



General Assembly

January Session, 2007

Raised Bill No. 1385

LCO No. 5098

05098 _____ PD_

Referred to Committee on Planning and Development

Introduced by:
(PD)

AN ACT CONCERNING PROPERTY TAX REFORM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 12-700 of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective from*
3 *passage and applicable to taxable years commencing on or after January 1,*
4 *2007*):

5 (a) There is hereby imposed on the Connecticut taxable income of
6 each resident of this state a tax:

7 (1) At the rate of four and one-half per cent of such Connecticut
8 taxable income for taxable years commencing on or after January 1,
9 1992, and prior to January 1, 1996.

10 (2) For taxable years commencing on or after January 1, 1996, but
11 prior to January 1, 1997, in accordance with the following schedule:

12 (A) For any person who files a return under the federal income tax
13 for such taxable year as an unmarried individual or as a married
14 individual filing separately:

T1	Connecticut Taxable Income	Rate of Tax
T2	Not over \$2,250	3.0%
T3	Over \$2,250	\$67.50, plus 4.5% of the
T4		excess over \$2,250

15 (B) For any person who files a return under the federal income tax
16 for such taxable year as a head of household, as defined in Section 2(b)
17 of the Internal Revenue Code:

T5	Connecticut Taxable Income	Rate of Tax
T6	Not over \$3,500	3.0%
T7	Over \$3,500	\$105.00, plus 4.5% of the
T8		excess over \$3,500

18 (C) For any husband and wife who file a return under the federal
19 income tax for such taxable year as married individuals filing jointly or
20 a person who files a return under the federal income tax as a surviving
21 spouse, as defined in Section 2(a) of the Internal Revenue Code:

T9	Connecticut Taxable Income	Rate of Tax
T10	Not over \$4,500	3.0%
T11	Over \$4,500	\$135.00, plus 4.5% of the
T12		excess over \$4,500

22 (D) For trusts or estates, the rate of tax shall be 4.5% of their
23 Connecticut taxable income.

24 (3) For taxable years commencing on or after January 1, 1997, but
25 prior to January 1, 1998, in accordance with the following schedule:

26 (A) For any person who files a return under the federal income tax
27 for such taxable year as an unmarried individual or as a married
28 individual filing separately:

T13	Connecticut Taxable Income	Rate of Tax
T14	Not over \$6,250	3.0%
T15	Over \$6,250	\$187.50, plus 4.5% of the
T16		excess over \$6,250

29 (B) For any person who files a return under the federal income tax
30 for such taxable year as a head of household, as defined in Section 2(b)
31 of the Internal Revenue Code:

T17	Connecticut Taxable Income	Rate of Tax
T18	Not over \$10,000	3.0%
T19	Over \$10,000	\$300.00, plus 4.5% of the
T20		excess over \$10,000

32 (C) For any husband and wife who file a return under the federal
33 income tax for such taxable year as married individuals filing jointly or
34 any person who files a return under the federal income tax for such
35 taxable year as a surviving spouse, as defined in Section 2(a) of the
36 Internal Revenue Code:

T21	Connecticut Taxable Income	Rate of Tax
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T22	Not over \$12,500	3.0%
T23	Over \$12,500	\$375.00, plus 4.5% of the
T24		excess over \$12,500

37 (D) For trusts or estates, the rate of tax shall be 4.5% of their
38 Connecticut taxable income.

39 (4) For taxable years commencing on or after January 1, 1998, but
40 prior to January 1, 1999, in accordance with the following schedule:

41 (A) For any person who files a return under the federal income tax
42 for such taxable year as an unmarried individual or as a married
43 individual filing separately:

T25	Connecticut Taxable Income	Rate of Tax
T26	Not over \$7,500	3.0%
T27	Over \$7,500	\$225.00, plus 4.5% of the
T28		excess over \$7,500

44 (B) For any person who files a return under the federal income tax
45 for such taxable year as a head of household, as defined in Section 2(b)
46 of the Internal Revenue Code:

T29	Connecticut Taxable Income	Rate of Tax
T30	Not over \$12,000	3.0%
T31	Over \$12,000	\$360.00, plus 4.5% of the
T32		excess over \$12,000

47 (C) For any husband and wife who file a return under the federal
48 income tax for such taxable year as married individuals filing jointly or

49 any person who files a return under the federal income tax for such
50 taxable year as a surviving spouse, as defined in Section 2(a) of the
51 Internal Revenue Code:

T33	Connecticut Taxable Income	Rate of Tax
T34	Not over \$15,000	3.0%
T35	Over \$15,000	\$450.00, plus 4.5% of the
T36		excess over \$15,000

52 (D) For trusts or estates, the rate of tax shall be 4.5% of their
53 Connecticut taxable income.

54 (5) For taxable years commencing on or after January 1, 1999, but
55 prior to January 1, 2003, in accordance with the following schedule:

56 (A) For any person who files a return under the federal income tax
57 for such taxable year as an unmarried individual or as a married
58 individual filing separately:

T37	Connecticut Taxable Income	Rate of Tax
T38	Not over \$10,000	3.0%
T39	Over \$10,000	\$300.00, plus 4.5% of the
T40		excess over \$10,000

59 (B) For any person who files a return under the federal income tax
60 for such taxable year as a head of household, as defined in Section 2(b)
61 of the Internal Revenue Code:

T41	Connecticut Taxable Income	Rate of Tax
T42	Not over \$16,000	3.0%
T43	Over \$16,000	\$480.00, plus 4.5% of the
T44		excess over \$16,000

62 (C) For any husband and wife who file a return under the federal
63 income tax for such taxable year as married individuals filing jointly or
64 any person who files a return under the federal income tax for such
65 taxable year as a surviving spouse, as defined in Section 2(a) of the
66 Internal Revenue Code:

T45	Connecticut Taxable Income	Rate of Tax
T46	Not over \$20,000	3.0%
T47	Over \$20,000	\$600.00, plus 4.5% of the
T48		excess over \$20,000

67 (D) For trusts or estates, the rate of tax shall be 4.5% of their
68 Connecticut taxable income.

69 (6) For taxable years commencing on or after January 1, 2003, but
70 prior to January 1, 2007, in accordance with the following schedule:

71 (A) For any person who files a return under the federal income tax
72 for such taxable year as an unmarried individual or as a married
73 individual filing separately:

T49	Connecticut Taxable Income	Rate of Tax
T50	Not over \$10,000	3.0%
T51	Over \$10,000	\$300.00, plus 5.0% of the
T52		excess over \$10,000

74 (B) For any person who files a return under the federal income tax
75 for such taxable year as a head of household, as defined in Section 2(b)
76 of the Internal Revenue Code:

T53	Connecticut Taxable Income	Rate of Tax
T54	Not over \$16,000	3.0%
T55	Over \$16,000	\$480.00, plus 5.0% of the
T56		excess over \$16,000

77 (C) For any husband and wife who file a return under the federal
78 income tax for such taxable year as married individuals filing jointly or
79 any person who files a return under the federal income tax for such
80 taxable year as a surviving spouse, as defined in Section 2(a) of the
81 Internal Revenue Code:

T57	Connecticut Taxable Income	Rate of Tax
T58	Not over \$20,000	3.0%
T59	Over \$20,000	\$600.00, plus 5.0% of the
T60		excess over \$20,000

82 (D) For trusts or estates, the rate of tax shall be 5.0% of the
83 Connecticut taxable income.

84 (7) For taxable years commencing on or after January 1, 2007, in
85 accordance with the following schedule:

86 (A) For any person who files a return under the federal income tax
87 for such taxable year as an unmarried individual:

T61	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T62	<u>Not over \$10,000</u>	<u>3.0%</u>
T63	<u>Over \$10,000 but not over</u>	<u>\$300, plus 5% of the excess</u>
T64	<u>\$133,000</u>	<u>over \$10,000</u>
T65	<u>Over \$133,000 but not over</u>	<u>\$6,450, plus 5.25% of the excess</u>
T66	<u>\$398,500</u>	<u>over \$133,000</u>
T67	<u>Over \$398,500</u>	<u>\$20,362.50, plus 5.5% of the</u>
T68		<u>excess over \$398,500</u>

88 (B) For any person who files a return under the federal income tax
 89 for such taxable year as a married individual filing separately:

T69	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T70	<u>Not over \$16,000</u>	<u>3.0%</u>
T71	<u>Over \$16,000 but not over</u>	<u>\$300.00, plus 5.0% of the excess</u>
T72	<u>\$125,000</u>	<u>over \$16,000</u>
T73	<u>Over \$125,000 but not over</u>	<u>\$6,050.00, plus 5.25% of the</u>
T74	<u>\$375,000</u>	<u>excess over \$125,000</u>
T75	<u>Over \$375,000</u>	<u>\$19,175.00, plus 5.5% of the</u>
T76		<u>excess over \$375,000</u>

90 (C) For any person who files a return under the federal income tax
 91 for such taxable year as a head of household, as defined in Section 2(b)
 92 of the Internal Revenue Code:

T77	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T78	<u>Not over \$16,000</u>	<u>3.0%</u>

T79	<u>Over \$16,000 but not</u>	<u>\$480.00, plus 5.0% of the</u>
T80	<u>over \$198,000</u>	<u>excess over \$16,000</u>
T81	<u>Over \$198,000 but not</u>	<u>\$9,100, plus 5.25% of the</u>
T82	<u>over \$594,000</u>	<u>excess over \$198,000</u>
T83	<u>Over \$594,000</u>	<u>\$20,790, plus 5.5% of the</u>
T84		<u>excess over \$594,000</u>

93 (D) For any husband and wife who file a return under the federal
 94 income tax for such taxable year as married individuals filing jointly or
 95 any person who files a return under the federal income tax for such
 96 taxable year as a surviving spouse, as defined in Section 2(a) of the
 97 Internal Revenue Code:

T85	<u>Connecticut Taxable Income</u>	<u>Rate of Tax</u>
T86	<u>Not over \$20,000</u>	<u>3.0%</u>
T87	<u>Over \$20,000 but not</u>	<u>\$600.00, plus 5.0% of the</u>
T88	<u>over \$250,000</u>	<u>excess over \$20,000</u>
T89	<u>Over \$250,000 but not</u>	<u>\$12,100, plus 5.25% of the</u>
T90	<u>over \$750,000</u>	<u>excess over \$250,000</u>
T91	<u>Over \$750,000</u>	<u>\$38,350, plus 5.5% of the</u>
T92		<u>excess over \$750,000</u>

98 (E) For trusts or estates, the rate of tax shall be 5.5% of the
 99 Connecticut taxable income.

100 [(7)] (8) The provisions of this subsection shall apply to resident
 101 trusts and estates and, wherever reference is made in this subsection to
 102 residents of this state, such reference shall be construed to include
 103 resident trusts and estates, provided any reference to a resident's
 104 Connecticut adjusted gross income derived from sources without this
 105 state or to a resident's Connecticut adjusted gross income shall be
 106 construed, in the case of a resident trust or estate, to mean the resident

107 trust or estate's Connecticut taxable income derived from sources
108 without this state and the resident trust or estate's Connecticut taxable
109 income, respectively.

110 Sec. 2. (NEW) (*Effective from passage and applicable to taxable years*
111 *commencing on or after January 1, 2007*) Any person who qualifies for and
112 claims the earned income credit allowable under Section 32 of the
113 Internal Revenue Code of 1986, or any subsequent corresponding
114 internal revenue code of the United States, as from time to time
115 amended, for any taxable year shall be entitled to a credit in determining
116 the amount of tax liability under chapter 229 of the general statutes for
117 such taxable year. The credit allowed under this section shall equal
118 twenty per cent of the credit allowed under Section 32 of said Internal
119 Revenue Code for the taxable year. If the amount of the credit allowed
120 under this section exceeds the taxpayer's liability, the Commissioner of
121 Revenue Services shall treat such excess as an overpayment and shall
122 pay the taxpayer the amount of such excess, without interest.

123 Sec. 3. Subsection (a) of section 12-219 of the general statutes is
124 repealed and the following is substituted in lieu thereof (*Effective July 1,*
125 *2007, and applicable to income years commencing on or after January 1, 2007*):

126 (a) (1) Each company subject to the provisions of this part shall pay
127 for the privilege of carrying on or doing business within the state, the
128 larger of the tax, if any, imposed by section 12-214 and the tax
129 calculated under this subsection. The tax calculated under this section
130 shall be a tax of three and one-tenth mills per dollar for each income
131 year of the amount derived (A) by adding (i) the average value of the
132 issued and outstanding capital stock, including treasury stock at par or
133 face value, fractional shares, scrip certificates convertible into shares of
134 stock and amounts received on subscriptions to capital stock,
135 computed on the balances at the beginning and end of the taxable year
136 or period, the average value of surplus and undivided profit computed
137 on the balances at the beginning and end of the taxable year or period,
138 and (ii) the average value of all surplus reserves computed on the

139 balances at the beginning and end of the taxable year or period, (B) by
140 subtracting from the sum so calculated (i) the average value of any
141 deficit carried on the balance sheet computed on the balances at the
142 beginning and end of the taxable year or period, and (ii) the average
143 value of any holdings of stock of private corporations including
144 treasury stock shown on the balance sheet computed on the balances at
145 the beginning and end of the taxable year or period, and (C) by
146 apportioning the remainder so derived between this and other states
147 under the provisions of section 12-219a, provided in no event shall the
148 tax so calculated exceed one million dollars or be less than [two
149 hundred fifty] four hundred dollars.

150 (2) For purposes of this subsection, in the case of a new domestic
151 company, the balances at the beginning of its first fiscal year or period
152 shall be the balances immediately after its organization or immediately
153 after it commences business operations, whichever is earlier; and in the
154 case of a foreign company, the balances at the beginning of its first
155 fiscal year or period in which it becomes liable for the filing of a return
156 in this state shall be the balances as established at the beginning of the
157 fiscal year or period for tax purposes. In the case of a domestic
158 company dissolving or limiting its existence, the balances at the end of
159 the fiscal year or period shall be the balances immediately prior to the
160 final distribution of all its assets; and in the case of a foreign company
161 filing a certificate of withdrawal, the balances at the end of the fiscal
162 year or period shall be the balances immediately prior to the
163 withdrawal of all of its assets. When a taxpayer has carried on or had
164 the right to carry on business within the state for eleven months or less
165 of the income year, the tax calculated under this subsection shall be
166 reduced in proportion to the fractional part of the year during which
167 business was carried on by such taxpayer. The tax calculated under
168 this subsection shall, in no case, be less than [two hundred fifty] four
169 hundred dollars for each income year. The taxpayer shall report the
170 items set forth in this subsection at the amounts at which such items
171 appear upon its books; provided, when, in the opinion of the
172 Commissioner of Revenue Services, the books of the taxpayer do not

173 disclose a reasonable valuation of such items, the commissioner may
174 require any additional information which may be necessary for a
175 reasonable determination of the tax calculated under this subsection
176 and shall, on the basis of the best information available, calculate such
177 tax and notify the taxpayer thereof.

178 (3) No tax credit allowed against the tax imposed by this chapter
179 shall reduce a company's tax calculated under this subsection to an
180 amount less than [two hundred fifty] four hundred dollars.

181 Sec. 4. Subsection (d) of section 12-219 of the general statutes is
182 repealed and the following is substituted in lieu thereof (*Effective July*
183 *1, 2007, and applicable to income years commencing on or after January 1,*
184 *2007*):

185 (d) Each financial service company, as defined in section 12-218b,
186 shall pay for the privilege of carrying on or doing business within the
187 state, the larger of the tax, if any, imposed by section 12-214 and the tax
188 calculated under this subsection. For each such financial service
189 company, the tax calculated under this subsection shall be [two
190 hundred fifty] four hundred dollars for each income year. No tax
191 credit allowed against the tax imposed by this chapter shall reduce a
192 financial service company's tax calculated under this subsection to an
193 amount less than [two hundred fifty] four hundred dollars.

194 Sec. 5. Section 12-223c of the general statutes is repealed and the
195 following is substituted in lieu thereof (*Effective July 1, 2007, and*
196 *applicable to income years commencing on or after January 1, 2007*):

197 Each corporation included in a combined return shall pay the
198 minimum tax of [two hundred fifty] four hundred dollars prescribed
199 under section 12-219, as amended by this act. No tax credit allowed
200 against the tax imposed by this chapter shall reduce an included
201 corporation's tax calculated under section 12-219, as amended by this
202 act, to an amount less than [two hundred fifty] four hundred dollars.

203 Sec. 6. Subsection (a) of section 12-217ee of the general statutes is
204 repealed and the following is substituted in lieu thereof (*Effective July*
205 *1, 2007, and applicable to income years commencing on or after January 1,*
206 *2007*):

207 (a) Any taxpayer that (1) is a qualified small business, (2) qualifies
208 for a credit under section 12-217j or section 12-217n, and (3) cannot
209 take such credit in the taxable year in which the credit could otherwise
210 be taken as a result of having no tax liability under this chapter may
211 elect to carry such credit forward under this chapter or may apply to
212 the commissioner as provided in subsection (b) of this section to
213 exchange such credit with the state for a credit refund equal to sixty-
214 five per cent of the value of the credit. Any amount of credit refunded
215 under this section shall be refunded to the taxpayer under the
216 provisions of this chapter, except that such credit refund shall not be
217 subject to the provisions of section 12-227. Payment of the capital base
218 tax under section 12-219, as amended by this act, for an income year
219 commencing on or after January 1, 2002, in which year the taxpayer
220 reports no net income, as defined in section 12-213, or payment of the
221 minimum tax of [two hundred fifty] four hundred dollars under
222 section 12-219, as amended by this act, or 12-223c, as amended by this
223 act, for any income year, shall not be considered a tax liability for
224 purposes of this section.

225 Sec. 7. Subsection (g) of section 12-391 of the general statutes is
226 repealed and the following is substituted in lieu thereof (*Effective from*
227 *passage and applicable to estates of decedents who die on or after January 1,*
228 *2007*):

229 (g) (1) With respect to the estates of decedents dying on or after
230 January 1, 2005, but prior to January 1, 2007, the tax based on the
231 Connecticut taxable estate shall be as provided in the following
232 schedule:

T93	Amount of Connecticut	
T94	Taxable Estate	Rate of Tax
T95	Not over \$2,000,000	None
T96	Over \$2,000,000	
T97	but not over \$2,100,000	5.085% of the excess over \$0
T98	Over \$2,100,000	\$106,800 plus 8% of the excess
T99	but not over \$2,600,000	over \$2,100,000
T100	Over \$2,600,000	\$146,800 plus 8.8% of the excess
T101	but not over \$3,100,000	over \$2,600,000
T102	Over \$3,100,000	\$190,800 plus 9.6% of the excess
T103	but not over \$3,600,000	over \$3,100,000
T104	Over \$3,600,000	\$238,800 plus 10.4% of the excess
T105	but not over \$4,100,000	over \$3,600,000
T106	Over \$4,100,000	\$290,800 plus 11.2% of the excess
T107	but not over \$5,100,000	over \$4,100,000
T108	Over \$5,100,000	\$402,800 plus 12% of the excess
T109	but not over \$6,100,000	over \$5,100,000
T110	Over \$6,100,000	\$522,800 plus 12.8% of the excess
T111	but not over \$7,100,000	over \$6,100,000
T112	Over \$7,100,000	\$650,800 plus 13.6% of the excess
T113	but not over \$8,100,000	over \$7,100,000
T114	Over \$8,100,000	\$786,800 plus 14.4% of the excess
T115	but not over \$9,100,000	over \$8,100,000
T116	Over \$9,100,000	\$930,800 plus 15.2% of the excess
T117	but not over \$10,100,000	over \$9,100,000
T118	Over \$10,100,000	\$1,082,800 plus 16% of the excess
T119		over \$10,100,000

233 (2) With respect to the estates of decedents dying on or after January

234 1, 2007, the tax based on the Connecticut taxable estate shall be as
 235 provided in the following schedule:

T120	<u>Amount of Connecticut Taxable</u>	<u>Rate of Tax</u>
T121	<u>Estate</u>	
T122	<u>Not over \$5,000,000</u>	<u>None</u>
T123	<u>Over \$5,000,000 but not over</u>	<u>12% of the excess over</u>
T124	<u>\$6,100,000</u>	<u>\$5,000,000</u>
T125	<u>Over \$6,100,000 but not over</u>	<u>\$132,000 plus 12.8% of the</u>
T126	<u>\$7,100,000</u>	<u>excess over \$6,100,000</u>
T127	<u>Over \$7,100,000 but not over</u>	<u>\$260,000 plus 13.6% of the</u>
T128	<u>\$8,100,000</u>	<u>excess over \$7,100,000</u>
T129	<u>Over \$8,100,000 but not over</u>	<u>\$396,000 plus 14.4% of the</u>
T130	<u>\$9,100,000</u>	<u>excess over \$8,100,000</u>
T131	<u>Over \$9,100,000 but not over</u>	<u>\$540,000 plus 15.2% of the</u>
T132	<u>\$10,100,000</u>	<u>excess over \$9,100,000</u>
T133	<u>Over \$10,100,000</u>	<u>\$692,000 plus 16.0% of the</u>
T134		<u>excess over \$10,100,000</u>

236 Sec. 8. Subsection (a) of section 12-642 of the general statutes is
 237 repealed and the following is substituted in lieu thereof (*Effective from*
 238 *passage and applicable to gifts made after January 1, 2007*):

239 (a) (1) With respect to calendar years commencing prior to January
 240 1, 2001, the tax imposed by section 12-640 for the calendar year shall be
 241 at a rate of the taxable gifts made by the donor during the calendar
 242 year set forth in the following schedule:

T135	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T136	Not over \$25,000	1%
T137	Over \$25,000	\$250, plus 2% of the excess
T138	but not over \$50,000	over \$25,000
T139	Over \$50,000	\$750, plus 3% of the excess

T140	but not over \$75,000	over \$50,000
T141	Over \$75,000	\$1,500, plus 4% of the excess
T142	but not over \$100,000	over \$75,000
T143	Over \$100,000	\$2,500, plus 5% of the excess
T144	but not over \$200,000	over \$100,000
T145	Over \$200,000	\$7,500, plus 6% of the excess
T146		over \$200,000

243 (2) With respect to the calendar years commencing January 1, 2001,
 244 January 1, 2002, January 1, 2003, and January 1, 2004, the tax imposed
 245 by section 12-640 for each such calendar year shall be at a rate of the
 246 taxable gifts made by the donor during the calendar year set forth in
 247 the following schedule:

T147	Amount of Taxable Gifts	Rate of Tax
T148	Over \$25,000	\$250, plus 2% of the excess
T149	but not over \$50,000	over \$25,000
T150	Over \$50,000	\$750, plus 3% of the excess
T151	but not over \$75,000	over \$50,000
T152	Over \$75,000	\$1,500, plus 4% of the excess
T153	but not over \$100,000	over \$75,000
T154	Over \$100,000	\$2,500, plus 5% of the excess
T155	but not over \$675,000	over \$100,000
T156	Over \$675,000	\$31,250, plus 6% of the excess
T157		over \$675,000

248 (3) With respect to Connecticut taxable gifts, as defined in section
 249 12-643, made by a donor during a calendar year commencing on or
 250 after January 1, 2005, but prior to January 1, 2007, including the
 251 aggregate amount of all Connecticut taxable gifts made by the donor
 252 during all calendar years commencing on or after January 1, 2005, but

253 prior to January 1, 2007, the tax imposed by section 12-640 for the
254 calendar year shall be at the rate set forth in the following schedule,
255 with a credit allowed against such tax for any tax previously paid to
256 this state pursuant to this subdivision:

T158	Amount of Taxable Gifts	Rate of Tax
T159	Not over \$2,000,000	None
T160	Over \$2,000,000	
T161	but not over \$2,100,000	5.085% of the excess over \$0
T162	Over \$2,100,000	\$106,800 plus 8% of the excess
T163	but not over \$2,600,000	over \$2,100,000
T164	Over \$2,600,000	\$146,800 plus 8.8% of the excess
T165	but not over \$3,100,000	over \$2,600,000
T166	Over \$3,100,000	\$190,800 plus 9.6% of the excess
T167	but not over \$3,600,000	over \$3,100,000
T168	Over \$3,600,000	\$238,800 plus 10.4% of the excess
T169	but not over \$4,100,000	over \$3,600,000
T170	Over \$4,100,000	\$290,800 plus 11.2% of the excess
T171	but not over \$5,100,000	over \$4,100,000
T172	Over \$5,100,000	\$402,800 plus 12% of the excess
T173	but not over \$6,100,000	over \$5,100,000
T174	Over \$6,100,000	\$522,800 plus 12.8% of the excess
T175	but not over \$7,100,000	over \$6,100,000
T176	Over \$7,100,000	\$650,800 plus 13.6% of the excess
T177	but not over \$8,100,000	over \$7,100,000
T178	Over \$8,100,000	\$786,800 plus 14.4% of the excess
T179	but not over \$9,100,000	over \$8,100,000
T180	Over \$9,100,000	\$930,800 plus 15.2% of the excess

T181	but not over \$10,100,000	over \$9,100,000
T182	Over \$10,100,000	\$1,082,800 plus 16% of the excess
T183		over \$10,100,000

257 (4) With respect to Connecticut taxable gifts, as defined in section
 258 12-643, made by a donor during a calendar year commencing on or
 259 after January 1, 2007, including the aggregate amount of all
 260 Connecticut taxable gifts made by the donor during all calendar years
 261 commencing on or after January 1, 2007, the tax imposed by section 12-
 262 640 for the calendar year shall be at the rate set forth in the following
 263 schedule, with a credit allowed against such tax for any tax previously
 264 paid to this state pursuant to this subdivision or subdivision (3) of this
 265 subsection:

T184	<u>Amount of Taxable Gifts</u>	<u>Rate of Tax</u>
T185	<u>Not over \$5,000,000</u>	<u>None</u>
T186	<u>Over \$5,000,000 but not over</u>	<u>12% of the excess over</u>
T187	<u>\$6,100,000</u>	<u>\$5,000,000</u>
T188	<u>Over \$6,100,000 but not over</u>	<u>\$132,000 plus 12.8% of the</u>
T189	<u>\$7,100,000</u>	<u>excess over \$6,100,000</u>
T190	<u>Over \$7,100,000 but not over</u>	<u>\$260,000 plus 13.6% of the</u>
T191	<u>\$8,100,000</u>	<u>excess over \$7,100,000</u>
T192	<u>Over \$8,100,000 but not over</u>	<u>\$396,000 plus 14.4% of the</u>
T193	<u>\$9,100,000</u>	<u>excess over \$8,100,000</u>
T194	<u>Over \$9,100,000 but not over</u>	<u>\$540,000 plus 15.2% of the</u>
T195	<u>\$10,100,000</u>	<u>excess over \$9,100,000</u>
T196	<u>Over \$10,100,000</u>	<u>\$692,000 plus 16.0% of the</u>
T197		<u>excess over \$10,100,000</u>

266 Sec. 9. Subdivision (1) of section 12-408 of the general statutes is
 267 repealed and the following is substituted in lieu thereof (*Effective July*
 268 *1, 2007*):

269 (1) For the privilege of making any sales, as defined in subdivision

270 (2) of subsection (a) of section 12-407, at retail, in this state for a
271 consideration, a tax is hereby imposed on all retailers at the rate of [six]
272 four and one-half per cent of the gross receipts of any retailer from
273 the sale of all tangible personal property sold at retail or from the
274 rendering of any services constituting a sale in accordance with
275 subdivision (2) of subsection (a) of section 12-407, except, in lieu of said
276 rate of six per cent, (A) at a rate of twelve per cent with respect to each
277 transfer of occupancy, from the total amount of rent received for such
278 occupancy of any room or rooms in a hotel or lodging house for the
279 first period not exceeding thirty consecutive calendar days, (B) with
280 respect to the sale of a motor vehicle to any individual who is a
281 member of the armed forces of the United States and is on full-time
282 active duty in Connecticut and who is considered, under 50 App USC
283 574, a resident of another state, or to any such individual and the
284 spouse thereof, at a rate of four and one-half per cent of the gross
285 receipts of any retailer from such sales, provided such retailer requires
286 and maintains a declaration by such individual, prescribed as to form
287 by the commissioner and bearing notice to the effect that false
288 statements made in such declaration are punishable, or other evidence,
289 satisfactory to the commissioner, concerning the purchaser's state of
290 residence under 50 App USC 574, (C) (i) with respect to the sales of
291 computer and data processing services occurring on or after July 1,
292 1997, and prior to July 1, 1998, at the rate of five per cent, on or after
293 July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or
294 after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent,
295 on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per
296 cent, on or after July 1, 2001, at the rate of one per cent, (ii) with respect
297 to sales of Internet access services, on and after July 1, 2001, such
298 services shall be exempt from such tax, (D) with respect to the sales of
299 labor that is otherwise taxable under subparagraph (C) or (G) of
300 subdivision (2) of subsection (a) of section 12-407 on existing vessels
301 and repair or maintenance services on vessels occurring on and after
302 July 1, 1999, such services shall be exempt from such tax, (E) with
303 respect to patient care services for which payment is received by the

304 hospital on or after July 1, 1999, and prior to July 1, 2001, at the rate of
305 five and three-fourths per cent and on and after July 1, 2001, such
306 services shall be exempt from such tax. The rate of tax imposed by this
307 chapter shall be applicable to all retail sales upon the effective date of
308 such rate, except that a new rate which represents an increase in the
309 rate applicable to the sale shall not apply to any sales transaction
310 wherein a binding sales contract without an escalator clause has been
311 entered into prior to the effective date of the new rate and delivery is
312 made within ninety days after the effective date of the new rate. For
313 the purposes of payment of the tax imposed under this section, any
314 retailer of services taxable under subparagraph (I) of subdivision (2) of
315 subsection (a) of section 12-407, who computes taxable income, for
316 purposes of taxation under the Internal Revenue Code of 1986, or any
317 subsequent corresponding internal revenue code of the United States,
318 as from time to time amended, on an accounting basis which
319 recognizes only cash or other valuable consideration actually received
320 as income and who is liable for such tax only due to the rendering of
321 such services may make payments related to such tax for the period
322 during which such income is received, without penalty or interest,
323 without regard to when such service is rendered.

324 Sec. 10. Subdivision (3) of section 12-412 of the general statutes is
325 repealed and the following is substituted in lieu thereof (*Effective July*
326 *1, 2007*):

327 (3) (A) The sale, furnishing or service of gas, including bottled gas,
328 and electricity when delivered to consumers through mains, lines,
329 pipes or bottles for use [(i)] in any residential dwelling. [or (ii) directly
330 in agricultural production, fabrication of a finished product to be sold
331 or an industrial manufacturing plant, provided the exemption under
332 this subdivision (ii) shall only be allowed with respect to a metered
333 building, location or premise at which not less than seventy-five per
334 cent of the gas, including bottled gas, or electricity consumed at such
335 metered building, location or premise is used for the purpose of such
336 production, fabrication or manufacturing.] Bottled gas as used in this

337 subsection means L.P. (propane) gas.

338 (B) The sale or furnishing of telephone service and community
339 antenna television and cable service, provided the exemption for
340 services described in this subparagraph shall not be applicable to any
341 such service rendered on or after January 1, 1990.

342 (C) The sale, furnishing or service of water, steam and telegraph
343 when delivered to residential consumers through mains, lines, pipes or
344 bottles.

345 (D) The sale or furnishing of electricity, not subject to the exemption
346 under subparagraph (A) of this subsection, with respect to that portion
347 of the charges applicable to such electricity for any month of service
348 which is not in excess of one hundred fifty dollars.

349 (E) The sale, furnishing or service of gas, water, steam or electricity
350 for use directly in the furnishing of gas, water, steam or electricity
351 delivered to residential consumers through mains, lines or pipes.

352 Sec. 11. (NEW) (*Effective from passage*) The Commissioner of Revenue
353 Services shall enter into the Streamlined Sales and Use Tax Agreement
354 with one or more states to simplify and modernize sales and use tax
355 administration in order to substantially reduce the burden of tax
356 compliance for all sellers and for all types of commerce. In furtherance
357 of the agreement, the commissioner may act jointly with other states
358 that are members of the agreement to establish standards for
359 certification of a certified service provider and certified automated
360 system and to establish performance standards for multistate sellers.
361 Other actions authorized by this section include, but are not limited to,
362 the adoption of regulations, in accordance with the provisions of
363 chapter 54 of the general statutes, and the joint procurement, with
364 other member states, of goods and services in furtherance of the
365 cooperative agreement. The commissioner, or the commissioner's
366 designee, may represent this state before the other states that are
367 signatories to the agreement.

368 Sec. 12. (NEW) (*Effective from passage*) (a) The Commissioner of
369 Revenue Services shall not enter into the Streamlined Sales and Use
370 Tax Agreement unless the agreement requires each state to:

371 (1) Achieve over time more uniform state rates through limiting the
372 number of state rates, the application of maximums on the amount of
373 state tax that is due on a transaction and the application of thresholds
374 on the application of state tax.

375 (2) Establish uniform standards for (A) the sourcing of transactions
376 to taxing jurisdictions, (B) the administration of exempt sales, (C) the
377 allowances a seller can take for bad debts, and (D) sales and use tax
378 returns and remittances.

379 (3) Develop and adopt uniform definitions of sales and use tax
380 terms.

381 (4) Participate in a central, electronic registration system that allows
382 a seller to register to collect and remit sales and use taxes for all
383 signatory states.

384 (5) Agree that registration with the central registration system and
385 the collection of sales and use taxes in the signatory states will not be
386 used as a factor in determining whether the seller has nexus with a
387 state for any tax.

388 (6) Reduce the burdens of complying with local sales and use taxes
389 through the following: (A) Restricting variances between the state and
390 local tax bases, (B) requiring states to administer any sales and use
391 taxes levied by local jurisdictions within the state so that sellers
392 collecting and remitting these taxes will not have to register or file
393 returns with, remit funds to, or be subject to independent audits from
394 local taxing jurisdictions, (C) restricting the frequency of changes in the
395 local sales and use tax rates and setting effective dates for the
396 application of local jurisdictional boundary changes to local sales and
397 use taxes, and (D) providing notice of changes in local sales and use

398 tax rates.

399 (7) Outline any monetary allowances that are to be provided by the
400 states to sellers or certified service providers in exchange for collecting
401 sales and use taxes.

402 (8) Certify compliance with the terms of the agreement prior to
403 joining and to maintain compliance, under the laws of the member
404 state, with all provisions of the agreement while a member.

405 (9) Require each state to adopt a uniform policy for certified service
406 providers that protects the privacy of consumers and maintains the
407 confidentiality of tax information.

408 (10) Appoint an advisory council of private sector representatives
409 and an advisory council of nonmember state representatives to consult
410 with the administration of the agreement.

411 (b) As used in this section, "certified service provider" means an
412 agent certified jointly by the states that are signatories to the
413 agreement to perform all of the seller's sales tax functions.

414 Sec. 13. (NEW) (*Effective July 1, 2007, and applicable to sales occurring*
415 *on or after July 1, 2007*) (a) The Commissioner of Revenue Services shall
416 segregate one-half per cent of the sales tax revenue that accrues from
417 sales within the meaning of subdivision (2) of subsection (a) of section
418 12-407 of the general statutes, as amended by this act.

419 (b) The funds segregated under subsection (a) of this section shall be
420 allocated to the State Treasurer for deposit in the General Fund. Upon
421 deposit in the General Fund, such funds shall be credited to the
422 municipal cooperation account established in section 12 of this act.

423 Sec. 14. (NEW) (*Effective July 1, 2007*) There is established, within the
424 General Fund, a separate, nonlapsing account to be known as the
425 "municipal cooperation account". The account shall contain any
426 moneys required by law to be deposited in the account. The moneys in

427 said account shall be available to the Secretary of the Office of Policy
428 and Management for grants under section 15 of this act.

429 Sec. 15. (NEW) (*Effective July 1, 2007*) (a) As used in this section,
430 "municipal intergovernmental agency" means a regional council of
431 elected officials or regional council of governments pursuant to
432 chapter 50 of the general statutes.

433 (b) There is established a state revenue sharing program which shall
434 be administered by the Office of Policy and Management. On or before
435 January 1, 2008, and June 1, 2008, and semiannually thereafter, each
436 municipal intergovernmental agency shall be paid by the state a grant
437 equal to one-half the amount determined in accordance with the
438 provisions of subsection (c) of this section. Funds received pursuant to
439 this section shall be expended by the municipal intergovernmental
440 agency for purposes of general revenue sharing grants to member
441 municipalities for specific initiatives undertaken jointly by two or more
442 member municipalities to consolidate services and promote
443 cooperation between municipalities to achieve economies of scale and
444 lower costs, except costs of education. Grants may be used for capital
445 improvements or other costs incurred by municipalities in
446 implementing joint initiatives. Such grants shall be disbursed in
447 accordance with an annual allocation plan approved by the municipal
448 intergovernmental agency after a public hearing.

449 (c) Grants made to municipal intergovernmental agencies pursuant
450 to subsection (b) of this section shall be equal to the amount segregated
451 pursuant to section 14 of this act, multiplied by the ratio that the total
452 population, as defined in section 10-261 of the general statutes, of all
453 member municipalities of a municipal intergovernmental agency bears
454 to the total population of all municipalities in the state.

455 Sec. 16. (NEW) (*Effective October 1, 2007*) (a) As used in this section,
456 "budget limit" means the amount that equals four per cent of the total
457 value of taxable real and personal property in a municipality on
458 October first in the preceding year.

459 (b) The budget authority of any municipality shall not authorize a
460 total annual budget that exceeds the budget limit unless (1) the budget
461 authority approves the budget by a two-thirds majority, and (2) the
462 budget is approved by the electors of the municipality at a
463 referendum.

464 Sec. 17. Subdivisions (5) and (6) of section 12-410 of the general
465 statutes are repealed and the following is substituted in lieu thereof
466 (*Effective July 1, 2007*):

467 (5) [(A)] For the purpose of the proper administration of this
468 chapter and to prevent evasion of the sales tax, a sale of any service
469 described in subparagraph (I) of subdivision (2) of subsection (a) of
470 section 12-407 shall be considered a sale for resale only if the service to
471 be resold is an integral, inseparable component part of a service
472 described in said subparagraph (I) which is to be subsequently sold by
473 the purchaser to an ultimate consumer. The purchaser of the service
474 for resale shall maintain, in such form as the commissioner requires,
475 records which substantiate: (i) From whom the service was purchased
476 and to whom the service was sold, (ii) the purchase price of the service,
477 and (iii) the nature of the service to demonstrate that the services were
478 an integral, inseparable component part of a service described in
479 subparagraph (I) of subdivision (2) of subsection (a) of section 12-407
480 which was subsequently sold to a consumer.

481 [(B) Notwithstanding the provisions of subparagraph (A) of this
482 subdivision, no sale of a service described in subparagraph (I) of
483 subdivision (2) of subsection (a) of section 12-407 by a seller shall be
484 considered a sale for resale if such service is to be subsequently sold by
485 the purchaser to an ultimate consumer that is affiliated with the
486 purchaser in the manner described in subparagraph (A) of subdivision
487 (6) of subsection (a) of section 12-412.]

488 [(6) For the purpose of the proper administration of this chapter and
489 to prevent evasion of the sales tax, no sale of any service by a seller
490 shall be considered a sale for resale if such service is to be

491 subsequently sold by the purchaser, without change, to an ultimate
492 consumer that is affiliated with the purchaser in the manner described
493 in subparagraph (A) of subdivision (62) of subsection (a) of section 12-
494 412.]

495 Sec. 18 Subdivisions (14) and (15) of section 12-411 of the general
496 statutes are repealed and the following is substituted in lieu thereof
497 (*Effective July 1, 2007*):

498 (14) [(A)] For the purpose of the proper administration of this
499 chapter and to prevent evasion of the use tax, a purchase of any service
500 described in subparagraph (I) of subdivision (2) of subsection (a) of
501 section 12-407 shall be considered a purchase for resale only if the
502 service to be resold is an integral, inseparable component part of a
503 service described in said subparagraph (I) which is to be subsequently
504 sold by the purchaser to an ultimate consumer. The purchaser of the
505 service for resale shall maintain, in such form as the commissioner
506 requires, records which substantiate: (i) From whom the service was
507 purchased and to whom the service was sold; (ii) the purchase price of
508 the service; and (iii) the nature of the service to demonstrate that the
509 service was an integral, inseparable component part of a service
510 described in subparagraph (I) of subdivision (2) of subsection (a) of
511 section 12-407 which was subsequently sold to a consumer.

512 [(B) Notwithstanding the provisions of subparagraph (A) of this
513 subdivision, no purchase of a service described in subparagraph (I) of
514 subdivision (2) of subsection (a) of section 12-407 by a purchaser shall
515 be considered a purchase for resale if such service is to be
516 subsequently sold by the purchaser to an ultimate consumer that is
517 affiliated with the purchaser in the manner described in subparagraph
518 (A) of subdivision (62) of subsection (a) of section 12-412.]

519 [(15) For the purpose of the proper administration of this chapter
520 and to prevent evasion of the use tax, no purchase of any service by a
521 purchaser shall be considered a purchase for resale if such service is to

522 be subsequently sold by the purchaser, without change, to an ultimate
523 consumer that is affiliated with the purchaser in the manner described
524 in subparagraph (A) of subdivision (62) of subsection (a) of section 12-
525 412.]

526 Sec. 19. Section 22a-9 of the general statutes is repealed and the
527 following is substituted in lieu thereof (*Effective July 1, 2007*):

528 The commissioner shall act as the official agent of the state in all
529 matters affecting the purposes of this title and sections 2-20a, 5-238a,
530 subsection (c) of section 7-131a, sections 7-131e, 7-131f, subsection (a)
531 of section 7-131g, sections 7-131i, 7-131l, subsection (a) of section 10-
532 409, subdivisions (51) and (52) of section 12-81, [subdivisions (21) and
533 (22) of section 12-412,] subsections (a) and (b) of section 13a-94,
534 sections 13a-142a, 13b-56, 13b-57, 14-100b, 14-164c, chapter 268,
535 sections 16a-103, 22-91c, 22-91e, subsections (b) and (c) of section 22a-
536 148, section 22a-150, subdivisions (2) and (3) of section 22a-151,
537 sections 22a-153, 22a-154, 22a-155, 22a-156, 22a-158, chapter 446c,
538 sections 22a-295, 22a-300, 22a-308, 22a-416, chapters 446h to 446k,
539 inclusive, chapters 447 and 448, sections 23-35, 23-37a, 23-41, chapter
540 462, section 25-34, chapter 477, subsection (b) of section 25-128,
541 subsection (a) of section 25-131, chapters 490 and 491 and sections 26-
542 257, 26-297, 26-303 and 47-46a, under any federal laws now or
543 hereafter to be enacted and as the official agent of any municipality,
544 district, region or authority or other recognized legal entity in
545 connection with the grant or advance of any federal or other funds or
546 credits to the state or through the state, to its political subdivisions.

547 Sec. 20. Subdivisions (9), (11), (14), (18), (20) to (23), inclusive, (27),
548 (29), (30), (31), (34), (36), (40), (41), (43) to (45), inclusive, (48) to (50),
549 inclusive, (52), (55), (58), (60), (62), (64) to (74), inclusive, (76) to (78),
550 inclusive, (81) to (84), inclusive, (86), (88) to (106), inclusive, and (108)
551 to (116), inclusive, of section 12-412 of the general statutes and sections
552 12-704c and 12-746 of the general statutes are repealed. (*Effective July 1,*
553 *2007*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to taxable years commencing on or after January 1, 2007</i>	12-700(a)
Sec. 2	<i>from passage and applicable to taxable years commencing on or after January 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-219(a)
Sec. 4	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-219(d)
Sec. 5	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-223c
Sec. 6	<i>July 1, 2007, and applicable to income years commencing on or after January 1, 2007</i>	12-217ee(a)
Sec. 7	<i>from passage and applicable to estates of decedents who die on or after January 1, 2007</i>	12-391(g)
Sec. 8	<i>from passage and applicable to gifts made after January 1, 2007</i>	12-642(a)
Sec. 9	<i>July 1, 2007</i>	12-408(1)
Sec. 10	<i>July 1, 2007</i>	12-412(3)
Sec. 11	<i>from passage</i>	New section
Sec. 12	<i>from passage</i>	New section
Sec. 13	<i>July 1, 2007, and applicable to sales occurring on or after July 1, 2007</i>	New section

Sec. 14	<i>July 1, 2007</i>	New section
Sec. 15	<i>July 1, 2007</i>	New section
Sec. 16	<i>October 1, 2007</i>	New section
Sec. 17	<i>July 1, 2007</i>	12-410(5) and (6)
Sec. 18	<i>July 1, 2007</i>	New section
Sec. 19	<i>July 1, 2007</i>	22a-9
Sec. 20	<i>July 1, 2007</i>	Repealer section

Statement of Purpose:

To reform the state and local tax system by (1) increasing the personal income tax rate from five per cent to five and one-quarter for joint filers; (2) eliminating the property tax credit to the income tax; (3) establishing a state refundable credit of twenty per cent of the federal earned income tax credit; (4) reducing the sales tax rate from six per cent to four and one-half per cent and eliminating all exemptions except groceries, prescription drugs, clothing, residential utilities, medical and legal expenses, sales for resale, sales to state or federal agencies, purchases by charitable organization and fuel purchases; (5) increasing tax on C corporations from \$250 to \$400; (6) adopting a unified gift and estate tax; (7) participating in the Streamlined Sales and Use Tax Agreement; (8) providing funds from the sales tax for joint performance of activities by two or more municipalities; and (9) establishing a spending cap on municipalities.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]