Connecticut returns as are other individuals. The Connecticut return required for an individual who is unable to make a return by reason of minority, insanity or other disability shall be made and filed by

such individual's guardian, conservator, fiduciary or other person charged with the care of the individual's person or property or by a duly authorized agent. In such a case, the fiduciary or other person charged with the care of such individual's person or property is liable for any filings and payments required of the individual under the Income Tax Act. For purposes of this section, the term "return" means any return, declaration, statement or other document required to be made or filed under the Income Tax Act.

(Effective November 18, 1994)

Sec. 12-740-3. Returns by receivers

A receiver of all the property of a person in receivership shall make an income tax return of, and pay any income tax due on, the income from such property. If the person in receivership is a Connecticut resident individual, the entire income from such property, wherever located, shall be reported. If the person in receivership is a nonresident individual, only income derived from or connected with Connecticut sources shall be reported. If the receiver is not in possession of all of the property, no liability for making or filing a Connecticut income tax return or paying Connecticut income tax rests upon such receiver, and the person in receivership shall make such person's own return.

(Effective November 18, 1994)

Sec. 12-740-4. Returns for decedents

(a) **General.** The executor or administrator of the estate of an individual who died during the taxable year, or any other person charged with the property of such a decedent, shall make and file a Connecticut income tax return for the decedent on the form which would have been appropriate had the decedent lived (Form CT-1040 or CT-1040NR/PY). The decedent's taxable year ends with the date of death and covers the period during which the decedent was alive. If a person other than a surviving spouse files the decedent's Connecticut income tax return, and a refund is claimed thereon, a copy of the completed federal Form 1310 (Statement of Person Claiming Refund Due A Deceased Taxpayer) shall be attached thereto.

(b) **Due date for filing decedent's return.** The due date for filing a Connecticut income tax return for a decedent, covering the period up to the date of death, is the same as if the decedent had lived until the end of his or her usual taxable year. Therefore, if the decedent reported on a calendar year basis, the Connecticut tax return for that year is due on April 15 of the following year, regardless of when his or her death occurred during the taxable year. Such return may be filed at any time after the appointment and qualification of the executor or administrator, without waiting for the close of the decedent's usual taxable year. If a surviving spouse meets the provisions of subsection (c) of this section and properly files a joint Connecticut income tax return with the deceased spouse, the due date for such joint return is the fifteenth day of the fourth month following the close of the taxable year of the surviving spouse.

(c) **Joint Connecticut income tax return after death.** (1) Where one or both spouses die during the year and would have been entitled to file a joint Connecticut income tax return had they lived, a joint Connecticut income tax return may be made if:

(A) a joint federal income tax return was made for the taxable year;

(B) the taxable year of both decedents, or of the decedent and the surviving spouse (as the case may be), began on the same day and ended on different days only because of the death of either or both;

(C) neither taxpayer was reporting for a part of a year as a result of a change in accounting period; and

(D) the surviving spouse did not remarry before the end of the taxable year.

(2) Generally, the executor or administrator and the surviving spouse shall unite in making such a joint return. However, where the surviving spouse, alone, is authorized by the Internal Revenue Code and the regulations thereunder to make a joint federal income tax return for the surviving spouse and the decedent, the survivor may also make a joint Connecticut income tax return.

(Effective November 18, 1994)

Sec. 12-740-5. Filing of fiduciary income tax return

(a) A fiduciary of a trust or estate shall make and file the Connecticut fiduciary income tax return (Form CT-1041). When the fiduciary is a trustee of two or more trusts, the fiduciary shall make a separate Connecticut fiduciary income tax return for each trust, even though such trusts were created by the same grantor for the same beneficiary or beneficiaries. Where a trust or estate has more than one fiduciary, the return may be made and filed by any one of them.

(b)(1) Where the grantor or another person is treated as the owner of a portion of a trust, pursuant to sections 671 through 679 of the Internal Revenue Code, and items of income, deduction and credit attributable to such portion shall, for federal tax purposes, be shown on a separate statement attached to the federal Form 1041, the fiduciary shall, for Connecticut income tax purposes, submit a copy of the federal Form 1041 and a copy of such separate statement with the Form CT-1041 filed with the Department.

(2) Where the same individual is both grantor and trustee or co-trustee of the same trust, and such individual is treated as owner of all of the trust assets pursuant to section 676 of the Internal Revenue Code, and, for federal income tax purposes, all items of income, deduction and credit from the trust are reported on such individual's federal Form 1040, rather than the federal Form 1041, such individual shall, for Connecticut income tax purposes, attach a copy of the grantor's federal Form 1040 with the Form CT-1040 filed with the Department.

(c) The provisions of this section shall not apply to a trustee of a bankruptcy estate in a case under chapter 7 or chapter 11 of title 11 of the United States Code in which the debtor is an individual who would otherwise be required to file a Connecticut income tax return under § 12-740-1.

(Effective November 18, 1994; amended March 8, 2006)

Sec. 12-740-6. Connecticut income tax returns for short taxable periods

(a) **Resident and nonresident individuals.** (1) In determining whether a resident individual who has a short taxable year due to a change in accounting period (as explained in Part XIII) is required to file a Connecticut income tax return for such short taxable period, § 12-740-1(a)(1) of this Part applies, except that the reference to federal gross income and any applicable modifications under § 12-701(a)(20)-2 of Part I shall be limited to federal gross income and such modifications, respectively, for the short taxable period, and the Connecticut personal exemption shall be prorated as provided in subdivision (3) of this subsection.

(2) In determining whether a nonresident individual who has a short taxable year due to a change in accounting period (as explained in Part XIII) is required to file a Connecticut income tax return for such short taxable period, § 12-740-1(a)(3) of this Part applies, except that the reference to federal gross income, any applicable modifications under § 12-701(a)(20)-2 of Part I, and income derived from or con-

nected with Connecticut sources shall be limited to federal gross income, such modifications and such income, respectively, for the short taxable period, and the Connecticut personal exemption shall be prorated as provided in subdivision (3) of this subsection. However, notwithstanding the preceding sentence, a Connecticut nonresident income tax return shall be filed for a short taxable period where a nonresident individual incurs a net operating loss for Connecticut income tax purposes but does not incur such a loss for federal income tax purposes.

(3) Where a resident or nonresident individual has a short taxable period, such individual's Connecticut personal exemption shall be prorated to the same extent that the number of months in such short taxable period bears to twelve months.

(b) **Resident trusts or estates.** The fiduciary of a resident trust or estate shall file a Connecticut fiduciary income tax return for a short taxable period if the trust or estate either had a federal fiduciary income tax return filed for it or had any Connecticut income for such period.

(c) **Nonresident trusts or estates.** The fiduciary of a nonresident trust or estate shall file a Connecticut fiduciary income tax return for a short taxable period if the trust or estate has items of income or gain derived from or connected with sources within Connecticut (as defined in § 12-713(a)-1 of Part IV) for such period. However, notwithstanding the provisions of the preceding sentence, a Connecticut fiduciary income tax return shall be filed for a short taxable period where a nonresident trust or estate incurs a net operating loss for Connecticut income tax purposes but does not incur a net operating loss for federal income tax purposes.

(Effective November 18, 1994)

Sec. 12-740-7. Returns must be made and filed even if not mailed by the department

No person is excused from making and filing a Connecticut income tax return merely because such person does not receive a return from the Department. Copies of the prescribed forms shall, so far as possible, be distributed, but a person who does not receive any form should request it in ample time to have a Connecticut return prepared and filed on or before the due date. For purposes of this section, the term "return" means any return, declaration, statement or other document required to be made or filed under the Income Tax Act.

(Effective November 18, 1994)

Sec. 12-740-8. Filing of returns by nonresident aliens or persons who have not been issued a social security number

(a) Nonresident aliens. (1) The fact that a nonresident alien may be illegally earning income in the United States has no bearing on the nonresident alien's obligation to file a Connecticut income tax return or to pay Connecticut income tax. A nonresident alien who is a resident of Connecticut, as defined in Part I, or who is a nonresident of Connecticut but has Connecticut adjusted gross income derived from or connected with sources within this state, as the term is defined in Part II, shall file a Connecticut income tax return and pay Connecticut income tax if the requirements of § 12-740-1 of this Part are met, even though such nonresident alien is not or may not be required to file a federal income tax return or pay federal income tax.

(2) If a nonresident alien files a federal Form 1040NR with the Internal Revenue Service, such person shall attach a copy thereof to his or her Form CT-1040 or Form CT-1040NR/PY, as the case may be. Because the instructions to the Form CT-1040 or Form CT-1040NR/PY do not contain line references from the federal

Form 1040NR, care should be taken when entering amounts from the federal Form 1040NR. The provisions of any income tax treaty between the United States and another country shall be disregarded for Connecticut income tax purposes, because no such treaty prohibits or restricts the imposition of State and local income taxes. Therefore, any federal Form 1040NR instructions referring to an income tax treaty between the United States and another country shall be disregarded in completing a Form CT-1040 or Form CT-1040NR/PY.

(3) If a nonresident alien does not file a federal Form 1040NR with the Internal Revenue Service, whether or not required to do so, he or she shall nonetheless fill in a federal Form 1040NR in order to complete a Form CT-1040 or Form CT-1040NR/PY, as the case may be. Because the instructions to the Form CT-1040 or Form CT-1040NR/PY do not contain line references from the federal Form 1040NR, care should be taken when entering amounts from the federal Form 1040NR. However, because the provisions of any income tax treaty between the United States and any other country do not apply for Connecticut income tax purposes, any instructions referring to an income tax treaty between the United States and another country shall be disregarded in completing a Form CT-1040 or Form CT-1040NR/PY. The nonresident alien shall write "PRO FORMA RETURN FOR CONNECTICUT INCOME TAX PURPOSES" at the top of the federal Form 1040NR and attach a copy to the Form CT-1040 or Form CT-1040NR/PY, as the case may be.

(4) If a nonresident alien has not been assigned a social security number and is not entitled to be issued a social security number, he or she shall be required to enter the IRS individual taxpayer identification number assigned to him or her by the Internal Revenue Service in the space provided for a social security number on the Form CT-1040 or Form CT-1040NR/PY, as the case may be.

(5) As used in this section, "nonresident alien" means a nonresident alien of the United States, as defined in section 7701(b)(1)(B) of the Internal Revenue Code.

(b) Persons (other than nonresident aliens) not issued a social security number. (1) The fact that a person (other than a nonresident alien) may not be fulfilling his or her obligation to file a federal income tax return or to pay federal income tax has no bearing on his or her obligation to file a Connecticut income tax return or to pay Connecticut income tax.

(2) The fact that a person (other than a nonresident alien) may not be fulfilling his or her obligation to apply for and be issued a social security number has no bearing on his or her obligation to file a Connecticut income tax return or to pay Connecticut income tax. If such a person has not been issued a social security number, the word "NONE" shall be entered in the space provided for a social security number on the Form CT-1040 or Form CT-1040NR/PY, as the case may be.

(Effective November 18, 1994; amended March 8, 2006)

Secs. 12-740-9—12-740-10.

Repealed, March 8, 2006.

PART XII. Deficiencies, refunds, interest and penalties

Sec. 12-728(a)-1. Interest on deficiency assessments

(a) If a deficiency is assessed by the Commissioner after examination of a final return pursuant to Section 12-728 of the general statutes, the amount of the deficiency shall bear interest at the statutory rate under Section 12-728 of the General Statutes for each month or fraction thereof from the date when the original tax became due and payable.

(b) For purposes of Section 12-728(a) of the general statutes and this section, the “date when the original tax became due and payable” does not mean the due date(s) of any installments of estimated tax required under Part VIII, but means the due date of the final tax return required to be filed by the fifteenth day of the fourth month following the close of the taxable year with respect to which such installments of estimated tax were made, and of such other returns as may be required under the Income Tax Act.

(c) Interest shall accrue pursuant to this section irrespective of whether or not a deficiency assessment has become final for purposes of Section 12-729(a) of the general statutes.

(d) For the definition of “month or fraction thereof,” see § 12-701(b)-1 of Part XIV.

(e) While this section pertains to Section 12-728(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended December 19, 2002)

Sec. 12-728(a)-2. Penalties on deficiency assessments

(a) A penalty of 10% shall be imposed on the amount of any deficiency assessment in the case of negligence or intentional disregard of the provisions of the Income Tax Act or any rule or regulation adopted thereunder. In the case of fraud or intent to evade the provisions of said Act, rules or regulations, the penalty shall be 25% of the amount of the deficiency assessment.

(b) No person shall be subject to more than one penalty under subsection (a) of this section in relation to the same tax period. Thus, the 10% penalty and the 25% penalty may not be aggregated; however, nothing in this section shall be construed to prohibit the Commissioner from substituting one penalty for another prior to the issuance of a final determination pursuant to Section 12-729 of the general statutes, should the facts and circumstances warrant such a change.

(c) While this section pertains to Section 12-728(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-728(b)-1. Notice of deficiency

(a) A notice of deficiency shall set forth the reason for the proposed assessment, and shall be mailed to the taxpayer’s last known address, as shown in the records of the Department. It is the responsibility of the taxpayer, or of the taxpayer’s legal representative, to give written notification to the Commissioner of any change of address, status or circumstances, and such notification shall be received by the Commissioner prior to the date of any notice of deficiency.

(b) While this section pertains to Section 12-728(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-731-1. Mathematical errors

(a) If the amount of tax is understated on a return due to a mathematical error, the Commissioner shall notify the taxpayer that an amount of tax in excess of that

shown on the return, plus interest at the statutory rate under Section 12-731 of the General Statutes for each month or fraction thereof from the due date of such tax, is due and has been assessed. Such a notice of additional tax due to a mathematical error shall not be considered a notice of a deficiency, nor shall the taxpayer have any right of protest or appeal of any assessment of additional tax under this section.

(b) Mathematical errors are to be distinguished from deficiency assessments resulting from the audit, examination or investigation of a return after it is accepted and processed. The assertion of tax due to a mathematical error enables the Commissioner with a minimum of correspondence and inconvenience to taxpayers to process or to complete the processing of returns containing such mathematical errors. The term "mathematical error" includes, generally, such defects as:

(1) arithmetic errors or incorrect computations on the return or supporting schedules;

(2) entries on the wrong lines; and

(3) omission of required supporting forms or schedules or of the information in whole or in part called for thereon.

(c) The proper response to a mathematical error notice of additional tax due is for the taxpayer to pay the amount due, within the time specified in the notice, unless the defect(s) can be corrected by the taxpayer's furnishing correcting information, including, for example, any supporting forms or schedules indicated to have been omitted from the return. After such payment is made, if the taxpayer disagrees with the assessment made pursuant to this section, the taxpayer may claim a refund pursuant to § 12-732(a)-1 of this Part.

(d) While this section pertains to Section 12-731 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended December 19, 2002)

Sec. 12-732(a)-1. Claim for refund

(a) Except as otherwise provided in § 12-732(b)-1 of this Part, if any tax imposed by the Income Tax Act has been overpaid, a taxpayer may file a claim for refund in writing with the Commissioner within three years from the due date for which such overpayment was made (or if an agreement between the Department and the taxpayer is executed in accordance with § 12-733(f)-1, during the time within which a deficiency may be assessed pursuant to the agreement), stating the specific grounds upon which such claim is founded. For purposes of this section, the "due date for which such overpayment was made" means the original due date of the tax, even if a request for extension of time for payment of the tax has been granted pursuant to § 12-723-3 of Part X.

(b) To the amount of any refund, other than (i) any refund of tax paid with a tentative tax return or (ii) any refund credited under Section 12-742 of the general statutes against a debt or obligation for which the Commissioner of Administrative Services sought reimbursement or (iii) any refund contributed in accordance with 1993 Conn. Pub. Acts 233, interest shall be added at the rate of 0.75% per month or fraction thereof elapsing between the ninetieth day following receipt of the claim for refund by the Department and the date of notice by the Department that such refund is due. A claim for refund may be made by filing a properly completed (1) tax return that reports tax overpaid, whether payment was made through withholding or through installments of estimated tax or with a tentative tax return or (2) amended tax return that reports tax overpaid with a tax return.

(c) Because no interest shall be added to any refund of tax paid with a tentative tax return, where a taxpayer has filed a tentative tax return and a refund is claimed on the taxpayer's subsequently filed tax return, interest may be added only to that portion of the refund that exceeds the payment that accompanied the tentative tax return. This limitation shall not apply where a taxpayer subsequently files an amended tax return, and interest may be added to the amount of any refund claimed, even if the payment that accompanied the previously filed tentative tax return exceeds the amount of the refund claimed.

(d) For purposes of this section:

(1) "Tax return" means the Form CT-1040, Form CT-1040NR/PY, Form CT-1041 or any other tax return as may be required under the Income Tax Act.

(2) "Tentative tax return" means the Form CT-1040EXT, Form CT-1041EXT or any other tentative tax return as may be required under the Income Tax Act.

(3) "Amended tax return" means the Form CT-1040X or any other amended tax return as may be required under the Income Tax Act.

(e) Accrual of interest on a refund is illustrated by the following examples:

Example 1: On March 16, 1993, B, a calendar year resident individual, files a 1992 Form CT-1040, reporting a \$500 overpayment of Connecticut income tax and claiming a refund thereof. If notice has not been given by the Department by June 14, 1993 that the refund is due, interest shall accrue starting June 15, 1993 to the date of notification by the Department that such refund is due.

Example 2: On April 15, 1993, C, a calendar year nonresident individual, files a 1992 Form CT-1040EXT and pays the \$300 balance of the tax tentatively believed to be due. On July 15, 1993, C files a 1992 Form CT-1040NR/PY, reporting a \$500 overpayment of Connecticut income tax and claiming a refund thereof. Interest shall accrue on the portion of the refund that exceeds the payment that accompanied the tentative tax return. If notice has not been given by the Department by October 13, 1993 that the refund is due, interest shall accrue on \$200 starting October 14, 1993 to the date of notification by the Department that such refund is due.

Example 3: On April 15, 1993, D, a calendar year resident trust, files a 1992 Form CT-1041EXT and pays the \$1000 balance of the tax tentatively believed to be due. On July 15, 1993, D files a 1992 Form CT-1041, reporting that the tax due is equal to the tax previously paid. On June 1, 1994, D files an amended 1992 Form CT-1041, reporting a \$500 overpayment of Connecticut income tax and claiming a refund thereof. If notice has not been given by the Department by August 30, 1994 that the refund is due, interest shall accrue starting August 31, 1994 to the date of notification by the Department that such refund is due. The limitation under subsection (c) of this section does not apply where, as here, D subsequently filed an amended tax return, even if, as here, the payment that accompanied the previously filed tentative tax return exceeds the amount of the refund.

Example 4: The facts are the same as in Example 3, except that the amended 1992 Form CT-1041 was filed on May 1, 1996. The claim for refund is not a direct result of a change to, correction of or amendment of D's federal tax return. The claim for refund is not timely and cannot be allowed because the claim was not filed within three years from the due date for which such overpayment was made (April 15, 1993).

(f) No claim for refund may be filed by an individual who has commenced a case under chapter 7 or chapter 11 of title 11 of the United States Code for a taxable year or years preceding the commencement of such case. To the extent that the

individual, but for the commencement of such case, could have filed such a claim, the trustee may file the claim.

(Effective November 18, 1994; amended March 8, 2006)

Sec. 12-732(a)-2. Claim for refund by nonobligated spouse

(a) Except as otherwise provided in § 12-732(b)-1 of this Part or in section 12-732 of the Connecticut General Statutes, if a joint Connecticut income tax return has been filed by an obligated spouse and a nonobligated spouse, and the tax imposed by the Income Tax Act has been overpaid, the nonobligated spouse may file a written claim for refund of the nonobligated spouse's share of the joint Connecticut income tax overpayment with the Commissioner within three years from the due date for which such overpayment was made, stating the specific grounds upon which such claim is founded. The nonobligated spouse's share of the joint Connecticut income tax overpayment shall be determined by subtracting the nonobligated spouse's share of the joint Connecticut income tax liability from the nonobligated spouse's contribution to the joint Connecticut income tax liability, provided, the nonobligated spouse's share of the joint Connecticut income tax overpayment may not exceed the joint overpayment.

(b) A nonobligated spouse may claim his or her share of the joint Connecticut income tax overpayment by attaching, as the cover page, a Form CT-8379 (Nonobligated Spouse Claim) to his or her tax return or amended tax return, as the case may be.

(c) For purposes of this section—

(1) "Nonobligated spouse" is the person who is married to, and has filed a joint Connecticut income tax return with, an obligated spouse.

(2) "Obligated spouse" means the person who is married to, and has filed a joint Connecticut income tax return with, a nonobligated spouse and (A) who owes a debt or obligation for which the Commissioner of Administrative Services is seeking reimbursement (and against which debt or obligation the obligated spouse's share of a joint Connecticut income tax overpayment may be credited by the Commissioner of Revenue Services in accordance with § 12-742-1) or (B) against whom an order of the superior court or a family support magistrate for support of a minor child or children has been issued and who owes past-due support of, in a case under the temporary assistance for needy families (T.A.N.F.) program pursuant to Title IV-A of the Social Security Act (42 USC 601 et seq., \$150 or more and, in a non-T.A.N.F. IV-D support case (as defined in Section 46b-231(b) of the Connecticut General Statutes), \$500 or more.

(3) "Nonobligated spouse's share of a joint Connecticut income tax liability" shall be determined by multiplying the joint Connecticut income tax liability by a fraction, the numerator of which is the nonobligated spouse's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed) and the denominator of which is the sum of each spouse's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed).

(4) "Nonobligated spouse's contribution to the joint Connecticut income tax liability" shall be determined by adding to such spouse's share of joint estimated Connecticut income tax payments, if any, and such spouse's share of joint tentative Connecticut income tax payments, if any, accompanying a Form CT-1040 EXT or Form CT-1127, the sum of (A) Connecticut income tax withheld from the nonobligated spouse's income and (B) separate estimated Connecticut income tax payments, if any, made by the nonobligated spouse.

(5) "Nonobligated spouse's share of joint estimated Connecticut income tax payments" shall be determined by multiplying the joint estimated Connecticut

income tax payments by a fraction, the numerator of which is the nonobligated spouse's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed) and the denominator of which is the sum of each spouse's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed).

(6) "Nonobligated spouse's share of joint tentative Connecticut income tax payments" shall be determined by multiplying the joint tentative Connecticut income tax payments by a fraction, the numerator of which is the nonobligated spouse's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed) and the denominator of which is the sum of each spouse's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed).

(7) "Tax return" means the Form CT-1040 or Form CT-1040NR/PY, as the case may be.

(8) "Amended tax return" means the Form CT-1040X.

(d) The following example illustrates the application of this section.

Example: A and B are married and filed a joint 1992 Form CT-1040 showing a Connecticut income tax liability of \$4,500 and payments made in connection therewith of \$4,800, so that there is a joint Connecticut income tax overpayment of \$300. A's Connecticut adjusted gross income of \$75,000 equaled his federal adjusted gross income. B's Connecticut adjusted gross income of \$25,000 equaled her federal adjusted gross income. A reported \$60,000 of wages, from which \$2,800 of Connecticut income tax was withheld, and \$15,000 of other income. B reported \$20,000 of wages, from which \$1,000 of Connecticut income tax was withheld, and \$5,000 of other income. A and B filed a joint Form CT-1040 ES and paid \$1,000 in estimated Connecticut income tax payments. A is an obligated spouse. B, the nonobligated spouse, claims her share of the joint Connecticut income tax overpayment by attaching, as the cover page, a Form CT-8379 to the joint 1992 Form CT-1040.

B's share of the joint Connecticut income tax liability is determined by multiplying the joint Connecticut income tax liability (\$4,500) by a fraction, the numerator of which is B's separate Connecticut income tax liability (as if B had not filed a joint Connecticut income tax return with A) of \$535.50 and the denominator of which is the sum of each spouse's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed) of \$3,910.50 (consisting of B's separate Connecticut income tax liability of \$535.50 and A's separate Connecticut income tax liability of \$3,375.00). Thus, B's share of the joint Connecticut income tax liability is \$616.22.

B's contribution to the joint Connecticut income tax liability is determined by adding to B's share of the joint estimated Connecticut income tax payments the \$1,000 of Connecticut income tax withheld from B's income. (Neither A nor B made separate estimated Connecticut income tax payments.) B's share of the joint estimated Connecticut income tax payments is determined by multiplying the joint estimated Connecticut income tax payments (\$1,000) by a fraction, the numerator of which is B's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed) of \$535.50 and the denominator of which is sum of each spouse's separate Connecticut income tax liability (as if a joint Connecticut income tax return had not been filed) of \$3,910.50. Thus, B's contribution to the joint Connecticut income tax liability is \$1,136.94 (consisting of the \$1,000 of Connecticut income tax withheld from B's income and the \$136.94 that is B's share of the joint estimated Connecticut income tax payments).

Ordinarily, B's share of the joint Connecticut income tax overpayment would be determined by subtracting B's share of the joint Connecticut income tax liability (\$616.22) from B's contribution to the joint Connecticut income tax liability (\$1,136.94); however, B's share of the joint Connecticut income tax overpayment cannot exceed the joint overpayment (\$300). Therefore, B's share of the joint Connecticut income tax overpayment is \$300, and A's share is \$0.

(e) While this section pertains to Section 12-732(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended March 8, 2006)

Sec. 12-732(b)-1. Timely filing of claim for refund after the three-year period provided by section 12-732(a)

(a) (1) If a change to or correction of a taxpayer's federal tax return by the Internal Revenue Service or other competent authority, or a renegotiation of a contract or subcontract with the United States, decreases the taxpayer's Connecticut income tax liability for the same taxable period, a claim for refund pertaining to such change or correction shall be deemed to be timely filed, notwithstanding the three-year limitation provided by subsection (a) of section 12-732 of the general statutes, if the taxpayer has timely complied with § 12-727(b)-1 of Part XIV.

(2) If a timely amendment by a taxpayer of the taxpayer's federal tax return decreases the taxpayer's Connecticut income tax liability for the same taxable period, a claim for refund pertaining to such amendment shall be deemed to be timely filed, notwithstanding the three-year limitation provided by subsection (a) of section 12-732 of the general statutes, if the taxpayer has timely complied with § 12-727(b)-2 of Part XIV.

(3) As used in this subsection, "Connecticut income tax liability" means the liability for Connecticut income tax, as defined in § 12-701(b)-1(a)(10) of this Part.

(b) (1) If a taxpayer has claimed a credit under Part VI for a taxable year for income tax paid to a qualifying jurisdiction, as defined in § 12-704(a)-4 of Part VI, and a change or correction is made to the income tax return of the qualifying jurisdiction by the tax officers or other competent authorities of such jurisdiction for such taxable year in such a manner that the amount of income tax that the taxpayer is finally required to pay to that jurisdiction is different from the amount used to determine the credit under this part, and such change or correction decreases the taxpayer's Connecticut tax liability for such taxable year, a claim for refund pertaining to such change or correction shall be deemed to be timely filed, notwithstanding the three-year limitation provided by subsection (a) of section 12-732 of the general statutes, if the taxpayer has timely complied with § 12-704(b)-1(a) of Part VI.

(2) If a taxpayer who has claimed a credit under Part VI for a taxable year for income tax paid to a qualifying jurisdiction, as defined in § 12-704(a)-4 of Part VI, subsequently files a timely amended income tax return for such taxable year with such jurisdiction in such a manner that the amount of income tax that the taxpayer is required to pay to that jurisdiction is different from the amount used to determine the credit under this part, and such amendment decreases the taxpayer's Connecticut tax liability for such taxable year, a claim for refund pertaining to such amendment shall be deemed to be timely filed, notwithstanding the three-year limitation provided by subsection (a) of section 12-732 of the general statutes, if the taxpayer has timely complied with § 12-704(b)-1(b) of Part VI.

(3) As used in this subsection, “Connecticut tax liability” means Connecticut tax liability, as defined in § 12-704(a)-4 of Part VI.

(c) While this section pertains to Section 12-732(b) of the Connecticut General Statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the Connecticut General Statutes, the adoption of this section is authorized by Section 12-740(a) of the Connecticut General Statutes.

(Effective November 18, 1994; amended June 29, 2001)

Sec. 12-733(a)-1. Notice of proposed deficiency

(a)

(1) Except as otherwise provided in the Income Tax Act or in subdivision (2) or (3) of this subsection, a notice of proposed deficiency assessment for a taxable year shall be mailed to the taxpayer on or before the date that is three years after the date that the return for such taxable year is filed, or on or before the date that is three years after the due date of the return for such taxable year, determined without regard to any extension of time for filing, whichever is later.

(2) Where, within the 60-day period ending on the last day described in subdivision (1) of this subsection for mailing a notice of proposed deficiency assessment for a taxable year, the commissioner receives a written document signed by a taxpayer showing that the taxpayer owes an additional amount of tax for such taxable year, a notice of proposed deficiency assessment shall be mailed to the taxpayer on or before the date that is 60 days after the day on which the commissioner receives such document.

(3) If the last day described in subdivision (1) or (2) of this subsection for mailing a notice of proposed deficiency assessment falls on a Saturday, Sunday or legal holiday, as defined in subsection (b) of Section 12-39a of the General Statutes, such notice may be mailed to the taxpayer on the next succeeding day that is not a Saturday, Sunday or legal holiday.

(b) For purposes of Section 12-733 of the general statutes and this section, the term “return” does not mean any installment(s) of estimated tax required under Part VIII, but means the final tax return required to be filed on the fifteenth day of the fourth month following the close of the taxable year with respect to which such installments of estimated tax were made, and such other returns as may be required under the Income Tax Act.

(c) While this section pertains to Section 12-733(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended December 19, 2002)

Sec. 12-733(f)-1. Agreement extending time for assessing deficiency or claiming refund

(a) If, within the time prescribed in § 12-733(a)-1 of this Part for the assessment of a deficiency, a written agreement between the Department and a taxpayer has been executed, extending the time during which a deficiency may be assessed with respect to a taxable year, then a claim for refund may be filed with respect to such taxable year during the time within which a deficiency may be assessed pursuant to such agreement. For purposes of this section, where a joint Connecticut income tax return has been filed, both spouses shall sign the written agreement to extend the time during which a deficiency may be assessed or a claim for refund may be filed.

(b) While this section pertains to Section 12-733(f) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-734-1. Liens

(a) The amount of any tax, penalty and interest due and unpaid shall be a lien, from the last day of the taxable year with respect to which such tax is due until discharged by payment, against all real estate of the taxpayer in this state, and a certificate of such lien signed by the Commissioner may be filed for record in the office of the clerk of any town in which such real estate is situated.

(b) For purposes of this section, “due and unpaid” means due and unpaid at any time following the last day of the taxable year with respect to which such tax is due, and nothing herein or elsewhere shall be construed to prevent the Commissioner from filing for record any lien referred to in subsection (a) of this section at any time following the last day of such taxable year.

(c) While this section pertains to Section 12-734 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-735(a)-1. Penalties and interest

(a)

(1) If any person fails to pay the amount of tax reported to be due on such person’s return (other than an amended return) within the time specified under the provisions of the Income Tax Act, there shall be imposed a penalty of 10% of such amount due and unpaid. The tax shall also bear interest at the statutory rate under subsection (a) of Section 12-735 of the General Statutes for each month or fraction thereof, from the time specified for payment of such tax until the date of payment.

(2) If a person files an amended return after the date fixed for filing the return, reporting thereon an amount to be due in excess of the amount reported to be due on such person’s return, no penalty shall be imposed under this section, whether or not such excess is paid at the time of filing such amended return, but such excess shall bear interest at the statutory rate under subsection (a) of Section 12-735 of the General Statutes for each month or fraction thereof, from the time specified for payment of such tax until the date of payment.

(3) The time specified for payment is the date fixed for filing the return, determined without regard to any extension of time for filing such return.

(b) For purposes of Section 12-735(a) of the general statutes and subsection (a) of this section, “return” does not mean any installment(s) of estimated tax required under Part VIII, but means the final tax return required to be filed on the fifteenth day of the fourth month following the close of the taxable year with respect to which such installments of estimated tax were made, and such other returns as may be required under the Income Tax Act.

(c) For the definition of “month or fraction thereof,” see § 12-701(b)-1 of Part XIV.

(d) For failure to file a return or report within the time specified by the Income Tax Act (including any extensions of time granted under Part X), where no penalty

for late payment applies and no penalty under § 12-735(d)-1 of this Part applies, a penalty of \$50 shall be imposed pursuant to Section 12-30 of the general statutes.

(e) While this section pertains to Section 12-735(a) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended December 19, 2002)

Sec. 12-735(b)-1. Commissioner's assessment on best information

(a)

(1) If any person has not made a required return (other than an amended return) within three months after the due date specified for such return under the provisions of the Income Tax Act, the Commissioner may make such return at any time thereafter, according to the best information obtainable and according to the form prescribed. To the tax imposed upon the basis of such return, there shall be added a penalty equal to 10% of such tax or \$50, whichever is greater. The tax shall bear interest at the statutory rate under subsection (b) of Section 12-735 of the General Statutes for each month or fraction thereof, from the due date of such tax until the date of payment.

(2) If any person has not made an amended return (including any return required under § 12-704(b)-1 of Part VI or § 12-727(b)-1 or § 12-727(b)-2) of Part XIV within three months after the due date specified for such return under the provisions of the Income Tax Act, the Commissioner may make such return at any time thereafter, according to the best information obtainable and according to the form prescribed. To the tax imposed upon the basis of such return, there shall be added a penalty equal to 10% of such tax or \$50, whichever is greater. The tax shall bear interest at the statutory rate under subsection (b) of Section 12-735 of the General Statutes for each month or fraction thereof, from the due date of such tax until the date of payment.

(3) The making of a return by the commissioner under subsection (b) of Section 12-735 of the General Statutes for any person does not relieve such person of the duty or responsibility to make a return and shall not constitute the filing of a return by such person, so that a notice of deficiency under the provisions of subsection (c) of Section 12-733 of the General Statutes may be mailed to such person at any time. If the failure of such person to make such return is wilful, such person shall be subject to prosecution under the provisions of subsection (a) of Section 12-737 of the General Statutes.

(b) For purposes of Section 12-735(b) of the general statutes and subsection (a) of this section, "return" does not mean any installment(s) of estimated tax required under Part VIII, but means the final tax return required to be filed on the fifteenth day of the fourth month following the close of the taxable year with respect to which such installments of estimated tax were made, and such other returns as may be required under the Income Tax Act, including, but not limited to, returns required under § 12-704(b)-1 of Part VI and §§ 12-727(b)-1 and 12-727(b)-2 of Part XIV.

(c) The requirements of notice and procedure, and provisions for the right of the taxpayer to protest and appeal any assessment made by the Commissioner pursuant to this section, shall be the same as those of Sections 12-728, 12-729 and 12-730 of the general statutes and any rules or regulations adopted thereunder.

(d) For the definition of "month or fraction thereof," see § 12-701(b)-1 of Part XIV.

(e) While this section pertains to Section 12-735(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended December 19, 2002)

Sec. 12-735(d)-1. Penalty for failure to file statement of payment to another person

(a) A penalty of \$5.00 shall be imposed for each statement of payment to another person that an employer or payer fails to furnish to employees or payees by the last day of January for the preceding calendar year and a penalty of \$5.00 shall be imposed for each informational return that an employer or payer fails to file with the Department by the last day of February for the preceding calendar year, unless such failure is due to reasonable cause and not to wilful neglect. Failure to furnish correct information on a statement of payment to another person shall be considered a failure to file that is subject to penalty under this section.

(b) The aggregate penalty imposed on an employer or payer for any one calendar year shall not exceed \$2,000.

(c) For purposes of this section, “statement of payment to another person” means the “state copy” of federal Forms Forms W-2 (reporting payment of Connecticut wages), W-2G (for winnings paid to resident individuals, even if no Connecticut income tax was withheld), 1099-MISC (for payments to resident individuals or, if the payments relate to services performed wholly or partly within Connecticut, payments to nonresident individuals, even if no Connecticut income tax was withheld), 1099-R (for payments or distributions to resident individuals, but only if Connecticut income tax was withheld) and 1099-S (for all Connecticut real estate transactions) and “informational return” means a duplicate of such statement of payment to another person.

(d) While this section pertains to Section 12-735(d) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-736(a)-1. Penalty on responsible person or persons

(a) **Penalty not imposed on employer.** The penalty under subsection (a) of section 12-736 of the Connecticut General Statutes may not be imposed on an employer but only may be imposed on a person or persons who are required, on behalf of the employer, to collect, account for, or pay over Connecticut income tax to the Department (responsible person or persons). The employer, however, remains subject to other penalties, such as the penalty imposed by section 12-735 of the Connecticut General Statutes or the penalty imposed under section 12-728 of the Connecticut General Statutes.

(b) **Taxes to be collected only once.** Although the employer has the primary liability for deducting and withholding Connecticut income taxes from wages of employees and paying over such taxes to the Department, the Department is not required to attempt to collect the taxes from the employer before assessing the penalty against a responsible person or persons. A responsible person’s liability is independent from that of the employer. However, the taxes required to be collected, truthfully accounted for and paid over to the Department will be collected only once by the Department, whether from the employer alone, or from one or more

responsible persons, or from the employer and one or more responsible persons. In general, the Department will not assess the penalty imposed under subsection (a) of section 12-736 of the Connecticut General Statutes in the case of an approved and adhered to agreement by an employer to pay back taxes in full and in the case of a confirmed bankruptcy payment plan of an employer requiring the payment in full of back taxes. (However, the Department may gather information to support a possible assessment in the event of default on such agreement or plan.) The Department shall be considered to have once collected such taxes when its right to retain the amount collected is finally established.

(c) **Responsible persons.** Responsibility is a matter of status, duty, and authority. In general, there will be at least one responsible person, and a responsible person may or may not be an employee of the employer that has wilfully failed to collect Connecticut income taxes from employee wages or to truthfully account for and pay over such taxes to the Department. Those persons performing ministerial acts without exercising independent judgment will not be deemed responsible. The penalty will not be asserted against non-owner employees of the employer if they act solely under the dominion and control of others and are not in a position to make independent decisions on behalf of the employer. Nor will the penalty be imposed on unpaid, volunteer members of any board of trustees or directors, if the employer is an organization referred to in section 501 of the Internal Revenue Code to the extent such members are solely serving in an honorary capacity, do not participate in the day-to-day or financial operations of the organization, or do not have knowledge of the failure in relation to which such penalty is imposed.

(d) **Wilful.** A responsible person may not be held liable for the tax assessable hereunder unless such person has wilfully failed to collect, account for and pay over the tax. For purposes of subsection (a) of section 12-736, wilful action shall mean action that is voluntary, conscious and intentional. For example, wilful action may be established by a showing that the responsible person knew of the tax liability and either took no steps to satisfy such liability or used available funds to pay a creditor other than the Department (including another tax creditor). No showing of bad motive or intent to deceive is necessary to establish wilfulness.

(e) **Procedure.** The requirements of notice and procedure, and provisions for the right of the purportedly responsible person to protest and appeal any assessment of penalty made by the Commissioner pursuant to subsection (a) of section 12-736 of the Connecticut General Statutes, shall be the same as those of sections 12-728, 12-729, 12-729a and 12-730 of the Connecticut General Statutes and any regulations adopted thereunder. The commissioner may assess the penalty provided for by section 12-736 with respect to the Connecticut income tax that should have been collected from an employee, accounted for and paid over at any time not later than three years after a Form CT-941, *Connecticut Quarterly Reconciliation of Withholding*, is filed declaring the Connecticut income taxes deducted and withheld from wages of the employee. If no such return is filed, the commissioner may assess the penalty at any time.

(f) **Employer.** Wherever reference is made in this section to an employer, such reference shall include (1) any employer who registers solely for the purpose of withholding Connecticut income tax from wages under section 12-705(c)-2 of Part IX; (2) any person (other than an employer) who registers solely for the purpose of withholding Connecticut income tax from payments (other than wages) under section 12-705(c)-1 of Part IX; and (3) any person (other than an employer) who is required to register for the purpose of withholding Connecticut income tax under sections 12-705(b)-1, 12-705(b)-2, or 12-705(b)-3 of Part IX.

(g) While this section pertains to section 12-736(a) of the Connecticut General Statutes, for purposes of supplementary interpretation, as the phrase is used in section 12-2 of the Connecticut General Statutes, the adoption of this regulation is authorized by section 12-740(a) of the Connecticut General Statutes.

(Adopted effective February 10, 2004)

Sec. 12-739(d)-1. Application of reported overpayments

(a) **Definitions.** As used in this section, unless the context otherwise requires,

(1) “Estimated tax” means installments of estimated tax required to be paid under section 12-722 of the Connecticut General Statutes;

(2) “Individual” means any natural person and, unless the context otherwise requires, includes any trust or estate;

(3) “Reported overpayment” means the amount by which the tax paid for a taxable year, including all installments of estimated tax paid for the taxable year and all tax deducted and withheld from wages of such individual under chapter 229 of the Connecticut General Statutes, exceeds the amount of tax reported to be due for such taxable year on the tax return therefor, provided, in calculating the amount of tax reported to be due for such taxable year, any credit reported to be allowable shall be subtracted therefrom.

(4) “Tax” means the income tax imposed under chapter 229 of the Connecticut General Statutes; and

(5) “Tax return” means a tax return required to be filed under chapter 229 of the Connecticut General Statutes.

(b) **General Rule.**

(1) (A) If an individual who is required to pay installments of estimated tax for a taxable year has reported on his or her tax return for the preceding taxable year that he or she has overpaid the tax for such preceding taxable year, then the individual must make one of the following irrevocable elections with respect to such overpayment on such tax return:

(i) to credit all of the reported overpayment against the individual’s estimated tax for the taxable year, by indicating on his or her tax return for such preceding taxable year that all of the reported overpayment is to be credited against the individual’s estimated tax for the taxable year and not to be refunded to the individual or contributed to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes;

(ii) to have all of the reported overpayment refunded to the individual, by indicating on his or her tax return for such preceding taxable year that all of the reported overpayment is to be refunded to the individual and not to be credited against his or her estimated tax for the taxable year or contributed to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes;

(iii) to contribute all of the reported overpayment to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes, by indicating on his or her tax return for such preceding taxable year that all of the reported overpayment is to be contributed to one or more of such accounts and not to be refunded to the individual or credited against his or her estimated tax for the taxable year; or

(iv) to credit all, part or none of the reported overpayment against the individual’s estimated tax for the taxable year and to have the balance of the reported overpayment refunded to the individual or contributed to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes, by indicating on his or her tax return for such preceding taxable year that a designated portion,

whether it is all, part or none of the reported overpayment, is to be credited against the individual's estimated tax for the taxable year and not to be refunded to the individual or contributed to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes, and that, as indicated by the individual on his or her tax return for such preceding taxable year, a designated portion of the balance of the reported overpayment is to be refunded to the individual or contributed to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes and not to be credited against his or her estimated tax for the taxable year.

(B) The amount of the reported overpayment, once elected to be credited against an individual's estimated tax for the taxable year, shall not be refunded, and no interest shall be allowed to the individual on such overpayment so credited. The amount of the reported overpayment, once elected to be refunded to an individual or contributed to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes, shall not be credited against the individual's estimated tax for the taxable year. An individual may not revoke his or her election.

(C) If an individual files an amended tax return, no election described in paragraph (A) of this subdivision may be made upon filing the amended tax return, and any reported overpayment on the individual's amended tax return shall be refunded to the individual and shall not be credited against the individual's estimated tax for the taxable year or contributed to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes.

(2) (A) As long as the tax return for such preceding year is filed with the Department on or before its due date or, if an extension of time to file has been requested and granted, its extended due date, and, subject to the provisions of subdivisions (3) and (4) of this subsection, the reported overpayment, once credited against an individual's estimated tax for his or her taxable year, shall be treated as if paid on the due date of the first required installment of estimated tax for such taxable year. Such reported overpayment shall be credited against otherwise unpaid required installments in the order in which such installments are required to be paid under section 12-722(c) of the Connecticut General Statutes.

(B) If the tax return for such preceding year is filed with the Department after its due date or, if an extension of time to file has been requested and granted, its extended due date, the reported overpayment shall be treated as if paid on the date that such tax return is filed. Subject to the provisions of subdivisions (3) and (4) of this subsection, the reported overpayment will be credited to the required installments of estimated tax in the order in which such installments were required to be credited under section 12-722 of the Connecticut General Statutes.

(C) The following examples illustrate the application of this subdivision:

Example 1: X, an individual, timely requests and is granted an extension of time to file his tax return for his taxable year ending December 31, 2001. On the extended due date for such return (October 15, 2002), X files his tax return for such year, electing thereon to credit the reported overpayment to his estimated tax for his taxable year ending December 31, 2002. Subject to the provisions of subdivisions (3) and (4) of this subsection, the reported overpayment will be treated as if paid on the due date of the first required installment of estimated tax for X's taxable year ending December 31, 2002, including any required installment due before the date on which the tax return for the taxable year ending December 31, 2001 is filed, and will be credited to the required installments of estimated tax for X's taxable year ending December 31, 2002 in the order in which such installments were required

to be credited under section 12-722 of the Connecticut General Statutes (first to the installment due April 15, 2002, any remaining balance then to be credited to the installment due June 15, 2002, any remaining balance then to be credited to the installment due September 15, 2002 and any remaining balance then to be credited to the installment due January 15, 2003).

Example 2: W, an estate, timely requests and is granted an extension of time to file its tax return for its taxable year ending July 31, 2002. On May 16, 2003, after the extended due date for such return (May 15, 2003), W files its tax return for such year, electing thereon to credit the reported overpayment to its estimated tax for its taxable year ending July 31, 2003. Subject to the provisions of subdivisions (3) and (4) of this subsection, the reported overpayment will be credited to the required installments of estimated tax for W's taxable year ending July 31, 2003 in the order in which such installments were required to be credited under section 12-722 of the Connecticut General Statutes, but will be treated as if paid on the date that such tax return is filed (May 16, 2003). If W has not otherwise made payment of its required installments of estimated tax for the taxable year ending July 31, 2003, the reported overpayment will be credited first as an untimely payment of the required installment due November 15, 2002, any remaining balance then to be credited as an untimely payment of the required installment due January 15, 2003, any remaining balance then to be credited as an untimely payment of the required installment due April 15, 2003, and any remaining balance then to be credited as a timely payment of the required installment due August 15, 2003.

(3) (A) If, after processing an individual's tax return for such preceding taxable year, the Department determines that the amount of the reported overpayment is incorrect, the Department shall make appropriate adjustments (including the reduction of the reported overpayment so credited, if the Department determines that the reported overpayment exceeds the actual overpayment, and, where such reduction results in an underpayment of estimated tax, the imposition of an addition to tax under section 12-722 of the Connecticut General Statutes). Processing a tax return means performing a mathematical verification of the reported overpayment, and involves mathematical verification of the amount of tax paid for a taxable year, including all installments of estimated tax paid for the taxable year, and mathematical verification of the amount of tax reported to be due for such taxable year on the tax return for such taxable year, which verification shall be based upon the income that the individual has reported and the filing status that the individual has claimed on such tax return. Processing a tax return does not mean performing an audit examination of the tax return under section 12-728 of the Connecticut General Statutes. If the Department determines, after processing an individual's tax return for such preceding taxable year, that the amount of the reported overpayment is correct and, subsequently, as the result of performing an audit examination of such tax return, makes a deficiency assessment, the crediting, at the time of processing of such tax return, of the reported overpayment will not be affected by the making of such assessment.

(B) The following examples illustrate the application of this subdivision:

Example 3: Y, an individual, timely files her tax return for her taxable year ending December 31, 2001, electing thereon to credit a reported overpayment of \$1,000 to her estimated tax for her taxable year ending December 31, 2002. After processing such return, the Department determines that the amount of the reported overpayment is incorrect, and that the actual overpayment is only \$500. If the amount of Y's first required installment, as defined in section 12-722 of the Connecti-

cut General Statutes, of estimated tax for her taxable year ending December 31, 2002 is \$1,000 and Y otherwise has made no payment toward such first required installment, Y has underpaid her first required installment by \$500 and is subject to an addition to tax under section 12-722 of the Connecticut General Statutes.

Example 4: N, an individual, timely files his tax return for his taxable year ending December 31, 2001, electing thereon to credit a reported overpayment of \$10,000 to his estimated tax for his taxable year ending December 31, 2002. After processing such return, the Department determines that the amount of the reported overpayment is correct. Before the expiration of the period within which an audit examination may be performed under section 12-728 of the Connecticut General Statutes, the Department examines N's tax return for his taxable year ending December 31, 2001, and, having determined that N failed to correctly calculate his Connecticut adjusted gross income, makes a deficiency assessment of \$5,000 plus statutory interest (plus a penalty under section 12-728 of the Connecticut General Statutes, if appropriate) against N. The making of such deficiency assessment will not affect the crediting of the reported overpayment of \$10,000 to N's first required installment of estimated tax for his taxable year ending December 31, 2002.

(4) (A) Notwithstanding the provisions of this subsection, the Department, within any applicable period of limitations, shall credit any overpayment of tax (and interest, if any, on such overpayment)—

(i) first, against any outstanding liability for any tax (or for any penalty, interest, or addition to the tax) which is imposed under the Connecticut General Statutes, which is payable to the Department, and which is owed by the individual who made the overpayment, provided such tax (or such penalty, interest, or addition to the tax) is unpaid and a period in excess of thirty days has elapsed following the date on which such tax (or such penalty, interest, or addition to the tax) was due; and such tax (or such penalty, interest, or addition to the tax) is not the subject of a timely filed administrative appeal or of a timely filed appeal pending before any court of competent jurisdiction;

(ii) second, any remaining balance is then to be credited against any debt or obligation for which the Commissioner of Administrative Services is seeking reimbursement and which is owed by the individual who made the overpayment, provided such debt or obligation is unpaid and a period in excess of thirty days has elapsed following the date on which such debt or obligation was due; and such debt or obligation is not the subject of a timely filed administrative appeal or of a timely filed appeal pending before any court of competent jurisdiction;

(iii) third, any remaining balance is then to be credited against any tax (or for any penalty, interest, or addition to the tax) which is imposed under the Internal Revenue Code, which is payable to the Internal Revenue Service, which is owed by the individual who made the overpayment, and upon which a levy has been made by the Commissioner of Internal Revenue;

(iv) fourth, any remaining balance is then to be credited against any taxes for general or special purposes levied by a municipality, any taxes imposed under chapter 223 and payable to such municipality, any fines, penalties, costs or fees payable to such municipality for the violation of any lawful regulation or ordinance in furtherance of any general powers as enumerated in section 7-148 of the Connecticut General Statutes, or any charge payable to such municipality for connection with or for the use of a waterworks or sewerage system, which taxes, fines, penalties, costs or fees, or charges, are owed by the individual who made the overpayment, where, pursuant to section 12-2 of the Connecticut General Statutes, an agreements

exists between the Department and the governing authority of such municipality providing for the collection by the Department, on behalf of such municipality, of such taxes, fines, penalties, costs or fees, or charges, provided such taxes, fines, penalties, costs or fees, or charges, are unpaid and a period in excess of thirty days has elapsed following the date on which they were due; and such taxes, fines, penalties, costs or fees, or charges, are not the subject of a timely filed administrative appeal or of a timely filed appeal pending before any court of competent jurisdiction;

(v) fifth, any remaining balance is then to be credited against any taxes for which a tax officer of a claimant state has, in accordance with section 12-35f of the Connecticut General Statutes, requested the Department to withhold all or a portion of any refund or credit to which such individual would otherwise be entitled and submitted the required certification, provided, if any such withholding is timely protested by such individual in accordance with section 12-35f of the Connecticut General Statutes, the tax officer of the claimant state re-certifies that such taxes are finally due and payable to the claimant state, are legally enforceable under the laws of such state against such individual and any administrative or judicial remedies, or both, have been exhausted or have lapsed; and

(vi) sixth, any remaining balance is then, in accordance with the election made by the individual under paragraph (A) of subdivision (1) of this subsection, to be refunded to the individual, contributed to one or more of the special accounts that are described in section 12-743 of the Connecticut General Statutes or credited to the required installments of estimated tax for the taxable year.

(B) The following examples illustrate the application of this subdivision:

Example 5: R, an individual, timely files her tax return for her taxable year ending December 31, 2001, electing thereon to credit a reported overpayment of \$4,000 to her estimated tax for her taxable year ending December 31, 2002. After processing such return, the Department determines that the amount of the reported overpayment is correct. However, R has an outstanding liability of \$100 for an addition to the tax under section 12-722 of the Connecticut General Statutes for a preceding taxable year and an outstanding liability of \$1,500 for use tax (and \$500 of interest thereon) under section 12-411 of the Connecticut General Statutes. Neither liability is the subject of a timely filed administrative appeal or of a timely filed appeal pending before any court of competent jurisdiction. The Department will notify R that the reported overpayment will be applied to her outstanding liability of \$100 for an addition to the tax under section 12-722 of the Connecticut General Statutes for a preceding taxable year and her outstanding liability of \$1,500 for use tax (and \$500 of interest thereon) under section 12-411 of the Connecticut General Statutes. The balance of \$1,900 will be applied to R's estimated tax for her taxable year ending December 31, 2002. If the amount of R's first required installment of estimated tax for her taxable year ending December 31, 2002 is \$2,000 and she otherwise made no payment toward such first required installment, R has underpaid her first required installment by \$100 and is subject to an addition to tax under section 12-722 of the Connecticut General Statutes.

Example 6: M, an individual, timely files his tax return for his taxable year ending December 31, 2001, electing thereon to credit a reported overpayment of \$1,000 to his estimated tax for his taxable year ending December 31, 2003. After processing such return, the Department determines that the amount of the reported overpayment is correct. However, M has an outstanding liability of \$500 for real estate conveyance tax (and \$100 of interest thereon) under section 12-494 of the Connecticut General Statutes, and this liability is the subject of a timely filed administrative appeal or

of a timely filed appeal pending before any court of competent jurisdiction. Therefore, this liability will not affect the crediting of the reported overpayment of \$1,000 to M's estimated tax for his taxable year ending December 31, 2003.

(5) The amount of a reported overpayment on a joint return that may be credited to one spouse's outstanding separate liability for any tax which is imposed under the Connecticut General Statutes and which is payable to the Department shall be computed by subtracting such spouse's share of the joint liability, determined in accordance with § 12-732(a)-2 of Part XII, from such spouse's contribution to the joint liability, determined in accordance with § 12-732(a)-2 of Part XII, provided the amount so credited may not exceed the amount of the reported overpayment on the joint return. The same rule shall apply in determining the amount of a reported overpayment on a joint return that may be credited to one spouse's outstanding separate liability for any taxes, debts or obligations, fines, penalties, costs or fees, or charges to which the provisions of subdivision (4) of this subsection apply.

(Adopted effective February 10, 2004)

Sec. 12-742-1. Offset of refunds against certain debts or obligations

(a) The Commissioner of Revenue Services may credit overpayments of tax against a debt or obligation for which the Commissioner of Administrative Services is seeking reimbursement.

(b) As of the date (i) the Commissioner of Revenue Services receives notification from the Commissioner of Administrative Services that reimbursement is being sought for a debt or obligation or (ii) a taxpayer properly establishes an overpayment of tax, whichever occurs later, (1) the taxpayer shall be deemed to have paid the debt or obligation and (2) any interest payable by the taxpayer on the debt or obligation shall cease to accrue.

(c) Where a joint income tax return has been filed, a nonobligated spouse may, in accordance with § 12-732(a)-2, file a written claim for refund of his or her share of the joint Connecticut income tax overpayment with the Commissioner, and, in such event, only the obligated spouse's share of such joint overpayment shall be credited against a debt or obligation for which the Commissioner of Administrative Services is seeking reimbursement.

(d) While this section pertains to Section 12-742(d) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

PART XIII. Accounting periods and accounting methods

Sec. 12-708-1. Accounting period

(a) The taxable year of every taxpayer required to make a Connecticut income tax return under the Income Tax Act shall be the same as such taxpayer's taxable year for federal income tax purposes. The taxable year may be a calendar year or a fiscal year consisting of 12 consecutive months. However, under certain circumstances, the period may be less than 12 months (e.g. in case of death or change of accounting period), or it may be more than 12 months in the case of a 52-53 week accounting period.

(b) A person who is not required to file a federal income tax return but is required to file a Connecticut income tax return shall report on the calendar year basis unless the Commissioner authorizes the use of a different taxable year. The preceding

sentence does not apply, however, in a case where a person had for a previous year filed a federal income tax return and such person's taxable year for federal income tax purposes for the last year for which a federal return was filed was other than a calendar year. Thus, if the last federal income tax return filed was on the basis of a fiscal year ending June 30, and the person is not required to file a federal income tax return for the subsequent taxable year but is required to file a Connecticut income tax return, such person's taxable year for Connecticut income tax purposes for such year and thereafter is a fiscal year ending June 30. If a person not required to file a federal income tax return is subsequently required to file a federal income tax return, and the taxable year for federal income tax purposes is different from the taxable year established for Connecticut income tax purposes, the Connecticut taxable year shall be changed to conform to the federal taxable year.

(c) While this section pertains to Section 12-708 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-708-2. Change of accounting period

(a) A person may not change a taxable year unless a similar change has been made for federal income tax purposes, except where a change is authorized by the Commissioner with respect to a person not required to file a federal income tax return. If a taxable year is changed for federal income tax purposes, the taxable year for purposes of the Connecticut income tax shall be similarly changed.

(b) While this section pertains to Section 12-708 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994; amended December 19, 2002)

Sec. 12-708-3. Method of changing accounting period

(a) If a person changes an accounting period for Connecticut income tax purposes by reason of a change in such person's federal income tax accounting period, the person shall file, with the first Connecticut income tax return for the new accounting period, either a copy of the consent of the Commissioner of Internal Revenue to change the accounting period of such person's return for federal income tax purposes or, if no consent is required, a statement to that effect referring to the particular provision of the Internal Revenue Code or regulations thereto authorizing the change.

(b) A person who is not subject to federal income tax but is subject to the Connecticut income tax shall obtain the consent of the Commissioner of Revenue Services before changing such person's accounting period. Such request shall state the reasons therefor and shall be made on or before the fifteenth day of the second calendar month following the close of the short period for which a return is required to effect the change of accounting period. If the Commissioner approves the change of accounting period, he shall advise the person as to the effective date of such change and as to any short-year Connecticut income tax returns required as the result of such change.

(c) While this section pertains to Section 12-708 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) and (c) of the general statutes.

(Effective November 18, 1994)

Sec. 12-708-4. Short taxable year resulting from a change in accounting period

Where a short taxable year for federal income tax purposes results from a change in accounting period, a person shall, where any of the conditions provided for in § 12-740-6 of Part XI are met, also file a Connecticut income tax return for such short taxable year. Such person's Connecticut taxable income shall be computed on the basis of the period for which the Connecticut income tax return is made and in accordance with the rules applicable to the determination of Connecticut taxable income generally, except that the amount of the personal exemption provided for in Section 12-702 of the general statutes that shall be allowed is that amount which bears the same ratio to the Connecticut exemption allowed as the number of months in the short taxable year bears to 12 months.

(Effective November 18, 1994)

Sec. 12-708-5. Connecticut returns of trusts, estates or partnerships for short taxable years

(a) Where a trust, estate or partnership was not in existence for the entire 12 months of its normal taxable year, the short period for which the taxpayer was in existence during such 12 months is a taxable year for which a Connecticut return shall be filed. Examples of such short taxable years are as follows:

(1) If a partnership is terminated and completely liquidated during its normal taxable year and this results in an accounting period of less than 12 months for federal income tax purposes, such period is a taxable year for which a Connecticut return shall be filed.

(2) The first Connecticut fiduciary return of a trust or estate shall often be a short-year return, due to the choice of an accounting period by the fiduciary which is either a calendar year or fiscal year. For an estate, the first Connecticut fiduciary return covers the period from the day following the decedent's death up to and including the day preceding the start of the regular taxable year selected by the fiduciary; for a trust, the first Connecticut fiduciary return covers the period from the day the trust was established up to and including the day preceding the beginning of the regular taxable year of the trust.

(3) Sometimes the final Connecticut fiduciary return of a trust or estate shall be a short-year income tax return, due to the termination of administration of the estate, or the termination of the trust, during its normal taxable year.

(b) In general, the requirements with respect to the time for filing a short-year return are the same as for the filing of a Connecticut income tax return for a regular taxable year. For example, if the due date of a return is the fifteenth day of the fourth month following the close of a regular taxable year, the due date for filing such a return for a short year is also the fifteenth day of the fourth month following the close of the short year.

(c) While this section pertains to Section 12-708 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-708-6. Accounting methods

(a) A person shall employ the same method of accounting in determining Connecticut taxable income as such person uses for federal income tax purposes (except as provided in Part III for the special accruals required of certain part-year residents).

The term “method of accounting” refers not only to the overall method of accounting (such as cash or accrual), but also to the accounting treatment of particular items of income, gain, loss or deduction.

(b)(1) In the event a person does not have a federal method of accounting, Connecticut taxable income shall be computed on the accounting basis regularly used in keeping such person’s books. If such a method does not clearly reflect income, the computation of taxable income shall be made in a manner which, in the opinion of the Commissioner, clearly reflects such person’s income.

(2) A method of accounting which consistently applies generally accepted accounting principles in a particular trade or business, in accordance with recognized conditions or practices, shall ordinarily be regarded as clearly reflecting income, provided all items of income, gain, loss and deduction are treated consistently from year to year.

(3) A person may compute Connecticut taxable income under any method of accounting which is permissible and allowed for such income for federal income tax purposes, e.g. cash, accrual, installment or long-term contract basis, or any combination thereof which clearly reflects income (see section 446 of the Internal Revenue Code and regulations thereunder).

(c) While this section pertains to Section 12-708 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-708-7. Change of accounting method

(a) A person may not change the method of accounting for Connecticut income tax purposes unless a similar change has been made for federal income tax purposes, except where the person does not have a method of accounting for federal income tax purposes.

(b) If the method of accounting is changed for federal income tax purposes, the method of accounting for Connecticut income tax purposes shall be similarly changed, without application to the Commissioner, but a copy of the consent of the Commissioner of Internal Revenue to the change shall be attached to the first Connecticut income tax return filed under the new method, together with the statement required pursuant to §§ 12-708-8(c) and 12-708-9(d) of this Part.

(c) Where a person does not have a method of accounting for federal income tax purposes, an application for permission to change a method of accounting shall be made to the Commissioner within 180 days after the beginning of the taxable period to which the proposed change shall relate. Such application shall be accompanied by a statement specifying the nature of the person’s business, if any, the present method of accounting, the method to which such person desires to change, the taxable year in which the change is to be effected, the classes of items to receive different treatment under the new system, and all items which would be duplicated or omitted as a result of the proposed change. If such person later adopts a method of accounting for federal income tax purposes which differs from the method for Connecticut income tax purposes, the person shall conform the method of accounting for Connecticut income tax purposes to the method of accounting for federal income tax purposes.

(d) While this section pertains to Section 12-708 of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of

the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-708-8. Change other than from accrual to installment method of accounting

(a) If a person's method of accounting is changed, other than from an accrual to an installment method, there shall be taken into account in computing Connecticut taxable income from the taxable year of the change those adjustments pertaining to inventories, accounts receivable, accounts payable, etc., which are determined to be necessary to prevent amounts from being duplicated or omitted. If the change has occurred by reason of a change in the person's federal method of accounting, such adjustments shall generally be reflected in federal adjusted gross income and therefore in Connecticut adjusted gross income for the year of the change. The "year of the change" is the taxable year for which the taxable income of the person is computed under a method of accounting different from that used for the preceding year.

(b) The adjustments necessitated by reason of such change in accounting method may result in an amount of Connecticut income tax for the year of the change in excess of the Connecticut income tax which would have been determined had there not been such a change in the method of accounting. In such event, the additional Connecticut income tax shall not be greater than if such adjustments were ratably attributed to and included for the taxable year of the change and the preceding taxable years, not in excess of two, during which the person used the prior method of accounting.

(c) A statement shall be submitted with the Connecticut income tax return for the year of the change, setting forth the following information and calculations:

- (1) each adjustment necessitated by the change;
- (2) the net amount of the adjustments. This means the consolidation of the adjustments (whether the amounts thereof represent increases or decreases in items of income or deduction) arising with respect to balances in various accounts at the beginning of the taxable year of the change. Where the change in the method of accounting occurs by reason of a federal change, this net amount shall be the same for Connecticut income tax purposes as it is for federal income tax purposes, except to the extent of any modifications described in §§ 12-701(a)(20)-2 and 12-701(a)(20)-3 of Part I and §§ 12-701(a)(10)-2 and 12-701(a)(10)-3 of Part IV;
- (3) the Connecticut income tax for the taxable year of the change with the net amount of adjustments included in the computation of Connecticut taxable income;
- (4) the Connecticut income tax for the taxable year of the change computed as if the net amount of such adjustments were not included in the computation of Connecticut taxable income;
- (5) the amount (but not less than zero) of any additional Connecticut income tax for the taxable year of the change, incurred solely by reason of the net amount of adjustments included in Connecticut taxable income, computed by subtracting the amount computed in subdivision (4) from the amount computed in subdivision (3) of this subsection;
- (6) the allocation of the net amount of adjustments (subdivision (2) of this subsection) to the taxable year of the change and the preceding taxable year or years, not in excess of two, during which the person used the method of accounting from which the change is made. The amount to be allocated to each such year is determined by dividing the net amount of adjustments into as many equal parts as

there are taxable years involved (either two or three taxable years, including the taxable year of the change);

(7) the Connecticut taxable income for the taxable year of the change and for the preceding taxable year(s), as the case may be, computed both (A) without any amount of the net adjustments, and (B) with the addition of the appropriate share of the net adjustments as determined under subdivision (6) of this subsection;

(8) the additional Connecticut income tax which would result for each of the above taxable years by the addition to the Connecticut taxable income in each such year of the appropriate share of the net adjustments; and

(9) the total amount of such additional Connecticut income tax for the years involved.

(d) If the amount described in subdivision (c)(9) of this section exceeds the amount described in subdivision (c)(5), the person shall compute Connecticut income tax for the year of the change without a ratable attribution of the net adjustments to any preceding year or years. If the amount described in subdivision (c)(5) exceeds the amount described in subdivision (c)(9), the amount of the excess shall be subtracted from the Connecticut income tax for the year of the change as determined under subdivision (c)(3) of this section. The result is the amount of Connecticut income tax due for the taxable year of the change.

Example: Assume that a resident individual used the cash method of accounting in 1992 and 1993. Assume also that the effective tax rate for this individual is 3.75% for 1992, 4.0% for 1993 and 4.5% for 1994. In 1994 the individual changes to the accrual basis and has Connecticut taxable income of \$10,000 figured on the accrual basis. Her books at the beginning of 1994 included the following accounts: accounts receivable \$9,000; accounts payable \$8,000; inventory of \$5,000. The amount of Connecticut income tax due for the taxable year of the change is computed as follows:

Subject to the amount of any modifications required under the Income Tax Act, the Connecticut taxable income for the year of the change, including the net amount of adjustments (see subdivisions (c)(1) and (2) of this section), would be \$16,000, computed as follows:

Connecticut taxable income on accrual basis (new method but before adjustments)	\$10,000
(1) Adjustments: <i>Add</i> items not previously reported as income:	
Accounts receivable January 1, 1994	9,000
Items previously deducted but constituting marketable business assets: Inventory January 1, 1994	<u>5,000</u>
Total to be added	\$14,000
<i>Subtract</i> items not previously deducted:	
Accounts payable January 1, 1994	<u>8,000</u>
(2) Net amount of adjustments	\$ 6,000
Connecticut taxable income after adjustments	\$16,000

The net additional Connecticut income tax for the year of the change described in subdivision (c)(5) of this section is computed as follows:

(3) Connecticut income tax due on Connecticut taxable income for the year of the change, including the net amount of adjustments (\$16,000 x 4.5%)	\$ 720
(4) Connecticut income tax due on Connecticut taxable income for taxable year of change, excluding adjustments (\$10,000 x 4.5%)	<u>\$ 450</u>
(5) Net additional Connecticut income tax due	\$ 270

Because the taxpayer used the cash method for the two years preceding the year of the change and the adjustments of 1994 increased Connecticut taxable income by \$6,000, she may reduce the Connecticut income tax on the increase by attributing \$2,000 to 1992, \$2,000 to 1993 and \$2,000 to 1994 (see subdivisions (c)(6) through (8) of this section). The net Connecticut income tax due for the year of change is then computed as follows:

<i>Taxable year</i>	<i>Conn. income before adjstmts</i>	<i>Conn. income after adjstmts</i>	<i>Connecticut income tax before adjstmts</i>	<i>Connecticut income tax after adjstmts</i>	<i>Increase in Connecticut income tax due to adjstmts</i>
1992	\$ 6,000	\$ 8,000	\$225	\$300	\$75
1993	6,500	8,500	260	340	80
1994	10,000	12,000	450	540	90

Total increase in Connecticut income tax attributable to adjustment (see subdivision (c)(9) of this section)	\$ 245
Net additional Connecticut income tax determined at subdivision (5) of this subsection	<u>270</u>
Excess	25
Total Connecticut income tax for year of change, determined at subdivision (3) of this subsection	\$ 720
Excess shown above	<u>25</u>
Connecticut income tax due for year of change	\$ 695

(Effective November 18, 1994)

Sec. 12-708-9. Change from accrual to installment method of accounting

(a) **General.** If a person has changed the method of accounting from the accrual to the installment method for federal income tax purposes, any installment payments actually received in the year of change or in subsequent taxable years (such year or years being referred to as "adjustment years"), on account of sales or other disposition of property made in any taxable year prior to the year of the change,

are required to be included in federal adjusted gross income and consequently are included in Connecticut adjusted gross income. Therefore, profits attributable to installment sales which were taxed in the year of sale, because the person was then on the accrual method of accounting, would also be taxed in the adjustment years (i.e. during the years the installments are actually received after the change to the installment method of accounting). To avoid such duplication of Connecticut income tax, any additional Connecticut income tax for the adjustment years attributable to the receipt of installment payments properly accrued in a prior year shall be reduced by an amount equal to the portion of Connecticut income tax, for any year or years preceding the year of change, attributable to the prior accrual of income from installment sales included in Connecticut income in the adjustment years.

(b) **Reduction in Connecticut income tax for adjustment.** The Connecticut income tax for an adjustment year shall be reduced by the lesser of the following amounts:

Method 1: that proportion of the Connecticut income tax for the prior year (in which the installment sales were reported on the accrual basis) which the amount of installment sales gross profits reportable in the prior year of sale and in the adjustment year bears to the Connecticut adjusted gross income for such prior year of sale; or

Method 2: the excess, if any, of the amount of the Connecticut income tax for the adjustment year on the entire Connecticut taxable income over the amount of Connecticut income tax for such year, computed without regard to the amount of the installment sales gross profits reported in both the prior year of accrual and in the adjustment year.

Where previously reported installments received in an adjustment year include installments on sales made in more than one prior year, the reduction allowable with respect to the installments for each prior year shall be computed separately. In such a case, the excess Connecticut income tax, calculated under Method 2 above, computed with respect to the installments from all prior years shall be prorated over the several prior years in proportion to the amount of the duplicated installment sales profits attributable to each such prior year.

Example: The computation of the reduction of Connecticut income tax of a resident individual for adjustment years is illustrated by the following example (assume that the tax rate remains at 4.5% for all taxable years involved):

	<i>Year 1</i> <i>(accrual basis)</i>	<i>Year 2</i> <i>(adjustment year)</i>	<i>Year 3</i> <i>(adjustment year)</i>
Gross profit from installment sales (receivable in 5 installments)	\$10,000	\$ 2,000 (from year 1 sales) \$3 ,000 (from year 2 sales)	\$ 2,000 (from year 1 sales) \$ 3,000 (from year 2 sales) \$ 5,000 (from year 3 sales)
Other gross income	<u>\$ 8,000</u>	<u>\$15,000</u>	<u>\$11,000</u>
Total gross income	\$18,000	\$20,000	\$21,000
Personal exemption	<u>\$12,000</u>	<u>\$12,000</u>	<u>\$12,000</u>
Connecticut taxable income	\$ 6,000	\$ 8,000	\$ 9,000
	<u>x 4.5%</u>	<u>x 4.5%</u>	<u>x 4.5%</u>
Connecticut income tax	\$ 270	\$ 360	\$ 405

Computation of adjustment—year 2: Connecticut income tax attributable to year 1 installment payments in year 2 (first adjustment year), the year in which the change was made from the accrual basis to the installment basis:

Method 1:

Connecticut income tax attributable to prior inclusion in year 1:

$$\frac{\$ 2,000}{\$18,000} \times 270 = \$30$$

Method 2:

Connecticut income tax on Connecticut taxable income, including gross profit from year 1 sales	\$360
Connecticut income tax on Connecticut taxable income, excluding such gross profit: Connecticut taxable income as above	\$8,000
Less gross profit from year 1 sales accrued in prior year	<u>\$2,000</u>
Revised Connecticut taxable income	\$6,000
Connecticut income tax on revised Connecticut taxable income	\$270
Additional Connecticut income tax attributable to prior year installment payments (\$360–\$270)	\$90

Therefore, the Connecticut income tax for year 2 (first adjustment year) may be reduced by \$30, the lesser of the two amounts computed above.

Computation of adjustment—year 3: Connecticut income tax attributable to year 1 installment payments in year 3 (second adjustment year):

Method 1:

Connecticut income tax attributable to prior inclusion in year 1:

$$\frac{\$ 2,000}{\$18,000} \times 270 = \$30$$

Method 2:

Connecticut income tax on Connecticut taxable income, including gross profit from year 1 sales	\$405
Connecticut income tax on Connecticut taxable income, excluding such gross profit: Connecticut taxable income as above	\$9,000
Less gross profit from year 1 sales accrued in prior year	<u>\$2,000</u>
Revised Connecticut taxable income	\$7,000
Connecticut income tax on revised Connecticut taxable income	\$315
Additional Connecticut income tax attributable to prior year installment payments (\$405–\$315)	\$90

Therefore, the Connecticut income tax for year 3 (second adjustment year) may be reduced by \$30, the lesser of the two amounts computed above.

(c) Change by a partnership from accrual to installment method of accounting. In the case of a change by a partnership from the accrual method of accounting to the installment method, partnership income includes for each adjustment year any installment payments actually received in such year, even though such amounts were included in partnership income from prior years under the accrual method. Each partner shall determine separately such partner’s distributive share of profits

attributable to installment payments included in partnership income in the year of sale and in any adjustment year, and shall compute the partner's Connecticut income tax reduction with respect thereto in accordance with the provisions of this section.

(d) Statement to be attached to Connecticut income tax return. A taxpayer who changes from the accrual method to the installment method shall attach a statement to the Connecticut income tax return for each adjustment year showing:

- (1) the pertinent facts as to sales in each year preceding the year of change;
- (2) the number of remaining taxable years over which it shall be necessary to compute adjustments; and
- (3) a schedule showing the computation, as prescribed by this section, of the adjustment for the taxable year.

(Effective November 18, 1994)

PART XIV. Miscellaneous

Sec. 12-701(b)-1. Definitions

(a) For Connecticut income tax purposes under chapter 229 of the general statutes, unless the context otherwise requires:

- (1) "Commissioner" means the Commissioner of Revenue Services;
- (2) "Department" means the Department of Revenue Services;
- (3) "Partnership" means a partnership as defined in section 7701(a)(2) of the Internal Revenue Code and 26 C.F.R. § 301.7701-3(a) and includes a limited liability company that is treated as a partnership for federal income tax purposes.
- (4) "Partner" means a partner as defined in section 7701(a)(2) of the Internal Revenue Code and 26 C.F.R. § 301.7701-3(d) and includes a member of a limited liability company that is treated as a partnership for federal income tax purposes.
- (5) "Partner's distributive share" means the partner's distributive share as determined under section 704 of the Internal Revenue Code.
- (6) "S corporation's nonseparately computed income or loss" means the S corporation's nonseparately computed income or loss as defined in section 1366(a)(2) of the Internal Revenue Code.
- (7) "S corporation's separately computed income or loss" means the S corporation's items of income, loss, deduction, or credit that are described in section 1366(a)(1)(A) of the Internal Revenue Code.
- (8) "S corporation shareholder's pro rata share" means the shareholder's pro rata share as determined under section 1377(a) of the Internal Revenue Code.
- (9) "Income Tax Act" means the provisions of chapter 229 of the Connecticut General Statutes.
- (10) "Income tax" or "Connecticut income tax" means the tax imposed under chapter 229 of the Connecticut General Statutes.
- (11) "Month or fraction thereof" means the period that begins on the day after the due date and ends on the day of the next month corresponding to the due date, e.g., from April 16 through May 15 (when the due date is April 15). However, if the due date is the last day of a calendar month, a month shall end on the last day of the next calendar month, e.g., February 28 or 29 (when the due date is January 31).
- (12) The provisions of the Internal Revenue Code and its applicable regulations with respect to the meaning of terms such as "employer," "employee," "payroll period," and "wages" have the same meaning for Connecticut income tax purposes except as otherwise specifically provided in Part IX or where such federal definitions are clearly inconsistent with and inapplicable to the provisions of such Part.

(13) “Connecticut obligations” means 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 that is created under the laws of the State of Connecticut.

(14) “Sale or exchange” means any transaction that is, or is treated as, a sale or exchange for federal income tax purposes.

(15) “Trust” means an arrangement that is ordinarily created either by a will or by an inter vivos declaration whereby a trustee or trustees take title to property for the purpose of protecting or conserving it for beneficiaries and that, under 26 C.F.R. § 301.7701-4, is classified and treated as a trust (and not as an association, under 26 C.F.R. § 301.7701-2, or partnership, under 26 C.F.R. § 301.7701-3) for federal income tax purposes. “Trust” does not include any real estate mortgage investment conduit, as defined in section 860D of the Internal Revenue Code, that is created as a trust.

(16) The term “derived from or connected with sources within this state” is to be construed so as to accord with its usage in Part II of these sections.

(17) “Internal Revenue Code” means the Internal Revenue Code of 1986 (26 U.S.C. § 1 et seq.), or any subsequent corresponding Internal Revenue Code of the United States, as from time to time amended.

(b) While this section pertains to Section 12-701(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Sections 12-701(c) and 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-727(b)-1. Timely-amended federal income tax returns

(a) **General.** If the amount of a taxpayer’s federal income is changed or corrected by the Internal Revenue Service or other competent authority, or as the result of a renegotiation of a contract or subcontract with the United States, or the amount an employer is required to deduct and withhold from wages for federal income tax withholding purposes is changed or corrected by such service or authority, or if a taxpayer’s claim for credit or refund of federal income tax is disallowed in whole or in part, the taxpayer or employer shall report such change or correction in federal income or federal income tax withholding or such disallowance of the claim for credit or refund of federal income tax to the Department by filing, on or before the date that is 90 days after the final determination of such change, correction, renegotiation or disallowance, an amended return, as described in subsection (b) of this section, and shall concede the accuracy thereof or state wherein it is erroneous, but only if the federal change or correction, results of renegotiation or disallowance increases or decreases a taxpayer or employer’s Connecticut income tax liability. Such report may be required at any other time if the Commissioner deems it necessary. For purposes of this section, the term “federal income” means federal adjusted gross income or federal alternative minimum taxable income of an individual, and federal taxable income of a trust or estate prior to deductions relating to distributions to beneficiaries or federal alternative minimum taxable income of a trust or estate and “taxpayer’s Connecticut income tax liability” means the liability for Connecticut income tax, as defined in § 12-701(b)-1(a)(10) of this part.

(b) Form of report.

(1) With respect to a change or correction in a taxpayer’s federal income or federal alternative minimum taxable income or the disallowance in whole or in part of a claim for credit or refund of federal income tax, the taxpayer shall make the

report that is referred to in subsection (a) of this section on a Form CT-1040X, or Form CT-1041, CT-1065, CT-G, or CT-1120SI, as the case may be, with the appropriate box checked to indicate that an amended return is being filed. This form shall be accompanied by a copy of the final federal determination or renegotiation agreement as well as any of the pertinent data in all cases in which a Connecticut income tax refund, based on such final determination or renegotiation, is claimed. Where additional Connecticut income tax is due, the form shall be accompanied by full payment of any additional Connecticut income tax shown to be due thereon and shall be forwarded separately from, and not as part of, any other report or Connecticut income tax return, and the taxpayer may, in lieu of a copy of the final determination or renegotiation agreement, give full details of the changes on the prescribed form.

(2) With respect to a change or correction in the amount that an employer is required to deduct and withhold from wages for federal income tax withholding purposes, the employer shall make the report that is referred to in subsection (a) of this section on Form CT-941X. In lieu of the Form CT-941X, the employer may submit either a copy of the final federal determination or renegotiation agreement or a detailed explanation of the final federal determination or renegotiation agreement, together with a statement showing the inclusive dates of the period involved, the amount of Connecticut income tax that was originally withheld and reported and the amount of Connecticut income tax that should have been withheld and reported. Any Connecticut income tax which an employer is required to deduct and withhold as a result of a federal change or correction shall accompany the report.

(3) A husband and wife who file a joint federal income tax return but who are required to file separate Connecticut income tax returns shall file separate forms to report federal adjustments affecting their Connecticut income tax returns. Each report shall show the changes made on the federal income tax return attributable to the reporting spouse. These separate reports shall be filed together. If the federal changes are attributable solely to one spouse, that spouse shall file a Form CT-1040X to report the federal changes. However, such form shall include the name and social security number of the nonreporting spouse and contain a statement that the federal changes do not affect the separate Connecticut income tax return of the nonreporting spouse.

(c) The provisions of this section also apply to any individual whose computation of tax under section 1341(a)(4) or (5) of the internal revenue code is changed or corrected by the Internal Revenue Service or other competent authority, but only if the change or correction increases or decreases the individual's Connecticut income tax liability.

(Effective November 18, 1994; amended June 29, 2001)

Sec. 12-727(b)-2. Report of amended federal income or income tax withholding return

(a) Any taxpayer who files a timely amended federal income tax return resulting in a change in federal income or federal alternative minimum taxable income, or any employer who files a timely amended federal income tax withholding return shall also file, on or before the date that is 90 days after the date of filing of such amended return, an amended Connecticut income tax return (Form CT-1040X, or Form CT-1041, CT-1065, CT-G, or CT-1120SI, as the case may be, with the appropriate box checked to indicate that an amended return is being filed, or Form CT-941X), but only if the amendment of the federal return increases or decreases a taxpayer or employer's Connecticut income tax liability. Such report may be

required at any other time if the Commissioner deems it necessary. Payment of any additional Connecticut income tax that is shown to be due on the amended Connecticut income tax return, plus interest, shall accompany the return. An employer filing an amended federal income tax withholding return shall attach to the Form CT-941X a statement showing the amount of Connecticut income tax that was originally withheld and reported, the amount of Connecticut income tax that should have been withheld and reported, and the reason for the increase or decrease in the amount of Connecticut income tax required to be withheld and reported.

(b) For purposes of this section, the term “taxpayer’s Connecticut income tax liability” means the liability for Connecticut income tax, as defined in § 12-701(b)-1(a)(10).

(c) While this section pertains to Section 12-727(b) of the Connecticut General Statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the Connecticut General Statutes, the adoption of this section is authorized by Section 12-740(a) of the Connecticut General Statutes.

(Effective November 18, 1994; amended June 29, 2001)

Sec. 12-727(b)-3. Federal changes not binding

(a) The Department is not required to accept as correct any change in a taxpayer’s federal income, the disallowance (in whole or in part) of a claim for credit or refund of federal income tax, or the amount an employer is required to deduct and withhold from wages for federal income tax withholding purposes. Instead, the Department may conduct an independent audit or investigation in regard thereto.

(b) For purposes of this section, the term “federal income” means federal adjusted gross income or federal alternative minimum taxable income of an individual and federal taxable income of a trust or estate prior to deductions relating to distributions to beneficiaries or federal alternative minimum taxable income of a trust or estate.

(c) While this section pertains to Section 12-727(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-727(b)-4. Final determination

(a) A final determination for purposes of this Part includes but is not limited to the following:

(1) a closing agreement made under section 7121 of the Internal Revenue Code finally and irrevocably adjusting and settling a taxpayer’s federal income tax liability;

(2) an allowance by the Commissioner of Internal Revenue of a refund of any part of the federal income tax shown on the taxpayer’s federal income tax return or of any deficiency thereafter assessed, whether such refund is made on such Commissioner’s own motion or pursuant to a judgment of a court;

(3) the 90-day deficiency notice pursuant to section 6212 of the Internal Revenue Code, unless a timely petition to redetermine the deficiency is filed in the Tax Court of the United States, in which event the judgment of the court of last resort affirming the deficiency, or the redetermination of the deficiency pursuant to a judgment of the court of last resort, is the final determination;

(4) the assessment of a deficiency pursuant to a waiver filed under section 6213 of the Internal Revenue Code where no 90-day deficiency notice is issued; and

(5) the allowance of a tentative carryback adjustment based on the net operating loss carryback pursuant to section 6411 of the Internal Revenue Code.

(b) While this section pertains to Section 12-727(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-727(b)-5. Recomputation of Connecticut income tax

(a) The assessment of Connecticut income tax may be made at any time if a taxpayer or employer fails to report a change or correction or fails to file an amended Connecticut income tax return required under Section 12-727(b) of the general statutes with respect to:

- (1) a federal change or correction or an amended federal income tax return increasing the taxpayer's federal income;
- (2) a federal change or correction which is treated in the same manner as if it were a deficiency for federal income tax purposes;
- (3) a federal change or correction or an amended federal return of income tax withheld increasing the amount required to be deducted and withheld from wages for federal income tax withholding purposes; or
- (4) the disallowance, in whole or in part, of a taxpayer's claim for credit or refund of federal income tax.

(b) The assessment of Connecticut income tax, if not deemed to have been made upon the filing of the report or amended Connecticut income tax return, may be made at any time within three years after such report or amended return is filed, where a taxpayer or employer reports a change or correction or files an amended Connecticut income tax return required under Section 12-727(b) of the general statutes with respect to:

- (1) a federal change or correction or an amended federal income tax return increasing the taxpayer's federal income;
- (2) a federal change or correction which is treated in the same manner as if it were a deficiency for federal income tax purposes;
- (3) a federal change or correction or amended federal return of income tax withheld increasing the amount required to be deducted and withheld from wages for federal income tax withholding purposes; or
- (4) the disallowance, in whole or in part, of a taxpayer's claim for credit or refund of federal income tax.

The amount of such an assessment may not exceed the increase in Connecticut income tax attributable to the federal change or correction. The provisions of this subsection do not affect the time within which or the amount for which an assessment may otherwise be made under the Income Tax Act.

(c) For purposes of this section, the term "federal income" means (1) federal adjusted gross income or federal alternative minimum taxable income of an individual; and (2) federal taxable income of a trust or estate prior to deductions relating to distributions to beneficiaries or federal alternative minimum taxable income of a trust or estate.

(d) While this section pertains to Section 12-727(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-740(a) of the general statutes.

(Effective November 18, 1994)

Sec. 12-727(b)-6.

Repealed, March 8, 2006.

Sec. 12-740(c)-1. Retention of records

Except as provided in § 12-725-2 of Part XI and § 12-740(c)-2 of this Part, the books, records and a copy of any Connecticut income tax return, schedule, statement or other document required to be kept by these sections shall be retained so long as the contents thereof may become material in the administration of the Income Tax Act.

(Effective November 18, 1994)

Sec. 12-740(c)-2. Records of employers and other persons required to file Connecticut informational returns

(a) Every employer or withholding agent, as defined for federal income tax withholding purposes, required under Part IX to deduct and withhold Connecticut income tax from the wages of employees, and every person who may be required to file Connecticut informational returns, shall keep all records pertinent to withholding of Connecticut income tax and Connecticut informational returns available for examination and inspection by the Department or its authorized representatives. Records with respect to Connecticut income tax withheld shall be retained for a period of four years after the due date of the tax return for the taxable period in which Connecticut income tax was withheld, or the date the Connecticut income tax withheld was paid over, whichever is later. Records with respect to Connecticut informational returns shall be retained for a period of four years after the due date of such returns.

(b) No particular form is prescribed for the keeping of records of employees and other persons required to file Connecticut informational returns. However, in the case of employers, the records should include the amounts and dates of all wage payments subject to Connecticut income tax, the names, addresses and occupations of employees receiving such payments, the periods of their employment, the periods for which they are paid by the employer while absent due to sickness or personal injuries and the amount and weekly rate of such payments, their social security account numbers, their income tax withholding exemption certificates, the employer's identification number, record of Connecticut employer withholding returns and reports filed, and the dates and amounts of Connecticut income tax withholding payments made.

(c) For employees who are nonresident individuals performing services partly within and partly without Connecticut, employers shall keep all records pertinent to the allocation or apportionment used for Connecticut income tax withholding purposes.

(Effective November 18, 1994)