

FISCAL YEAR 2018-2019 ANNUAL REPORT



STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

Scott D. Jackson
Commissioner

Ned Lamont
Governor



A MESSAGE FROM THE COMMISSIONER

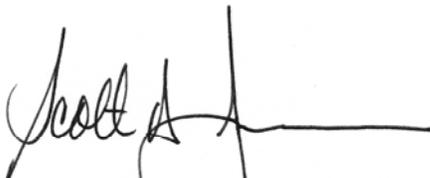
It is my pleasure to present the **Connecticut Department of Revenue Services Annual Report**, which offers a summary of Fiscal Year 2018-19 statistical data for taxes administered by our agency.

Built into these pages is the work of 570 dedicated employees, a collection of the finest tax experts in the State of Connecticut. The Department of Revenue Services (DRS) is committed to continuous cycles of improvement and world class customer service; it is our daily responsibility to administer state tax laws fairly and equitably.

The DRS collects the funds that flow to all of our communities in the form of schools, roads, bridges, and other important state programs. These revenue sources typically play a leading role in state policy debates – the DRS is thus uniquely positioned to offer guidance and objective insights to inform such conversations.

This is a particularly exciting time at the DRS. We are in the midst of a multi-year modernization initiative, scheduled for public launch in May 2020, that will transform our internal systems, how citizens file and pay their taxes, and how they communicate with the agency. The DRS has also recommitted to an aggressive program of public outreach and education, placing our knowledgeable staff members in direct contact with taxpayers to deliver timely information, answer questions, and further develop a “public DRS face” that is worthy of the efforts I see every day.

I hope you find our latest Annual Report informative and useful. Indeed, it is often one of the first documents I consult when asked a question about the agency. Moving forward, the DRS welcomes your suggestions on how we can better serve policymakers and members of the public.



Scott D. Jackson
Commissioner of Revenue Services

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The mission of the Department of Revenue Services is to instill public confidence in the integrity and fairness of tax collection; achieve the highest level of voluntary taxpayer compliance; continuously improve agency performance; contribute to the fiscal and economic well being of the state; and provide a positive and professional workplace.

LEGISLATIVE SUMMARY

2019 GENERAL ASSEMBLY REGULAR SESSION

ALCOHOLIC BEVERAGE TAX

Public Act 19-24

Limits the exemption for beer sold on premises by a beer manufacturer to the first 15 barrels per year. Effective January 1, 2020. The bill also makes several clarifications and allows out-of-state retailers to ship wine directly to Connecticut residents. Effective July 1, 2019.

Public Act 19-117

Increases, by 10%, the excise tax on alcoholic beverages, except beer, and requires sellers to pay a floor tax on alcoholic beverages, except beer, in their inventories as of the opening of business on October 1, 2019. The bill also reduces the tax rate by 50% on beer sold for off-premises consumption that is sold on the premises of an entity covered by a manufacturer's permit. Effective for sales on or after October 1, 2019.

CIGARETTE & TOBACCO PRODUCTS TAXES

Public Act 19-13

Prohibits the sale of cigarettes and tobacco products to persons under age twenty-one. Effective October 1, 2019.

CORPORATION BUSINESS TAX

Public Act 19-86

Establishes a credit for an employer equal to 50% of the payments made on behalf of qualified employees to the Connecticut Higher Education Supplemental Loan Authority. The credit is capped at \$2,625 per student. Effective January 1, 2022.

Public Act 19-117

- Phases out the capital base tax on corporations over four years, from 2021 to 2024;
- Extends the 10% corporation business tax surcharge for two additional income years, 2019 and 2020; and
- Reduces, from 70% to 50.01%, the amount by which a company may reduce its tax liability using Research and Development, Research and Experimental, and Urban and Industrial Site Reinvestment credits. Under existing law, the 50.01% credit cap applies to all other corporation business tax credits. Effective for income years beginning on or after January 1, 2019.

LEGISLATIVE SUMMARY

2019 GENERAL ASSEMBLY REGULAR SESSION

ELECTRONIC CIGARETTE PRODUCTS TAX

Public Act 19-13

Prohibits the sale of electronic cigarette products, and vapor products, to persons under age twenty-one, and establishes enforcement provisions for ENDS and vapor products. Effective October 1, 2019.

Public Act 19-117

Imposes a tax on sales of electronic cigarette (e-cigarette) products by e-cigarette wholesalers. "E-cigarette products" are electronic nicotine delivery systems; liquid nicotine containers; vapor products; and liquids that, when used in an electronic nicotine delivery system, produce a vapor that includes nicotine and is inhaled by the system's user (i.e., e-cigarette liquids). The tax is 40 cents per milliliter of e-cigarette liquid, for any e-cigarette product that is pre-filled, manufacturer-sealed, and not intended to be refillable and 10% of the wholesale price for all other e-cigarette products whether or not sold at wholesale, or if not sold, at the same rate upon use by the wholesaler. Effective for sales on or after October 1, 2019.

ESTATE AND GIFT TAX

Public Act 19-186

Modifies the estate tax to specifically provide that property held in an entity will be considered owned individually unless the entity has a business purpose. Effective July 8, 2019.

INSURANCE PREMIUMS TAXES

Public Act 19-86

Establishes an insurance premium tax credit for an employer equal to 50% of the payments made on behalf of qualified employees to the Connecticut Higher Education Supplemental Loan Authority. The credit is capped at \$2,625 per student. Effective January 1, 2022.

MISCELLANEOUS

Public Act 19-25

Creates the Family and Medical Leave Insurance (FMLI) program to provide wage replacement benefits to certain employees taking leave for reasons allowed under the state's Family and Medical Leave Act (FMLA) or the family violence leave law. The bill requires the Department of Labor, in consultation with the State Treasurer and

LEGISLATIVE SUMMARY

2019 GENERAL ASSEMBLY REGULAR SESSION

Department of Revenue Services, to establish the procedures necessary to implement the FMLI program. Effective June 25, 2019.

Public Act 19-117

- Delays the tax incidence report produced by DRS until February 12, 2022;
- Sunsets the business entity tax beginning January 1, 2020;
- Reduces the admissions tax rate on certain venues in two steps: from 10% to 7.5% for sales occurring on or after July 1, 2019, and from 7.5% to 5% for sales occurring on or after July 1, 2020;
- Imposes a 10-cent fee on single-use plastic bags provided at the point of sale until June 30, 2021 and bans them beginning July 1, 2021;
- Increases the Transportation Network Company fee from 25¢ to 30¢ per ride. Effective July 1, 2019; and
- Establishes a commission to study a payroll tax, in which the recommendations must be reported back to the Legislature's Finance, Revenue & Bonding Committee not later than January 15, 2020.

Public Act 19-186

- Allows DRS to use various electronic means to issue tax warrants. Effective October 1, 2019;
- Extends the time frame for requiring paid preparers to present their certificate of completion of an IRS filing season program for purposes of qualifying for a paid preparer permit from January 1, 2020 to January 1, 2022;
- Requires that the revenue received for the Transportation Network Company (TNC) Fee be reported with the Admissions and Dues Tax revenues instead of the Motor Carrier Road Tax revenues. Effective July 8, 2019;
- Raises the threshold from \$1,000 to \$5,000, above which penalty waiver approvals must be reviewed by the Penalty Review Committee (Effective July 8, 2019);
- States the specific tax chapters that the Urban and Industrial Site Reinvestment tax credit can be applied against (Effective for income years commencing on or after July 8, 2019);
- Changes the order for the application of tax payments so that penalty, then interest then tax is satisfied. Effective for periods ending on or after December 31, 2019; and
- Changes the late payment penalty for electronic filers from 2%, 5%, or 10% to a flat 10% or the statutory rate for a given tax. Effective for periods ending on or after December 31, 2019.

LEGISLATIVE SUMMARY

2019 GENERAL ASSEMBLY REGULAR SESSION

PASS-THROUGH ENTITY TAX

Public Act 19-186

- This bill modifies the newly enacted pass-through entity tax that are effective for taxable years commencing on or after January 1, 2019. The bill includes guaranteed payments in a pass-through entity's (PE's) income subject to tax so that partnerships receive more of the associated federal tax benefits;
- Makes clear that itemized deductions may not be claimed in calculating the PE Tax and that nonresident members must file a Connecticut income tax return if their PE Tax Credit is less than their tax liability;
- Eliminates the estimated payment requirement for PEs with liabilities of less than \$1,000. This is comparable to the threshold under the income tax; and
- Requires DRS to waive penalties, interest, and any addition to tax due for late personal income or Pass-Through Entity tax payments for the 2018 tax year under certain conditions (Effective July 8, 2019 and applicable to the 2018 taxable year).

PERSONAL INCOME TAX

Public Act 19-117

- Reduces the personal income tax credit for the Pass-Through Entity Tax from 93.01% to 87.5%;
- Extends, to the 2019 and 2020 tax years, the limits on eligibility for the property tax credit against the personal income tax (are age 65 or older before the end of the tax year or validly claim at least one dependent on their federal income tax return for that year) ;
- Increases the rate in certain residential real estate and allow for income tax credits against the residential real estate rate increase. Effective July 1, 2020, the bill establishes a new rate of 2.25% on the portion of the sales price that exceeds \$2.5 million. For tax years beginning on or after January 1, 2021, allows taxpayers who paid conveyance tax at the new 2.25% rate to calculate their property tax credit against the income tax based on the amount they paid in conveyance tax ;
- Delays the increase and scheduled increase from 25% to 50% for 2019 and subsequent tax years in the income tax exemption for income received from the state teachers' retirement system .The bill instead maintains it at 25% for 2019 and 2020 and increases it to 50% beginning in 2021;
- Extends the angel investor tax credit program by five years, from July 1, 2019, to July 1, 2024, increases, from \$3 million to \$5 million, the aggregate amount of angel investor credits Connecticut Innovations (CI) may reserve each fiscal year, and from \$250,000 to \$500,000, the total amount of tax credits allowed to any angel investor; and

LEGISLATIVE SUMMARY

2019 GENERAL ASSEMBLY REGULAR SESSION

- Repeals the 7/7 program & the STEM income tax credit.

Public Act 19-186

Requires DRS to waive penalties, interest, and any addition to tax due for late personal income or Pass-Through Entity tax payments for the 2018 tax year under certain conditions. Effective July 8, 2019 and applicable to the 2018 taxable year.

REAL ESTATE CONVEYANCE TAX

Public Act 19-117

- Exempts certain residential properties with deteriorated concrete foundations caused by pyrrhotite. The exemption applies only to the first transfer after an engineer's written evaluation has been obtained by the transferor and is not available to any seller who received financial assistance from the Crumbling Foundations Assistance Fund. Effective July 1, 2019; and
- Establishes a new rate of 2.25% on residential property in excess of \$2.5 million, effective July 1, 2020.

SALES AND USE TAXES

Public Act 19-117

- Reduces the sales tax rate on marine dyed diesel fuel to from 6.35% to 2.99%. Applicable to sales occurring on or after July 1, 2019;
- Requires facilitators of short term home rentals to collect and remit the room occupancy tax on behalf of the operators renting their homes. Effective October 1, 2019, for sales occurring on or after said date;
- Increases the rate on digital downloads from 1% to 6.35%. Applicable to sales occurring on or after October 1, 2019;
- Raises the sales tax rate 1%, to 7.35%, for meals sold by eating establishments, caterers, or grocery stores; and liquors, soft drinks, sodas, and other beverages sold for immediate consumption. Applicable to sales occurring on or after October 1, 2019;
- Expands the sales tax to dry cleaning and laundry services, excluding coin operated. Applicable to sales occurring on or after January 1, 2020;
- Extends the sales tax on specified parking services. Applicable to sales occurring on or after January 1, 2020;
- Expands the sales tax to interior design services, except when purchased by a business for use by such business. Applicable to sales occurring on or after January 1, 2020;

LEGISLATIVE SUMMARY

2019 GENERAL ASSEMBLY REGULAR SESSION

- Lowers the threshold for requiring online retailers to collect sales tax from \$250,000 to \$100,000 in gross receipts during the prior 12-month period. The requirement of 200 or more transactions remains; expands the requirement to apply to out-of-state retailers making retail sales of services, rather than just tangible personal property; and eliminates the condition that such retailers be regularly or systematically soliciting sales in Connecticut. Applicable to sales occurring on or after July 1, 2019; and
- Repeals the sales tax exemption for safety apparel. Effective for sales on or after January 1, 2020.

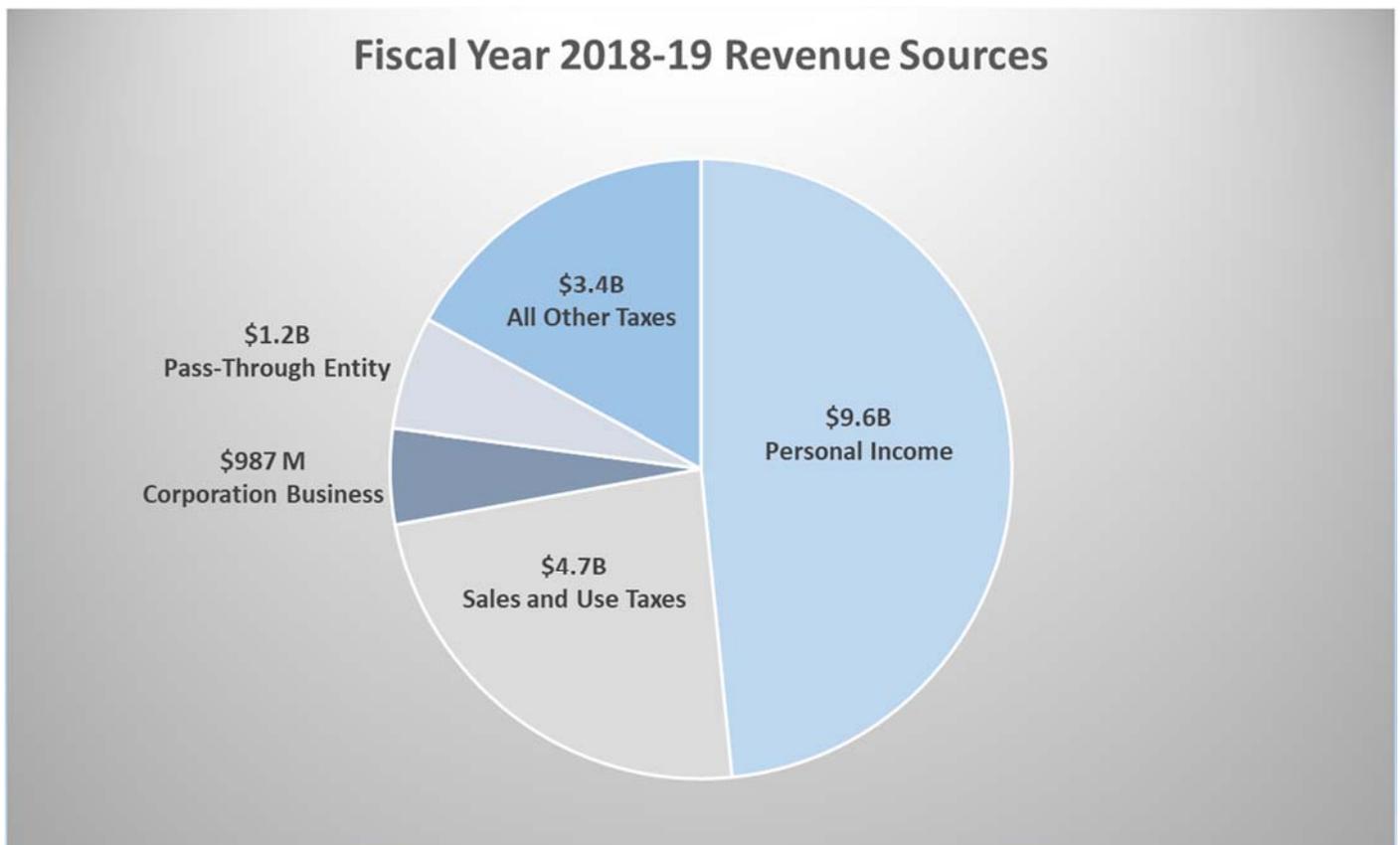
Public Act 19-186

- Requires a retailer to apply any payment that is received first to sales tax. Effective from passage and applicable to claims for credit received on or after July 8, 2019;
- Requires that if a business seeks a refund of tax and the refund is the result of tax collected from customers, the business must show that the tax collected has been or will be repaid to the customer. Applicable to refund claims received on or after July 1, 2019; and
- Delays from July 1, 2019, to January 1, 2020, the date by which referrers must begin providing a quarterly notice to sellers to whom they transferred sales during the previous year. Also delays from January 31, 2020, to January 31, 2021, the date by which referrers must begin submitting an annual report to DRS.

CONNECTICUT TAXES

The Department of Revenue Services collected \$19.9 billion in state taxes for fiscal year 2018-19.

The Personal Income, Pass-Through Entity Sales and Use, and Corporation Business Taxes comprised 83% of all collections.



State Revenue Sources	FY 2016-2017	FY 2017-2018	FY 2018-2019
Admissions & Dues Tax <i>Ch. 225</i> and Transportation Network Company Fee <i>Ch. 244b</i>	\$39,508,556	\$40,351,508	\$46,690,427
Alcoholic Beverages Tax <i>Ch. 220</i>	63,155,221	63,211,086	64,145,818
Ambulatory Surgical Centers <i>Ch. 221a</i>	14,810,087	17,484,454	18,860,333
Beverage Container Deposits <i>Ch. 446d</i>	35,600,873	36,519,543	36,099,594
Business Entity Tax <i>Ch. 213a</i>	44,826,063	14,475,479	67,873,462
Cable, Satellite & Video Companies Tax <i>Ch. 211</i>	70,437,231	60,668,588	46,295,532
Cigarette Tax <i>Ch. 214</i>	367,182,708	357,391,958	335,205,445
Connecticut Estate Tax <i>Ch. 217 (repealed)</i>	13,076	1,331	0
Controlled Substances Tax <i>Ch. 228d</i>	53,141	71,097	59,247
Controlling Interest Transfer Tax <i>Ch. 228b</i>	18,380,138	7,141,192	12,430,499
Corporation Business Tax <i>Ch. 208 & 209</i>	988,559,001	899,728,100	987,363,605
Dry Cleaning Surcharge <i>Ch. 211b</i>	728,065	633,493	605,518
Electric Distribution Companies <i>Ch. 212</i>	146,500,947	131,957,173	156,749,530
Estate and Gift Tax <i>Ch. 217& 228c</i>	218,660,130	223,787,857	225,312,679
Gas Companies <i>Ch. 212</i>	62,731,069	63,681,211	66,665,641
Gift Tax <i>Ch. 228c (repealed)</i>	129,112	337,347	120,843
Health Care Centers Tax <i>Ch. 207</i>	2,077,569	2,840,433	2,815,820
Hospitals Tax <i>Ch. 211a</i>	513,784,032	883,885,779	909,319,650
Income Tax <i>Ch. 229</i>	8,988,607,484	10,769,830,624	9,640,161,331
Insurance Premiums Tax, Domestic <i>Ch. 207</i>	35,093,986	46,373,210	23,836,161
Insurance Premiums Tax, Foreign <i>Ch. 207</i>	157,518,330	152,009,829	138,306,491
Insurance: Non-admitted/Unauthorized <i>Ch. 698d</i>	6,884,549	7,802,111	7,381,718
Intermediate Care Facility User Fee <i>Ch. 319y</i>	7,845,690	7,437,832	6,756,512
Motor Carrier Road Tax - <i>Ch. 222</i>	14,303,964	13,572,067	12,138,677
Motor Vehicle Fuels Tax - Gasoline <i>Ch. 221</i>	378,174,916	378,268,296	383,029,136
Motor Vehicle Fuels Tax - Special Fuel <i>Ch. 221</i>	106,304,395	109,058,789	114,831,017
Nursing Home User Fee <i>Ch. 319x</i>	141,349,377	132,179,528	146,848,506
Occupational Tax <i>Ch. 876</i>	11,076,833	10,463,347	8,868,388
Paid Preparer Fee <i>Ch. 229</i>	0	0	168,000
Pass-Through Entity <i>Ch. 228z</i>	0	0	1,172,054,054
Petroleum Products Gross Earnings Tax <i>Ch. 227</i>	238,354,213	320,890,549	318,518,185
Prepaid Wireless E-9-1-1 Fee <i>Ch. 518a</i>	1,745,782	2,375,445	2,364,502
Public, Educ. & Gov. Programming Tax <i>Ch. 289</i>	3,717,465	3,952,365	3,333,321
Railroad Companies Tax <i>Ch. 210</i>	46,429	924,455	32,396
Real Estate Conveyance Tax <i>Ch. 223</i>	191,616,129	195,376,456	200,792,382
Rental Surcharge <i>Ch. 228h</i>	323,801	269,319	213,605
Sales and Use Taxes <i>Ch. 219</i>	4,381,614,724	4,530,508,619	4,720,321,873
Solid Waste Tax <i>Ch. 446d</i>	3,045,726	3,013,079	2,709,403
Succession Tax <i>Ch. 216 (repealed)</i>	131,948	121,148	87,888
Tobacco Products Tax <i>Ch. 214a</i>	14,594,924	19,481,725	22,319,680
Tourism Surcharge <i>Ch. 228e</i>	5,381,432	5,310,837	5,370,895
Unrelated Business Income Tax <i>Ch. 208a</i>	4,200,458	6,423,832	5,697,312
Total	\$17,279,069,575	\$19,519,811,091	\$19,912,755,076

ADMISSIONS AND DUES TAX

Revenue	
FY 2018-19 *	\$46,690,427
2017-18	40,351,508
2016-17	39,508,556

Exemptions:

Admissions

- Under \$1
- Non-profit organizations
- Motion pictures for not more than \$5.00
- Live performances at non-profit theaters or playhouses, Gateway's Candlewood Playhouse, and Ocean Beach Park
- Daily charges for sporting or athletic activities in which patrons participate
- Carnival or amusement rides
- Cabarets
- Interscholastic athletic events held at Rentschler Field
- As of July 1, 2020, admission charges to Dunkin' Donuts Park.

Dues:

- A club where the annual dues and any initiation fee of a fully privileged member are each \$100 or less;
- Lawn Bowling Clubs
- Locker Rental Fees
- Additional charges used to acquire open space land
- Charitable, religious, governmental or non-profit educational institution
- Society, order or association operating under the lodge system or local fraternal organizations among students of a college or university

Number of Taxpayers / Filing Frequency

601 taxpayers / Monthly

Admissions 405 taxpayers

Dues 310 taxpayers

Note: 114 taxpayers collect both taxes

* Includes revenue from the Transportation Network Company Fee.

ADMISSIONS AND DUES TAX (cont.)

Basis and Rate

Admissions

5% of sales occurring on or after July 1, 2019, but prior to July 1, 2020, for any event at Dunkin Donuts Park [Exempt as of July 1, 2020.]

6% of the admissions charge to motion picture shows.

7.5% of the admission charges made on or after July 1, 2019, but prior to July 1, 2020, for the venues and events listed below:

- Any event at the XL Center in Hartford;
- Any event at Dillon Stadium in Hartford;
- Any athletic event presented by a member team of the Atlantic League of Professional Baseball at the New Britain Stadium;
- Any event at the Webster Bank Arena in Bridgeport;
- Any event at the Harbor Yard Amphitheater in Bridgeport;
- Any event at Dodd Stadium in Norwich;
- Any event at the Oakdale Theatre in Wallingford; and
- Any event other than an interscholastic athletic event at the stadium facility at Rentschler Field.

5% of the admission charges made on or after July 1, 2020, for the venues and events listed above.

10% of the admission charge to any other place of amusement, entertainment, or recreation.

Dues

10% of membership dues or initiation fees to any social, athletic or sporting club organization.

ALCOHOLIC BEVERAGES TAX

A tax is imposed on all distributors of alcoholic beverages on the sale of alcoholic beverages within Connecticut. Distributors must report the total number of gallons of each alcoholic beverage sold during the month, the opening and closing inventories and the amount of tax due. Sales of alcoholic beverages are also subject to the Sales and Use Tax.

Revenue	
FY 2018-19	\$64,145,818
2017-18	63,211,086
2016-17	63,155,221

Exemption

Effective January 1, 2020, the annual sales of the first 15 barrels of malt beverages which are consumed on the premises of an establishment covered by a manufacturer's permit are exempt.

Number of Taxpayers/Filing Frequency

925 distributors/ Monthly

Basis and Rate - Through September 30, 2019

Beer	\$7.20 per barrel (31 gallons)
Beer	24¢ per gallon
Still Wines	72¢ per gallon
Small Wineries	18¢ per gallon
Sparkling Wines	\$1.80 per gallon
Alcohol	\$5.40 per proof gallon
Distilled Liquor	\$5.40 per gallon
Liquor Coolers	\$2.46 per gallon

Basis and Rate - Effective October 1, 2019

Beer	\$7.20 per barrel (31 gallons)
Beer	24¢ per gallon*
Cider	\$7.92 per barrel
Cider	\$26¢ per gallon
Still Wines	79¢ per gallon
Small Wineries	20¢ per gallon
Sparkling Wines	\$1.98 per gallon
Alcohol	\$5.94 per proof gallon
Distilled Liquor	\$5.94 per gallon
Liquor Coolers	\$2.71 per gallon

*The tax rate for beer is reduced by 50% for beer sold for off-premises consumption on the premises of an entity covered by a manufacturer's permit.

ALCOHOLIC BEVERAGES TAX

Comparison of Gallonage

TYPE	FY 2016-17 (gallons)	FY 2017-18 (gallons)	FY 2018-19 (gallons)
Beer - barrels	220,399	204,360	189,115
Beer - gallons	49,361,385	47,730,419	46,796,274
Still Wine	13,267,532	13,018,428	12,703,018
Small Wineries	299,572	314,501	315,834
Sparkling Wine	712,951	706,500	726,396
Distilled Liquor	7,093,791	7,215,014	7,460,026
Liquor Cooler	11,163	40,104	105,576
Alcohol	64,500	65,414	64,994

AMBULATORY SURGICAL CENTERS TAX

A tax is imposed on the gross receipts of each ambulatory surgical center for each calendar quarter. Gross receipts do not include net patient revenue of a hospital that is subject to the Hospitals Tax.

Revenue	
FY 2018-19	\$18,860,333
FY 2017-18	17,484,454
FY 2016-17	14,810,087

Basis and Rate

6%

Number of Taxpayers/Filing Frequency

46/Quarterly

ATTORNEY OCCUPATIONAL TAX

An occupational tax is levied against any person who has been admitted as an attorney by the judges of the superior court, and who is engaged in the practice of law in Connecticut.

Revenue	
FY 2018-19	\$ 8,868,388
2017-18	10,463,347
2016-17	11,076,833

Exemptions

- Employees of the State of Connecticut including judges and referees;
- Probate court employees;
- Any attorney employed by a political subdivision of Connecticut;
- Employees of the federal government;
- Any attorney serving on active duty with the United States Armed Forces for more than six months of a given year;
- Attorneys who received less than \$1,000 in compensation during the calendar year;
- Those engaged in practice of law exclusively outside the state;
- Those removed from the roll of attorneys;
- Those who did not work or were not employed as an attorney; and
- Any attorney who has retired from the practice of law or died during the calendar year.

Basis and Rate

\$565 per practicing attorney.

Number of Taxpayers/Filing Frequency

11,943 Attorneys/ Annually

BEVERAGE CONTAINER DEPOSITS

Connecticut requires all deposit initiators, certain distributors or manufacturers who engage in the sale of beverages subject to the Connecticut bottle bill, to collect the five cent deposit per beverage container sold to any person within Connecticut. These deposit initiators must maintain a separate bank account in which to deposit the monies collected. The unclaimed amount is the amount left in the account after refunds paid to customers and bank fees have been deducted. Each deposit initiator files a quarterly report and remits the unclaimed deposits amount to the state.

Revenue	
FY 2018-19	\$36,099,594
2017-18	36,519,543
2016-17	35,600,873

Exemption

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

Number of Taxpayers/Filing Frequency

115 Entities/Quarterly

BUSINESS ENTITY TAX

The following business entities were subject to a Business Entity Tax if they were formed under Connecticut law or are foreign entities that are transacting business in Connecticut and required to register with or obtain a certificate of authority from the Connecticut Secretary of the State:

- S corporations (Qualified subchapter S subsidiaries (QSSS) are not liable);
- Limited liability companies (LLCs or SMLLCs) that are, for federal income tax purposes, either:
 - Treated as a partnership, if it has two or more members; or
 - Disregarded as an entity separate from its owner, if it has a single member;
- Limited liability partnerships (LLPs); and
- Limited partnerships (LPs).

Public Act 19-117, signed by Gov. Lamont on June 26, 2019, sunsets the Connecticut Business Entity Tax with the 2017 and 2018 biennial period.

Revenue	
FY 2018-19	\$ 67,873,462
2017-18	14,475,479
2016-17	44,826,063

Exemptions

- LLCs and SMLLCs that have elected to be taxed as a corporation for federal tax purposes; and
- Any domestic LP that is not formed under Chapter 610 of the Connecticut General Statutes.

Number of Taxpayers/Filing Frequency

160,712 Entities/Biennially*

* This tax was payable every other year. Tax returns for a biennial period that began January 1, 2017 and ended December 31, 2018 were due on April 15, 2019.

Basis and Rate

\$250 per biennial period.

CIGARETTE TAX

An excise tax is imposed on all cigarettes sold in Connecticut. Payment is indicated by affixing stamps or heat applied decals to each pack of cigarettes. The stamps are sold to licensed dealers and licensed distributors. Sales of cigarettes are also subject to the Sales and Use Tax.

Revenue	
FY 2018-19	\$335,205,445
2017-18	357,391,958
2016-17	367,182,708

Exemptions

- Cigarettes sold to any state institution other than a correctional institution.
- Cigarettes sold on armed services bases.

Number of Taxpayers/ Filing Frequency

34 taxpayers/ Monthly

Basis and Rate

Effective Date	Rate
12/1/17 and after	217.5 mills per cigarette or \$4.35 per pack of twenty.

Note: The tax is reduced by 50% for any product the Secretary of the United States Department of Health and Human Services determines to be a “modified risk tobacco product” pursuant to 21 U.S.C. §387k.

CONTROLLED SUBSTANCES TAX

A tax is levied on marijuana and controlled substances which creates an economic burden on drug dealers. Payment of the tax is indicated by the affixing of stamps to the marijuana or controlled substance. The tax is due and payable immediately upon acquisition or possession of the drug in Connecticut by a dealer.

Revenue	
FY 2018-19	\$59,247
2017-18	71,097
2016-17	53,141

Basis and Rate

\$3.50 per gram of marijuana;
\$200 per gram of controlled substance; and
\$2,000 per 50-dosage unit of controlled substance not sold by weight.

CONTROLLING INTEREST TRANSFER TAX

A tax is imposed on the transfer of a controlling interest in a corporation, partnership, association, trust or other entity, where an entity owns an interest, directly or indirectly, in Connecticut real property with a value of at least \$2,000. In a corporation, "controlling interest" means more than 50% of the combined voting power of all classes of stock in the corporation. For all other entities, "controlling interest" is an amount greater than 50% of the capital, profits or beneficial interest in that entity.

Revenue	
FY 2018-19	\$ 12,430,499
2017-18	7,141,192
2016-17	18,380,138

Exemptions

- Sales or transfers that effectuate a mere change of identity or form of ownership or organization where there is no change in the beneficial ownership of the entity;
- Sale or transfer of a controlling interest in any entity which possesses an interest in real property located in an enterprise zone;
- Transfers of land resulting from eminent domain proceedings;
- Deeds releasing any property which is a security for a debt or other obligation;
- Mortgage deeds;
- Deeds to or by the United States of America, State of Connecticut or any political subdivision or agency thereof;
- Tax deeds; and
- Deeds to any corporation, trust or other entity, of land to be held in perpetuity for educational, scientific, aesthetic or other equivalent passive uses (pending determination by the Internal Revenue Service).

Filing Frequency / Number of Taxpayers

The month following the month in which the transfer was made.
69 transfers in FY 2018-19.

Basis and Rate

1.11% on the sale or transfer of a controlling interest.

An additional tax which varies between 1% and 10% on the value of open space land, farmland, forestland, and maritime heritage land, depending on the holding period, may also be levied.

CORPORATION BUSINESS TAX

A corporation carrying on or doing business in Connecticut is subject to the Corporation Business Tax. Most corporations in Connecticut must file returns and pay corporation business tax although some corporations are exempt.

Corporations must calculate their tax under two alternate methods and remit the higher tax. If a corporation owes less than \$250 under both methods, it pays the minimum tax of \$250.

Revenue	
FY 2018-19	\$987,363,605
2017-18	899,728,100
2016-17	988,559,001

Basis and Rate

Net Income Base Method

The method under which most Corporation Business Tax revenue is derived is the net income base. Corporations compute their Connecticut net income by starting with federal taxable income and then applying the adjustments allowed or required by Connecticut.

For Connecticut net income purposes, corporations must add back certain items deducted in arriving at federal taxable income, such as:

- Exempt interest income
- State and local income taxes
- Royalties or interest paid to a related member
- Bonus depreciation

Certain other deductions are then allowed, such as:

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

Companies that conduct business in multiple states are allowed to apportion their net income based upon the percentage of their sales made in Connecticut. Market-based sourcing rules consider sales of services and most intangible property to be made where the customer is located. Special apportionment rules are provided for certain industries such as financial service companies and broadcasters.

CORPORATION BUSINESS TAX (cont.)

Apportioned net operating losses incurred for income years beginning on or after January 1, 2000, may be carried forward for 20 successive income years. The net operating loss (NOL) deduction may not exceed 50% of the taxpayer's net income.

Connecticut net income is taxed at the rate of 7.5%.

Capital Base Method

Corporations must also compute their tax under the capital base method. The capital base is the total value of the average capital stock, surplus and undivided profits, and surplus reserves, less the average values of deficits and stockholdings in private corporations. Multi-state corporations multiply their capital base by an apportionment fraction.

The capital base is taxed at a rate of 3.1 mils (\$0.0031) per dollar. Under the capital base method, a corporation is limited to a maximum tax of \$1,000,000. Financial service companies are excluded from the capital base method, but are subject to the minimum tax.

Corporations are subject to tax on the greater of the net income base method or the capital base method calculations.

Minimum Tax

If a corporation's calculation of the tax is less than \$250 under both of the two previous methods, it pays a minimum tax, which is currently \$250. The majority of corporations pay the minimum tax.

Surtax

For income years 2012 through 2017, corporations, other than those paying the minimum tax of \$250, paid a surtax in an amount equal to 20% of the tax due before credits are applied. The surtax rate is reduced to 10% for income years 2018 through 2020.

Corporations whose gross income is less than \$100 million are exempt from the surtax unless they file as part of a combined unitary return.

The total amount of surtax reported on income year 2017 returns was \$115.6M.

CORPORATION BUSINESS TAX (cont.)

Combined Unitary Reporting

Commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the Corporation Business Tax, are required to file their Corporation Business Tax returns on a combined unitary basis.

Under combined unitary filing, a combined group's tax liability, prior to surtax and credits, cannot exceed the amount calculated on a nexus combined basis by more than \$2,500,000. This is referred to as the aggregate maximum tax. If the aggregate maximum tax is less than the tax on the standard combined unitary basis, the group is subject to the aggregate maximum tax. Otherwise, the group is subject to tax on the standard combined unitary basis.

Exemptions

- Cooperative housing corporations;
- Homeowners associations;
- Domestic international sales corporations;
- Insurance companies;
- Certain political organizations or associations exempt from federal income taxes under §527 of the Internal Revenue Code;
- Railroad companies subject to the gross earnings tax;
- Companies whose corporate headquarters are located in the insurance and financial services export zone in the City of Hartford and are conducting all of their business outside the United States;
- Connecticut passive investment companies formed by financial service companies to hold and manage loans secured by real property;
- Non-United States corporations whose sole activity conducted in Connecticut is the trading of stocks, commodities and securities; and
- Subchapter S corporations.

CORPORATION BUSINESS TAX (cont.)

Filing Frequency

Annually with four estimated installments.

Number of Taxpayers

2017 Corporation Business Tax Returns

	Number of Returns	Tax Due Before Tax Credits	Tax Due After Tax Credits
Single Filers			
Net Income	7,448	\$106,819,405	\$ 84,565,666
Capital Base	3,508	20,681,033	16,422,332
Minimum Tax	16,047	4,008,953	4,008,953
Exempt	3,932	0	0
Combined Unitary			
Net Income	2,435	519,525,394	438,607,806
Minimum Tax Base	2,920	74,712,834	52,421,398
Aggregate Maximum	10	45,731,337	37,420,631
Total	36,300	\$771,478,956	\$633,446,786

CORPORATION BUSINESS TAX (cont.)

2017 Corporation Business Tax Returns

Industry Sector	Number of Returns	Tax Due Before Tax Credits	Tax Due After Tax Credits
11 Agriculture, Forestry, Fishing and Hunting	122	\$ 1,539,575	\$ 1,423,658
21 Mining	35	375,908	331,521
22 Utilities	90	20,438,195	11,728,236
23 Construction	2,516	7,715,828	7,421,736
31-33 Manufacturing	3,235	144,536,778	107,911,232
42 Wholesale Trade	2,207	44,168,203	40,755,737
44-45 Retail Trade	2,727	88,411,097	74,744,236
48-49 Transporting and Warehousing	604	16,300,691	13,240,437
51 Information	934	44,103,475	32,909,819
52 Finance and Insurance	2,646	138,574,870	111,228,495
53 Real Estate and Rental and Leasing	3,419	14,788,669	14,313,856
54 Professional, Scientific and Tech Services	5,336	59,144,033	51,661,765
55 Management of Companies and Enterprises	1,084	80,339,135	62,462,562
56 Administrative and Support Services	1,061	14,292,036	13,178,771
61-62 Education, Health Care and Social Assistance	1,395	7,949,755	6,687,498
71 Arts, Entertainment, and Recreation	389	1,219,992	834,838
72 Accommodation and Food Services	906	6,045,035	5,955,068
81-92 Other Services	3,392	9,503,978	9,212,342
99 Not Yet Assigned	4,202	72,031,703	67,444,979
Total	36,300	\$771,478,956	\$633,446,786

CORPORATION BUSINESS TAX (cont.)

2017 Corporation Business Tax Returns

Tax Due Before Credits	Number of Returns	Tax Due Before Tax Credits	Tax Due After Tax Credits
Exempt	3,932	\$0	\$0
\$250 or less	17,495	4,231,712	4,231,712
\$251 to \$999	5,375	2,963,871	2,873,077
\$1000 to \$24,999	7,935	41,682,562	39,146,119
\$25,000 to \$49,999	651	23,156,526	21,277,872
\$50,000 to \$99,999	512	36,066,350	33,304,670
\$100,000 to \$249,999	446	70,056,711	62,887,098
\$250,000 to \$499,999	194	68,460,844	60,367,494
\$500,000 to \$999,999	153	104,840,287	90,434,228
\$1 million to \$2 million	92	125,787,475	105,935,506
\$2 million to \$5 million	41	130,500,558	104,912,756
\$5 million and over	14	163,731,936	108,076,253
Total	36,300	\$771,478,956	\$633,446,786

CORPORATION BUSINESS TAX CREDITS

The State of Connecticut offers many Corporation Business Tax credits which a corporation may take advantage of to reduce its liability to the state.

Generally, the amount of tax credits allowable cannot exceed 50.01% of the amount of tax due or reduce the amount of tax to less than \$250. However, for income years 2016 through 2018, taxpayers were able to use Research and Development, Research and Experimental Expenditures, and Urban and Industrial Site Reinvestment tax credits that remain after the application of the 50.01% limitation, provided the total of all tax credits applied did not exceed the limits below:

Income Year	Limit
2016	55%
2017	60%
2018	65%

Apprenticeship Training

Reference: Conn. Gen. Stat. §12-217g

A corporation that hires apprentices in the manufacturing trades may apply for a credit of up to \$7,500 per apprenticeship. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$6 up to a maximum of either \$7,500 or 50% of the total wages paid during the first half of a two-year program or three-quarters of a four year program.

Pass-through entities may also earn this tax credit for apprenticeships in manufacturing. Their credits may be sold, assigned or transferred in whole or part no more than three times and may be used to offset the Corporation Business, Utilities Companies and Petroleum Products Gross Earnings taxes.

A corporation that hires apprentices in the plastics trades may apply for a credit of up to \$4,800 per apprenticeship. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$4. The credit may not exceed 50% of the actual wages paid or \$4,800, whichever is less.

Corporations that hire apprentices in the construction trades may apply for a credit of up to \$4,000 per apprenticeship completed. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$2. The credit may not exceed \$4,000 or 50% of the actual wages paid over the first four years of the apprenticeship, whichever is less.

CORPORATION BUSINESS TAX CREDITS (cont.)

Digital Animation Production

Reference: Conn. Gen. Stat. §12-217ll

A credit is available for digital animation production activity in the state. Any state-certified digital animation production company incurring production expenses or costs from \$100,000 up to \$500,000 will be eligible for a credit equal to 10% of the production expenses or costs. This credit percentage increases to 15% for costs more than \$500,000 up to \$1 million and a 30% credit for costs over \$1 million.

This tax credit is administered by the Department of Economic and Community Development (DECD). Credits may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred.

Donation of Land

Reference: Conn. Gen. Stat. §§ 12-217dd and 12-217ff

This credit is available in an amount equal to 50% of the use value of the donation of land to be permanently preserved as protected open space or for educational use. Donations of land must be made to the state, a political subdivision of the state, or a nonprofit land conservation organization and may include any discount in the sales price.

Unused credit for donations of land for educational use made prior to the 2013 income year may be carried forward for 15 succeeding income years. All other unused credits for donations of land may be carried forward for up to 25 years.

Electronic Data Processing Equipment

Reference: Conn. Gen. Stat. §12-217t

The Electronic Data Processing Equipment Property Tax credit provides a 100% credit for property tax owed and paid on electronic data processing equipment.

Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Enterprise Zone Credit for Qualifying Corporations

Reference: Conn. Gen. Stat. §12-217v

A credit is allowed to any qualifying corporation which hires at least 150 local employees qualifying under the Job Training Partnership Act to work within a designated Enterprise Zone. The credit is 100% of the corporation's tax liability for its first three years and 50% of its liability for the next seven.

Beginning with income year 2017, certain bioscience, clean technology, and cybersecurity firms created on or after July 1, 2015, which are located within a designated enterprise zone and meet certain employment criteria also qualify for this credit.

Effective July 1, 2018, the Enterprise Zone Tax Credit for Qualifying Corporations has been repealed.

Film Production

Reference: Conn. Gen. Stat. §12-217jj

Any eligible film production company incurring qualified production expenses or costs from \$100,000 up to \$500,000 is eligible for a credit equal to 10% of the production expenses or costs. This credit percentage increases to 15% for costs more than \$500,000 up to \$1 million and a 30% credit for costs over \$1 million. This tax credit is administered by the Department of Economic and Community Development (DECD).

Credit vouchers may be claimed in the year the costs were incurred or the five succeeding years after the year the costs were incurred. Tax credit vouchers issued before July 1, 2015 may be claimed in the year the expenses were incurred or in the next three income years. These may be sold, assigned or transferred in whole or part no more than three times.

Film Production Infrastructure

Reference: Conn. Gen. Stat. §12-217kk

A tax credit is available to any taxpayer that invests in a capital project to provide basic buildings, facilities, or installations needed for the functioning of the digital media and motion picture industry in this state, provided that the project has been approved by DECD.

A 20% credit is allowed for costs \$3 million and over. Credits may be claimed in the year the costs were incurred or the next three succeeding income years. These may be sold, assigned or transferred in whole or part no more than three times.

CORPORATION BUSINESS TAX CREDITS (cont.)

Fixed Capital Investments

Reference: Conn. Gen. Stat. §12-217w

This credit is based on 5% of the amounts paid or incurred for any new tangible personal property that has a class life of more than four years, is not sold or leased within 12 months, and will be held and used in Connecticut for at least five years. Inventory, land, buildings and mobile transportation equipment are not included. Unused credits may be carried forward for five succeeding income years.

Green Buildings

Reference: Conn. Gen. Stat. §12-217mm

This tax credit had been available for eligible construction, renovation, or rehabilitation projects designed to meet the applicable requirements for LEED Green Building Rating System gold or platinum certification or another equivalent certification determined by DEEP.

Credit percentages ranged between 5% and 11% and depended on the location and certification level of the project. Credits may be assigned to another taxpayer or taxpayers. Unused credits may be carried forward for five succeeding income years.

The Green Buildings tax credit is sunset as of December 1, 2017.

Historic Homes Rehabilitation

Reference: Conn. Gen. Stat. §10-416

The Department of Economic and Community Development (DECD) may allocate up to \$3 million in vouchers for this credit during any fiscal year. Owners of historic homes must incur qualified rehabilitation expenditures that exceed \$15,000 in order to qualify.

After the work is performed and verified, a tax credit is allowed for 30% of the qualified rehabilitation expenditures. The credit is limited to \$30,000 per dwelling. This maximum is increased to \$50,000 for owners that are nonprofit corporations.

Unused credits may be carried forward for four succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Historic Preservation

Reference: Conn. Gen. Stat. §10-416b

This tax credit was available to owners rehabilitating certified historic buildings with mixed residential and nonresidential uses. After the rehabilitation work was performed and verified, a credit of 25% of the qualified rehabilitation expenditures was allowed. The credit increased to 30% of the qualified expenditures if the rehabilitated building contained affordable housing. Unused credits could be carried forward for five succeeding income years.

The Historic Rehabilitation tax credit effectively consolidates the provisions of the Historic Preservation and the Historic Structures Rehabilitation tax credits. DECD no longer reserves Historic Preservation tax credits.

Historic Rehabilitation

Reference: Conn. Gen. Stat. §10-416c

This tax credit, which effectively consolidated the provisions of the Historic Preservation and the Historic Structures Rehabilitation tax credits, provides for a 25% credit for income years beginning on or after January 1, 2014. The credit is based on the qualified rehabilitation expenditures associated with the rehabilitation of a certified historic structure for either 1) residential use of five units or more, 2) mixed residential and nonresidential use or 3) nonresidential use consistent with the historic character of such property or the district in which such property is located.

The amount of the available credit increases to 30% of the qualified expenditures if at least 20% of the units are rental units and qualify as affordable housing or at least 10% of the units are individual homeownership units and qualify as affordable housing.

Unused credits may be carried forward for five succeeding income years or may be sold, assigned or transferred in whole or part no more than three times.

CORPORATION BUSINESS TAX CREDITS (cont.)

Historic Structures Rehabilitation

Reference: Conn. Gen. Stat. §10-416a

This tax credit was available to owners rehabilitating certified historic structures for residential use. DECD could allocate up to \$15 million in vouchers for this credit during any fiscal year. After the rehabilitation work was performed and verified, a tax credit was allowed for 25% of the qualified rehabilitation expenditures not to exceed \$2.7 million. Unused credits could be carried forward for five succeeding income years.

The Historic Rehabilitation tax credit effectively consolidates the provisions of the Historic Preservation and the Historic Structures Rehabilitation tax credits. DECD no longer reserves Historic Structures Rehabilitation tax credits.

Housing Program Contribution

Reference: Conn. Gen. Stat. §8-395

This tax credit program enables corporations to contribute to housing programs that benefit low and moderate income individuals and families. These programs are sponsored, developed or managed by nonprofit corporations and must be approved by the Connecticut Housing Finance Authority. The credit is the amount of the contribution, not to exceed \$75,000 per business. Unused credits may be carried back to the five preceding income years and forward for five succeeding income years.

Human Capital Investments

Reference: Conn. Gen. Stat. §12-217x

The Human Capital Investments credit is based on 5% of the amounts paid or incurred for various job training and work education programs, child care subsidies to Connecticut employees, day care facility establishment costs and donations to institutions of higher education for improvements to technology. Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Insurance Reinvestment Fund

Reference: Conn. Gen. Stat. §38a-88a

A credit may be applied against the corporation business tax for investments made through a fund manager registered with the Commissioner of Economic and Community Development (DECD). These investments must be specifically earmarked for insurance businesses incorporated in Connecticut that occupy new facilities and create new jobs. The credit is 10% of amounts invested in qualified insurance businesses, beginning 3 years but not later than 7 years from the date of investment. For years 7 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

New eligibility certificates for insurance businesses which enable investors to claim a corporation tax credit cannot be issued on or after July 1, 2010. Any new eligibility certificates issued on or after July 1, 2010 now qualify investors for the Second Insurance Reinvestment Fund tax credit applicable against the insurance premiums tax (Chapter 207); health care centers tax (Chapter 207); and surplus lines brokers tax (Section 38a-743).

Machinery and Equipment

Reference: Conn. Gen. Stat. §12-217o

This credit is based upon the incremental increase in expenditures for machinery and equipment acquired for and installed in Connecticut. The rate of credit is either 5% or 10% depending on the number of full time employees in Connecticut.

Manufacturing Facility in a Targeted Investment Community/Enterprise Zone

Reference: Conn. Gen. Stat. §12-217e

A business may earn a credit of 50% of its allocable tax for operating a manufacturing facility which meets certain employment criteria and is located within a designated enterprise zone or other area designated as having enterprise zone level benefits. A credit of 25% may be applied against the portion of the Corporation Business tax allocable to a manufacturing facility located within a Targeted Investment Community, but not in an Enterprise Zone.

Certification was required from the Department of Economic and Community Development. Corporations may claim this credit for 10 years beginning with the first year following the year of certification.

This tax credit is being sunset. Only those companies that first claimed the credit on a return for an income year beginning before 2018, may continue to claim the credit.

CORPORATION BUSINESS TAX CREDITS (cont.)

Neighborhood Assistance Act Program

Reference: Chapter 228a of the Conn. Gen. Stat.

The Connecticut Neighborhood Assistance Act (NAA) tax credit program is designed to provide funding for municipal and non-profit organizations. Businesses are granted a tax credit of 60% of the amount contributed to certain approved programs (or 100% in the case of energy conservation programs) conducted by municipal and non-profit organizations. Unused credits may be carried back to the two preceding income years.

The NAA program has several statutory limits. A business is limited to receiving \$150,000 in tax credit annually. A non-profit organization is limited to receiving \$150,000 in contributions in the aggregate. The minimum contribution on which credit can be granted is \$250. The program has a \$5M cap, which if exceeded, results in proration of approved donations.

Research and Development Expenditures

Reference: Conn. Gen. Stat. §12-217n

A credit may be applied against the Corporation Business Tax for expenses of research and development conducted in Connecticut. The amount allowed as credit increases ratably from 1% of the annual research and development expenses paid or incurred, where such expenses equal \$50 million or less, to 6% where expenses exceed \$200 million. The 6% credit is extended to qualified small businesses with a gross income that does not exceed \$100 million.

Qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. Credit refunds are limited to \$1.5 million in any one income year. Unused credits may be carried forward until fully taken.

Research and Experimental Expenditures

Reference: Conn. Gen. Stat. §12-217j

This is a tax credit based on the incremental increase in expenditures for research and experiments conducted in Connecticut. The amount of the credit equals 20% of the amount spent by the corporation directly on research and experimental expenditures that exceeds the amount spent in the preceding income year. Unused credits may be carried forward for fifteen succeeding income years.

Qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. Credit refunds are limited to \$1.5 million in any one income year.

CORPORATION BUSINESS TAX CREDITS (cont.)

Service Facility

Reference: Conn. Gen. Stat. §12-217e

This credit is available to companies with a service facility located in a Connecticut targeted investment community which hire new employees and have an eligibility certificate issued by the Commissioner of Economic and Community Development (DECD). The credit is based on the portion of tax allocable to such facility and the number of new employees working there. Credit percentages range from 15% to 50% depending on the number of new employees. The credit period is ten years.

This tax credit is being sunset. Only those companies that first claimed the credit on a return for an income year beginning before 2018, may continue to claim the credit.

Small Business Guaranty Fee

Reference: Conn. Gen. Stat. §12-217cc

Small businesses with less than \$5 million in gross receipts may claim this credit equal to the amount paid to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing during the income year. Unused credits may be carried forward for four succeeding income years. This credit was repealed for income years beginning on or after January 1, 2014.

Traffic Reduction Programs

Reference: Conn. Gen. Stat. §12-217s

This is a 50% credit for traffic reduction program expenses related to the attainment of federal Clean Air Act standards. The credit cannot exceed \$250 per participating employee. This credit is available for corporations employing 100 or more people located in a severe non-attainment area. Currently, no such area is designated in Connecticut.

Urban and Industrial Site Reinvestment

Reference: Conn. Gen. Stat. §32-9t

This credit is available for investments in eligible urban reinvestment projects and industrial site investment projects. Investments may be made directly or through a registered fund manager and must be certified by the Commissioner of Economic and Community Development. The credit is 10% of the qualified investments, beginning 4 years but not later than 7 years from the date of investment. For years 8 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the number and amount of corporation tax credits claimed by businesses. The figures represent credit claimed on 2017 returns and any credits carried forward from prior years and used in 2017.

Tax Credits Claimed on 2017 Corporation Business Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	16	\$ 172,443
Digital Animation	4	1,537,682
Donation of Land	5	116,064
Electronic Data Processing	936	10,238,146
Film Production	23	33,347,658
Fixed Capital Investments	1,500	40,759,405
Green Buildings	1	1,667,687
Historic Preservation	1	157,780
Historic Structures Rehabilitation	2	1,808,617
Housing Program Contribution	42	18,559
Human Capital Investments	46	2,704,373
Machinery and Equipment	50	723,854
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	18	880,824
Neighborhood Assistance	64	2,057,368
Research & Development Expenditures	162	6,789,883
Research & Experimental Expenditures	231	33,162,286
SBA Guaranty Fee	1	9,706
Urban and Industrial Site Reinvestment	10	1,879,835
Total	3,112	\$138,032,170

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the unused credit amounts reported on 2017 corporation business tax returns as being carried forward to the 2018 income year.

Credits Carried Forward to 2018 Income Year

Type of Credit	Carryforward Amount
Donation of Land	\$2,265,197
Electronic Data Processing	98,134,326
Fixed Capital Investments	338,968,680
Historic Preservation	242,368
Historic Structures Rehabilitation	1,147,213
Housing Program Contribution	74,734
Human Capital Investments	6,025,367
Insurance Reinvestment	288,242
Research & Development	1,786,183,639
Research & Experimental Expenditures	620,200,827
SBA Guaranty Fee	162,845
Urban and Industrial Site Reinvestment	4,321,107
Total Carryforward Credits	\$2,858,014,545

DRY CLEANING ESTABLISHMENT SURCHARGE

The Dry Cleaning Establishment Surcharge is used to provide grants to dry cleaning establishments for the containment and removal or mitigation of environmental pollution resulting from dry cleaning activity. Revenue is deposited into the Dry Cleaning Remediation Account, which is used to provide these grants and fund other measures undertaken to prevent pollution.

Dry cleaning establishments are required to renew their registration with DRS each October 1st. Establishments that fail to register or renew their registration are subject to a penalty.

Revenue	
FY 2018-19	\$605,518
2017-18	633,493
2016-17	728,065

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

358 taxpayers/Quarterly

ESTATE AND GIFT TAX

Resident and nonresident estates of decedents dying during 2019 are liable for the Connecticut Estate Tax on the amount of the Connecticut taxable estate that exceeds \$3.6 million. The estate tax exemption amount increases to \$5.1 million for estates of decedents dying during 2020.

“Connecticut taxable estate” is defined as the sum of the total value of the decedent’s federal gross estate, less allowable deductions, plus the aggregate amount of Connecticut taxable gifts made on or after January 1, 2005. A credit is granted for gift taxes paid on Connecticut taxable gifts made on or after January 1, 2005; however, the credit cannot exceed the amount of the Connecticut estate tax.

For Connecticut taxable gifts, a donor must pay Connecticut gift tax if the aggregate amount of Connecticut taxable gifts made between January 1, 2005 and December 31, 2019, exceeds \$3.6 million. This aggregate amount increases to \$5.1 million during 2020. A credit is allowed against the Connecticut gift tax for Connecticut gift taxes paid on Connecticut taxable gifts made during calendar years beginning on or after January 1, 2005; however, the credit cannot exceed the amount of the Connecticut gift tax.

“Connecticut taxable gifts” are defined as taxable gifts as determined for federal gift tax purposes. These include:

- Gifts of Connecticut real property;*
- Gifts of tangible personal property situated within Connecticut; or*
- Gifts of intangible personal property made by Connecticut residents.*

Taxpayers are required to file a Connecticut Estate and Gift Tax return to report all Connecticut taxable gifts, even if no Connecticut gift tax is due.

The maximum amount of tax paid by the estates of decedents who die on or after January 1, 2019 is \$15 million. This payment cap also applies to the gift tax amount paid by donors who make taxable gifts on or after January 1, 2019. The payment cap on gifts made between January 1, 2016 and December 31, 2018 or the estates of decedents who died between January 1, 2016 and December 31, 2018 had been \$20 million. The payment cap is reduced by the amount of any gift taxes paid on taxable gifts made on or after January 1, 2016.

Revenue	
FY 2018-19	\$225,312,679
2017-18	223,787,857
2016-17	218,660,130

ESTATE AND GIFT TAX (cont.)

For gifts made, or the estates of decedents dying **on or after January 1, 2018** to **December 31, 2018** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$2,600,000	None
Over \$2,600,000 but not over \$3,600,000	7.2% of the excess over \$2,600,000
Over \$3,600,000 but not over \$4,100,000	\$72,000 plus 7.8% of the excess over \$3,600,000
Over \$4,100,000 but not over \$5,100,000	\$111,000 plus 8.4% of the excess over \$4,100,000
Over \$5,100,000 but not over \$6,100,000	\$195,000 plus 10.0% of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$295,000 plus 10.4% of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$399,000 plus 10.8% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$507,000 plus 11.2% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$619,000 plus 11.6% of the excess over \$9,100,000
Over \$10,100,000	\$735,000 plus 12% of the excess over \$10,100,000

ESTATE AND GIFT TAX (cont.)

For gifts made, or the estates of decedents dying **on or after January 1, 2019** to **December 31, 2019** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$3,600,000	None
Over \$3,600,000 but not over \$4,100,000	7.8% of the excess over \$3,600,000
Over \$4,100,000 but not over \$5,100,000	\$39,000 plus 8.4% of the excess over \$4,100,000
Over \$5,100,000 but not over \$6,100,000	\$123,000 plus 10.0% of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$223,000 plus 10.4% of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$327,000 plus 10.8% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$435,000 plus 11.2% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$547,000 plus 11.6% of the excess over \$9,100,000
Over \$10,100,000	\$663,000 plus 12% of the excess over \$10,100,000

ESTATE AND GIFT TAX (cont.)

For gifts made, or the estates of decedents dying **on or after January 1, 2020** to **December 31, 2020** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$5,100,000	None
Over \$5,100,000 but not over \$6,100,000	10.0% of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$100,000 plus 10.4% of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$204,000 plus 10.8% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$312,000 plus 11.2% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$424,000 plus 11.6% of the excess over \$9,100,000
Over \$10,100,000	\$540,000 plus 12% of the excess over \$10,100,000

ESTATE AND GIFT TAX (cont.)

Detail of Revenue

For Fiscal Year 2018-19, total Estate and Gift Tax revenue collected was \$225,312,679. Much of this revenue is attributable to prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during Fiscal Year 2018-19 follows.

ESTATE AND GIFT TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2018-19

Amount of Taxable Estate		Number of Returns	Tax Due	Tax Due After Credits *
More Than	Not Over			
\$2 Million	\$3 Million	240	\$3,266,048	\$3,163,343
\$3 Million	\$4 Million	112	7,410,113	6,854,161
\$4 Million	\$5 Million	76	10,961,024	9,842,783
\$5 Million	\$6 Million	52	9,643,712	9,326,724
\$6 Million	\$7 Million	23	7,618,805	7,017,546
\$7 Million	\$ 8 Million	19	6,897,944	6,364,435
\$ 8 Million	\$10 Million	25	14,464,284	13,257,492
\$10 Million	\$15 Million	39	32,650,519	29,797,093
\$15 Million	\$25 Million	18	21,897,564	19,851,273
\$25 Million		12	49,757,746	47,694,166
Total		616	\$164,567,760	\$153,169,016

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

ESTATE AND GIFT TAX (cont.)

For Fiscal Year 2018-19, an additional amount of the estate and gift tax was attributable to gift tax returns filed by non-decedents. A breakdown of calendar year 2018 gift tax returns is shown below.

ESTATE AND GIFT TAX RETURNS 2018 GIFT TAX ONLY

Amount of 2018 Taxable Gifts		Number of Returns	Tax Due
More Than	Not Over		
	\$2 Million	4,276	\$1,385,328
\$2 Million	\$3 Million	40	1,493,604
\$3 Million	\$5 Million	11	3,581,411
\$5 Million		11	12,167,032
Total		4,338	\$18,627,375

INCOME TAX

Connecticut imposes a tax on income earned by resident individuals, trusts, and estates. Nonresidents and part-year resident individuals, trusts and estates are also subject to the tax on income derived from or connected with sources within the State. Connecticut taxable income is defined as adjusted gross income for federal tax purposes with certain modifications and exemptions described below.

Revenue	
FY 2018-19	\$9,640,161,331
2017-18	\$10,769,830,624
2016-17	8,988,607,484

Number of Taxpayers/Filing Frequency

1.84 million taxpayers/Annually

Taxpayers who expect to owe more than \$1,000 in income tax, in addition to income tax withheld, are required to file four estimated tax payments.

Basis and Rate

Connecticut's tax is levied upon Connecticut taxable income, as defined above.

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

Filing Status	Rate and Basis
Single and Married Filing Separately	3% on the first \$10,000 of Connecticut Taxable Income
	5% on the excess over \$10,000, but not over \$50,000
	5.5% on the excess over \$50,000, but not over \$100,000
	6% on the excess over \$100,000, but not over \$200,000
	6.5% on the excess over \$200,000, but not over \$250,000
	6.9% on the excess over \$250,000, but not over \$500,000
	6.99% on the excess over \$500,000
Head of Household	3% on the first \$16,000 of Connecticut Taxable Income
	5% on the excess over \$16,000, but not over \$80,000
	5.5% on the excess over \$80,000, but not over \$160,000
	6% on the excess over \$160,000, but not over \$320,000
	6.5% on the excess over \$320,000, but not over \$400,000
	6.9% on the excess over \$400,000, but not over \$800,000
	6.99% on the excess over \$800,000
Joint Filers	3% on the first \$20,000 of Connecticut Taxable Income
	5% on the excess over \$20,000, but not over \$100,000
	5.5% on the excess over \$100,000, but not over \$200,000
	6% on the excess over \$200,000, but not over \$400,000
	6.5% on the excess over \$400,000, but not over \$500,000
	6.9% on the excess over \$500,000, but not over \$1,000,000
	6.99% on the excess over \$1,000,000

INCOME TAX (cont.)

Exemptions

- \$15,000 for single filers. For taxpayers with Connecticut AGI in excess of \$29,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$44,000;
- \$12,000 for married persons filing separately and filing separately for Connecticut only. For taxpayers with Connecticut AGI in excess of \$24,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$35,000;
- \$19,000 for heads of household. For taxpayers with a Connecticut AGI in excess of \$38,000, the exemption decreases by \$1,000 for each additional \$1,000 of Connecticut AGI. There is no exemption if the taxpayer earns more than \$56,000; and
- \$24,000 for married persons filing jointly, filing jointly for Connecticut only, or qualifying widow(er) with dependent child. The exemption for joint filers decreases by \$1,000, for taxpayers whose Connecticut AGI exceeds \$48,000, for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$71,000.

Benefit Recapture

For taxpayers whose annual Connecticut Adjusted Gross Income exceeds specified thresholds, a recapture provision is imposed to eliminate the benefits they receive from having a portion of their taxable income taxed at lower marginal rates.

The recapture provision starting point is:

- \$400,000 for taxpayers filing jointly;
- \$200,000 for taxpayers filing single and married filing separately; and
- \$320,000 for taxpayers filing as head of household.

The recapture amount is

- \$180 per \$10,000 of Connecticut adjusted gross income over the starting point for taxpayers filing jointly, with a maximum total recapture of \$6,300;
- \$90 per \$5,000 of Connecticut adjusted gross income over the starting point for taxpayers filing single or married filing separately with a maximum total recapture of \$3,150; and
- \$140 per \$8,000 of Connecticut adjusted gross income over the starting point for taxpayers filing as head of household, with a maximum total recapture of \$4,920.

INCOME TAX (cont.)

Common Additions

- Interest on state and local obligations other than Connecticut;
- Exempt-interest dividends (other than those derived from obligations of the State of Connecticut or its municipalities);
- Cancellation of debt income;
- The total taxable amount of a lump sum distribution for the taxable year deductible from gross income in calculating federal adjusted gross income; and
- Loss on sale of Connecticut bonds.

Common Subtractions

- Interest on U.S. obligations;
- Dividends from certain mutual funds consisting of U.S. obligations;
- Social Security Benefit Adjustment;
- Refunds on state and local income taxes;
- Tier 1 and Tier 2 railroad retirement benefits and supplemental annuities;
- Gain on sale of Connecticut bonds;
- For taxable years commencing on or after January 1, 2019, social security benefits for single filers and married individuals filing separately whose federal adjusted gross income for the taxable year is less than \$75,000. And social Security benefits for married individuals filing jointly and head of household filers whose federal adjusted gross income for the taxable year is less than \$100,000. Prior to January 1, 2019, the subtraction threshold for social security benefits was \$50,000 for single filers and married individuals filing separately, and \$60,000 for married individuals filing jointly and head of household filers;
- Federally taxable military retirement pay received from the United States government for a retired member of the Armed Forces of the United States as defined in Section 101 of Title 10 of the U.S. Code or the National Guard, as defined in Section 101 of Title 10 of the U.S. Code;
- Connecticut Higher Education Trust (CHET) contributions of up to \$5,000 for each individual taxpayer whose filing status is single, head of household, married filing separately or up to \$10,000 for individuals whose filing status is married filing jointly, or qualifying widow(er) with dependent child;
- 25% of the pension payments received from the Connecticut teacher's retirement system, provided it was properly included in federal adjusted gross income for federal income tax purposes. For taxable years commencing on or after January 1, 2021, the subtraction modification increases to 50% of pension payments;
- Taxpayers are allowed a subtraction modification for the amount of lost wages, medical, travel, and housing expenses incurred in connection with the donation of an organ for transplantation on or after January 1, 2017. The amount is not to exceed \$10,000; and
- Effective for taxable years commencing on or after January 1, 2017, a subtraction modification is allowed for amounts received related to certain crumbling foundation relief.

INCOME TAX (cont.)

Subtraction Modification for Certain Pensions and Annuities

Effective for the taxable year commencing January 1, 2019, any pension or annuity income received, except for tier 1 railroad retirement benefits and Armed Forces or National Guard retirement pay, may be subtracted by the percentages below:

- 14% for taxable years commencing on or after January 1, 2019;
- 28% for taxable years commencing on or after January 1, 2020;
- 42% for taxable years commencing on or after January 1, 2021;
- 56% for taxable years commencing on or after January 1, 2022;
- 70% for taxable years commencing on or after January 1, 2023;
- 84% for taxable years commencing on or after January 1, 2024;
- 100% for taxable years commencing on or after January 1, 2025.

Withholding Requirement

Connecticut requires anyone who maintains an office or transacts business in Connecticut, and who is considered an employer for federal income tax withholding purposes, to withhold Connecticut income tax whether or not the payroll department is located in Connecticut.

Estimated Tax Payments

Taxpayers must make estimated payments if their Connecticut income tax (after tax credits) minus Connecticut tax withheld is more than \$1,000.

Connecticut Alternative Minimum Tax

Taxpayers who are subject to, and required to pay, the federal alternative minimum tax are subject to the Connecticut Alternative Minimum Tax. The alternative minimum tax is computed on the lesser of 19% of the adjusted federal tentative minimum tax, or 5½% of adjusted federal alternative minimum taxable income.

Tax Credits

Tax Credit for Property Taxes Paid to a Political Subdivision

Connecticut residents are eligible for an income tax credit for property taxes paid to a Connecticut political subdivision on a primary residence and/or privately owned or leased motor vehicle. The maximum credit is \$200 per return. The credit cannot exceed the amount of qualifying property taxes paid or the income tax liability.

Effective for taxable years 2017 through 2020, the \$200 credit is allowed only to a Connecticut resident who has attained the age of 65 before the close of the applicable tax year, or who files a federal income tax return for the applicable year and validly claims one or more dependents.

INCOME TAX (cont.)

Credit for Income Taxes Paid to Qualifying Jurisdictions

Connecticut residents may claim an income tax credit if any part of their income was taxed by a qualifying jurisdiction. A qualifying jurisdiction includes another state of the United States, a local government within another state or the District of Columbia. A qualifying jurisdiction does not include the State of Connecticut, the United States or a foreign country or its provinces.

Connecticut Earned Income Tax Credit

A Connecticut resident taxpayer may claim an earned income tax credit (CT EITC) against the Connecticut income tax due for the taxable year. The EITC rate is 23% of the federal EIC. If the CT EITC exceeds the taxpayer's Connecticut income tax liability, the excess is considered an overpayment and will be refunded without interest.

Earned Income Tax Credit			
Year	Number of Credits	Amount of Credit	EITC Rate
2013	191,760	\$96,303,193	25%
2014	193,052	107,515,761	27.5%
2015	194,115	108,359,437	27.5%
2016	195,137	111,864,353	27.5%
2017	194,279	94,284,692	23%
2018	193,281	95,433,979	23%

Angel Investor Tax Credit

An *angel investor* is an accredited investor, as defined by the Securities and Exchange Commission, or network of accredited investors who review new or proposed businesses for potential investment who may seek active involvement, such as consulting and mentoring, in a Connecticut business.

The angel investor must apply to Connecticut Innovations, Inc. to reserve a tax credit. The angel investor must choose from a list of Connecticut businesses that Connecticut Innovations Inc. has determined are qualified to receive cash investments eligible for the angel investor tax credit. Tax credits cannot be reserved for any investments made on or after July 1, 2024.

The angel investor credit provides for a tax credit for a cash investment of not less than \$25,000 in the qualified securities of a Connecticut business by an angel investor. Prior to taxable year 2019, the credit was 25% of such investor's cash investment not to exceed \$250,000 per investor, and was claimed in the taxable year in which the cash investment was made. Effective July 1, 2019, the total credits allowed to any one investor increases from \$250,000 to \$500,000.

The credits may be assigned, transferred, or sold.

INCOME TAX (cont.)

Credit for Prior Year Connecticut Minimum Tax for Individuals

Taxpayers may be able to claim a credit for an alternative minimum tax paid in a prior year.

Credit for Pass-Through Entity Taxes Paid

For taxable year 2018, a member in a Pass-Through Entity (PE) was entitled to a credit equal to 93.01% of the member's direct and indirect share of the PE's tax liability. The PE Tax Credit can be used against the member's Corporation Business Tax liability or Income Tax liability.

The Pass-Through Entity Tax credit is reduced from 93.01% to 87.5% effective for taxable years beginning on or after January 1, 2019.

In addition to the above referenced credits, the following credit is no longer available, however, taxpayers who previously earned the credit may still be claiming it:

Insurance Reinvestment Fund

The insurance reinvestment fund credit is no longer available to individuals under the personal income tax. The new **Second Insurance Reinvestment Fund Tax Credit** replaces the original credit and is only available against insurance premiums taxes. Any credits previously earned under the old insurance reinvestment act are able to be used until they expire, not to exceed 10 years.

INCOME TAX (cont.)

Personal Income Tax Credits

2018 Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	237	\$2,304,499
Insurance Reinvestment Fund	21	33,386
Prior Year CT Minimum Tax	321	767,046
Total	579	\$3,104,931

2017 Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	155	\$1,659,800
Insurance Reinvestment Fund	9	18,549
Prior Year CT Minimum Tax	316	1,192,269
Total	480	\$2,870,618

INSURANCE PREMIUMS TAX

Insurance companies, domestic and foreign, are taxed in Connecticut on the total net direct premiums received from policies written on property or risks within the State. Total net direct subscriber charges received on any new or renewal contract or policy by a health care center are also taxed. The State also imposes a tax on premiums for unauthorized insurance. Specifically, insureds who procure nonadmitted insurance are required to remit tax on premiums paid to a nonadmitted insurer. Additionally, risk retention groups are required to pay tax on premiums collected on coverages within the State. Captive insurance companies are now allowed to operate within Connecticut. A captive insurance company is a company that is created and wholly owned by one or more non-insurance companies to insure the risks of its owners as a type of self-insurance.

Revenue	
FY 2018-19	\$172,340,190
2017-18	209,025,583
2016-17	201,254,434

Exemptions

- Premiums sold for ocean and inland marine insurance of nonresident and foreign companies;
- Medicaid, Medicare, HUSKY Plan, and State Employee Health plans from health care centers subscriber charges; and
- New or renewal contracts or policies written to provide health care coverage to retired teachers, spouses or a surviving spouse, employees and retired members and their dependents, of a Connecticut municipality, nonprofit organizations or employees of community action agencies and their dependents, and small employer's employees and their dependents under a plan procured pursuant to Conn. Gen. Stat. §5-259(i), from net direct subscriber charges of health care centers.

Number of Taxpayers/Filing Frequency

1,338 insurance companies/ Annually with four estimated payments:
99 Domestic companies
1,070 Foreign companies
10 Health Care Centers
145 Nonadmitted/Risk Retention Groups
14 Captive Insurers

Basis and Rate

- 1.5% of net direct premiums by domestic and foreign insurance companies. Prior to January 1, 2018, the rate was 1.75% of net direct premiums received by domestic and foreign insurance companies.
- 4% of gross premiums charged by nonadmitted and unauthorized insurers; and

INSURANCE PREMIUMS TAX (cont.)

- 1.5% of net direct subscriber charges of health care centers. Prior to January 1, 2018, the rate was 1.75% of net direct subscriber charges of health care centers.

Comparative Data

	FY 2016-17	FY 2017-18	FY 2018-19
Domestic	\$35,093,986	\$46,373,210	\$23,836,161
Foreign	157,518,330	152,009,829	138,306,491
Health Care Center	2,077,569	2,840,433	2,815,820
Nonadmitted/ Unauthorized/Captive	6,884,549	7,802,111	7,381,718
Total	\$201,574,434	\$209,025,583	\$172,340,190

Tax Credits

The State of Connecticut provides for several tax credits which may be applied against the Insurance Premiums Tax. Described below is the credit unique to the Insurance Premiums Tax. Please turn to the Corporation Business Tax section of this report for additional information on tax credits.

Insurance Department Assessment Credit

Reference: Conn. Gen. Stat. §12-202

Certain local domestic insurance companies are allowed a credit against the insurance premiums tax in the amount of 80% of the Connecticut Insurance Department assessment paid during the calendar year if their admitted assets do not exceed amounts specified in Conn. Gen. Stat. §12-202.

Calendar Year 2017 Insurance Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	41	\$11,435,543
Insurance Department Assessment	6	424,981
Insurance Reinvestment	24	12,532,055
Second Insurance Reinvestment	15	9,401,803
Neighborhood Assistance	21	1,398,460
Urban & Industrial Site Reinvestment	5	4,000,372
Film Production	50	47,628,911
Film Production Infrastructure	15	6,351,273
Digital Animation	20	8,500,740
Total Credits	197	\$101,674,138

INSURANCE PREMIUMS TAX (cont.)

Calendar Year 2018 Insurance Tax Credits Preliminary

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	37	\$7,391,964
Insurance Department Assessment	4	350,635
Insurance Reinvestment	10	5,369,402
Second Insurance Reinvestment	28	17,973,542
Neighborhood Assistance	16	809,279
Urban & Industrial Site Reinvestment	11	4,179,916
Film Production	36	22,611,441
Film Production Infrastructure	5	471,033
Digital Animation	17	6,283,436
Total Credits	164	\$65,440,648

MOTOR CARRIER ROAD TAX

Connecticut has participated in the International Fuel Tax Agreement (IFTA) since 1996. IFTA is a cooperative agreement among most states and provinces of Canada that simplifies the collection and reporting of fuel use tax by interstate motor carriers. Under IFTA, fuel tax returns are filed in the base jurisdiction of the motor carrier. The base jurisdiction of a motor carrier is where the vehicle is based for registration purposes and where operations are controlled and the vehicle is operated. For IFTA fuel tax reporting, a qualified motor vehicle is a vehicle that is designed to transport persons or property and that has: two axles and a gross vehicle weight or registered gross vehicle weight over 26,000 pounds; or three or more axles regardless of weight; or when used in combination, a combined gross vehicle weight over 26,000 pounds. Motor carriers who meet this qualification, and who travel solely within the State, are not required to file a return, but instead are subject to the tax at the time of purchase.

Revenue	
FY 2018-19	\$12,138,677
2017-18*	13,572,067
2016-17	14,303,964

*Includes collections attributed to the Transportation Network Company Fee. Please see the Transportation Network Company section for a description of the fee.

Exemption

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

Number of Taxpayers/Filing Frequency

3,254 IFTA filers/Quarterly
2,980 Intrastate Motor Carriers

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/16 through 6/30/18*	41.7¢
Diesel Fuel 7/1/18 through 6/30/19*	43.9¢
Diesel Fuel 7/1/19 through 6/30/20*	46.5¢
Natural Gas or Propane	26¢

*Each fiscal year the Department is required to calculate the new diesel fuel rate using the average wholesale price per gallon of diesel fuel for the 12 month period ending on the preceding March 31st, as determined by statute.

MOTOR VEHICLE FUELS TAX

Motor fuel used or sold in Connecticut is subject to the Motor Vehicle Fuels Tax. "Fuel" includes gasoline, diesel, gasohol, propane, or any combustible gas or liquid that generates the power needed to propel a motor vehicle.

<u>Revenue</u>	
FY 2018-19	\$497,860,153
2017-18	487,327,084
2016-17	484,479,311

Exemptions

- Fuel sold to United States Government, the State of Connecticut, any Connecticut municipality or transit district, when such fuel is used in vehicles owned and operated, or leased and operated by any of the aforementioned entities;
- Fuel sold exclusively for heating purposes and to furnish gas, water, steam or electricity, if delivered to consumers through mains, lines or pipes;
- Aviation fuel and fuel sold to owners or operators of an aircraft, or to a licensed aviation fuel dealer whose place of business is located at an airport;
- Fuel sold to a municipality for use in a school bus;
- Diesel fuel sold exclusively for use in portable power system generators that are larger than one hundred fifty kilowatts;
- Fuel sold to a farmer who is the holder of a farmer's exemption permit;
- A company that uses or consumes motor fuels exclusively for hauling waste for the Connecticut Resource Recovery Authority, Mid-Connecticut Project;
- Fuels sold for use to any vessels displacing over 4,000 dead weight tons or fuel sold for use to any vessels primarily engaged in interstate commerce; and
- Dyed diesel sold to marine fuel docks for marine purposes. However, the fuel is now subject to sales tax at the rate of 2.99%.

Number of Taxpayers/Filing Frequency

892 taxpayers/Monthly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/16 - 6/30/18*	41.7¢
Diesel Fuel 7/1/18 - 6/30/19*	43.9¢
Diesel Fuel 7/1/19 - 6/30/20*	46.5¢
Natural Gas or Propane	26¢

Each fiscal year the Department is required to calculate the new diesel fuel rate using the average wholesale price per gallon of diesel fuel for the 12 month period ending on the preceding March 31st, as determined by statute.

MOTOR VEHICLE FUELS TAX (cont.)

Comparative Data

	Number of Gallons Sold		
	FY 2016-17	FY 2017-18	FY 2018-19
Special Fuel*	246,172,424	256,774,695	254,693,112
Gasohol	1,502,674,317	1,515,022,017	1,532,186,993
Alternative Fuels**	3,264,975	2,851,886	3,072,233
Total Gallons	1,752,111,716	1,774,648,598	1,789,952,338

* Gallons reported under Special Fuel primarily contain diesel fuel, however, there are minimal amounts of Natural Gas and Propane reported under this category.

** Alternative fuels consist of Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG), and Liquefied Petroleum Gas (Propane).

PAID PREPARER FEE

The Connecticut General Assembly enacted a comprehensive law which established professional practice standards for all tax preparers and facilitators. In addition, any person that prepares federal or state personal income tax returns for a fee or other consideration, and is not expressly exempt, must have a permit as of January 1, 2019. The permit must be renewed every two years.

Revenue	
FY 2018-19	\$168,000

Fee

Effective January 1, 2019, all tax preparers who are not exempt will be required to have a permit. The initial application fee is \$100. The permit expires after two years. The renewal fee is \$50.

Exempt Preparers

- Attorneys;
- Certified Public Accountants;
- Enrolled agents;
- IRS qualified volunteer tax preparers participating in either a Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) program;
- Employee of an attorney preparing tax returns under the supervision of the attorney;
- Employee of a local, state or federal governmental agency preparing returns in the performance of official duties;
- Employee of, or assistant to, a tax preparer or person exempted from the permit requirements, in the performance of official duties for such tax preparer or exempt person; and
- Individuals employed, full-time or part-time, to act as a tax preparer solely for the business purposes of such individual's employer.

PASS-THROUGH ENTITY

The Pass-Through Entity tax is imposed on the following entities that do business in Connecticut or have income derived from or connected with Connecticut sources:

- *Partnerships, including limited liability companies that are treated as partnerships for federal income tax purposes, but excluding publicly-traded partnerships; and*
- *S corporations, including limited liability companies that are treated as S corporations for federal income tax purposes.*

Revenue	
FY 2018-19	\$1,172,054,054

Basis and Rate

There are two methods that pass-through entities (PE) may use to calculate their tax. The tax rate of 6.99% is applied to the applicable base to determine the amount of tax due.

Standard Base

The Standard Base is equal to a PE's Connecticut source income from its own activities. The Standard Base does not include income from subsidiary PE's.

Alternative Base

The Alternative Base is equal to the portion of a PE's CT source income from its own activities that flows through to members who are chapter 229 taxpayers (income tax) plus the portion of the PE's income that flows through to members who are Connecticut residents and that is not sourced to any state.

Filing Frequency

Annually with four estimated installments.

Number of Taxpayers

107,220 taxpayers (preliminary count as of December 2018)

PASS-THROUGH ENTITY (cont.)

Pass-Through Entity Tax Credit

Members of a PE are entitled to a credit based upon their respective shares of the PE's tax liability. For taxable years that begin on or after January 1, 2018, but prior to January 1, 2019, the PE Tax Credit is 93.01% of the member's share of the PE Tax. For taxable years that begin on or after January 1, 2019, the PE Tax Credit is 87.5% of the member's share of the PE Tax.

A member may claim the PE Tax Credit against taxes imposed under chapter 208 (corporation business tax) or chapter 229 (income tax).

PETROLEUM PRODUCTS GROSS EARNINGS TAX

A tax is levied on the gross earnings from the first sale of companies distributing petroleum products in Connecticut. Petroleum products include but are not limited to gasoline, aviation fuel, kerosene, diesel fuel, number 2 heating oil, greases, lubricants, mineral oils, and motor oil.

Revenue	
FY 2018-19	\$318,518,185
2017-18	320,890,549
2016-17	238,354,213

Exemptions

- Number 2 heating oil used exclusively for heating purposes or in a commercial fishing vessel;
- Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil used in vessels displacing over 4,000 dead weight tons, and used in vessels primarily engaged in interstate commerce;
- Kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket, or to a centrally metered system serving a group of homes;
- Propane gas primarily used for heating purposes;
- Paraffin and microcrystalline waxes;
- Gross earnings from the sale or use of Number 2 heating oil used exclusively in vessels engaged in interstate commerce and Number 6 fuel oil used by manufacturers;
- Commercial heating oil blend containing not less than 10% alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, including, but not limited to biodiesel or low sulfur dyed diesel fuel and kerosene. Such blended products must be used for commercial heating;
- Diesel fuel other than diesel fuel to be used in an electric generating facility to generate electricity;
- Cosmetic grade mineral oil; and
- Propane used as a fuel for school buses.

Number of Taxpayers/Filing Frequency

648 taxpayers/Quarterly

Basis and Rate

8.1%

PETROLEUM PRODUCTS GROSS EARNINGS TAX (cont.)

Cap on Petroleum Products Gross Earnings Tax

The petroleum products gross earnings tax has a \$3.00 per gallon cap on which the tax is calculated for the first sale for gasoline and gasohol. Petroleum products distributors are required to calculate the tax at \$3.00 per gallon even if the price exceeds said amount and any consideration received by the distributor in excess of \$3.00 is exempt from tax.

Connecticut Airport and Aviation Account

The Department of Revenue Services is required to deposit 75.3% of the petroleum products gross earnings tax received from aviation fuel sources into the Connecticut Airport and Aviation Account. Just over \$7.1M was deposited into the account in FY 19.

PREPAID WIRELESS E-9-1-1 FEE

A Prepaid Wireless E 9-1-1 Fee is levied on each sale of prepaid wireless telecommunications service by a retailer. A prepaid wireless telecommunications service is a wireless telephone service that a consumer pays for in advance, and that is sold in predetermined units or dollars that decline with use. Prepaid wireless telecommunications includes prepaid wireless phone cards, recharge or refill authorization codes, and prepaid cell phones or other prepaid wireless devices preloaded with airtime minutes.

The fee is determined each June for the upcoming fiscal year by the Connecticut Public Utility Regulatory Authority (PURA). All monies collected are deposited in the Enhanced 9-1-1 Telecommunications Fund. Retailers may retain 1% of the Prepaid Wireless E 9-1-1 Fees they collect.

Revenue	
FY 2018-19	\$2,364,502
2017-18	2,375,445
2016-17	1,745,782

Basis and Rate

\$0.58 for sales made between July 1, 2019 and June 30, 2020.

Number of Taxpayers / Filing Frequency

305 Retailers
262 / Monthly
43 / Quarterly

PROVIDER TAXES

There are three components to the provider taxes established under Chapter 211c of the Connecticut General Statutes. They include: hospital user fee, intermediate care facility and nursing home user fees. The previous fees for the Hospitals, Intermediate Care Facility User, and Nursing Home User were sunset as of June 30, 2017. Each of the three provider types are outlined below.

HOSPITALS

A quarterly user fee is imposed on each hospital's net revenue for the provision of inpatient hospital services and for the provision of outpatient hospital services.

Revenue	
FY 2018-19	\$909,319,650
2017-18	883,885,779
2016-17	513,784,032

Exemptions

- Specialty hospitals;
- Hospitals which are licensed by the Department of Public Health as children's general hospitals;
- Short-term acute hospitals operated exclusively by the State of Connecticut (other than short-term acute hospitals operated by the state as a receiver); and
- Financial hardship (outpatient services).

Basis and Rate

Effective July 1, 2017 through June 30, 2019, based upon a statutory formula, the effective user fee rate on inpatient hospital services is 6%, and the effective user fee rate on outpatient hospital services is 12.3325%. Effective July 1, 2019, based upon a statutory formula, the effective user fee rate on inpatient hospital services is 6%, and the effective user fee rate on outpatient hospital services is 12.0942%

Number of Taxpayers/Filing Frequency

26 taxpayers/Quarterly

PROVIDER TAXES (cont.)

INTERMEDIATE CARE FACILITY USER FEE

A new intermediate care user fee was established on each residential facility for individuals with intellectual disabilities that meet certain federal requirements, and, in the case of a private facility, is licensed by the Department of Developmental Services.

Revenue	
FY 2018-19	\$ 6,756,512
2017-18	7,437,832
2016-17	7,845,690

Basis and Rate

The intermediate care facility user fee is \$27.76. The amount due from each facility is determined by multiplying the user fee by the facility's resident days for the calendar quarter.

Number of Taxpayers/Filing Frequency

66 taxpayers/Quarterly

NURSING HOME USER FEE

A new nursing home user fee was established on each chronic and convalescent nursing home or rest home with nursing supervision that is licensed as a nursing home by the Connecticut Department of Public Health.

Revenue	
FY 2018-19	\$146,848,506
2017-18	132,179,528
2016-17	141,349,377

Basis and Rate

The user fee is \$16.13 for municipally-owned facilities and facilities with over 230 beds and \$21.02 for all other nursing homes. The amount due from each nursing home is determined by multiplying the appropriate user fee by the home's resident days for the calendar quarter.

Number of Taxpayers / Filing Frequency

209 taxpayers/Quarterly

PUBLIC SERVICE COMPANIES TAX

Revenue	
FY 2018-19	\$273,076,420
2017-18	261,183,792
2016-17	283,433,141

Exemptions

- All sales for resale of water, steam, gas, and electricity to public service corporations and municipal utilities;
- Gas and Electric sales to manufacturing in SIC codes 2000 through 3999 or NAICS code sectors 31-33;
- Natural Gas sold to out-of-state users or entities;
- Sales by a gas company of natural gas or propane used as a motor vehicle fuel; and
- Retail sales of steam by utility companies.

Number of Taxpayers/Filing Frequency

70 taxpayers:

52 Public Utility Companies/Quarterly

10 Community Antenna TV & Certified Competitive Video Provider
Companies/Quarterly

2 Satellite TV Companies /Quarterly

6 Railroad Companies/Annually (July 1)

Basis and Rate

Community Antenna TV*	5.25%
Certified Competitive Video Service Provider*	5.25%
Satellite TV*	5.25%
Railroad	2 - 3.5%
Gas Companies	5%
Gas sales to residential customers	4%
Electric Distribution Companies & Municipal Electric Utilities	6.8% for residential customers 8.5% for nonresidential customers (other than manufacturers)

* Certified Competitive Video Service Providers, Community Antenna TV, and Satellite TV service providers are subject to an additional 0.25% tax for a total tax rate equal to 5.25%. The additional tax is used to fund the Public, Educational and Governmental Programming and Education Technology Investment Account.

PUBLIC SERVICE COMPANIES TAX (cont.)

Residential Credit

Companies claimed \$6,984,040 in Fiscal Year 2018-19 under the one-percent credit attributable to the sale of gas and electric power for residential use.

Manufacturing Companies Credit

\$6,666,807 was claimed in credit for Fiscal Year 2018-19 for gas sales used directly by a company engaged in a manufacturing production process.

Comparative Data

	FY 2016-17	FY 2017-18	FY 2018-19
Cable, Satellite & Video	\$70,437,231	\$60,668,588	\$46,295,532
Electric & Power Companies	146,500,947	131,957,173	156,749,530
Gas Companies	62,731,069	63,681,211	66,665,641
Public, Educational & Governmental Programming Tax*	3,717,465	3,952,365	3,333,321
Railroad Companies	46,429	924,455	32,396
Total Tax	\$283,433,141	\$261,183,792	\$273,076,420

* Additional tax on cable, satellite and video for deposit in the public, educational and governmental programming and education technology investment account.

Fiscal Year 2018-19 Public Service Companies Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	7	\$13,910,384
Neighborhood Assistance	6	586,148
Historic Structures Rehabilitation	1	4,907,944
Historic Preservation	1	866,528
Historic Homes	1	686,560
Urban & Industrial Site Reinvestment	1	26,300,000
Housing Program Contribution	1	10,000,000
Film Production	1	18,268,720
Total Credits	19	\$75,526,284

REAL ESTATE CONVEYANCE TAX

Connecticut imposes a tax on the conveyance of real property. The tax is assessed on the full purchase price of the property and is determined by the classification of the property being conveyed. Payment of the tax is the responsibility of the seller of the property and must be paid before the deed can be recorded.

Revenue	
FY 2018-19	\$200,792,382
2017-18	195,376,456
2016-17	191,616,129

Exemptions

- Deeds which this state is prohibited from taxing under the constitution or laws of the United States;
- Deeds which secure a debt or other obligation;
- Deeds to which this state or any of its political subdivisions or their respective agencies is a party;
- Deeds of release of property which is security for a debt or other obligation;
- Deeds of partition;
- Deeds made pursuant to mergers of corporations;
- Deeds made by subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock;
- Conveyance of an interest in real property pursuant to a decree of the superior court; as the result of:
 - A. An annulment, dissolved marriage, or legal separation; or
 - B. Partition of joint and common estates;
 - C. Foreclosure by sale;
- Certain exempt corporation transfers;
- Transfers between spouses;
- Instruments conveying property located in an enterprise zone or entertainment district;
- Conveyances of burial rights;
- Land development rights to agricultural land under the state farmland preservation program;
- Transfers or conveyances of real estate to effectuate a mere change of identity or form of ownership or organization where there is no change in beneficial ownership;
- Employee relocation company or employer re-sales within six months of conveyance from relocated employee;

REAL ESTATE CONVEYANCE TAX (cont.)

Exemptions (cont.)

- Deeds of sale in lieu of foreclosure that transfer the transferor's principal residence;
- Deeds pursuant to a judgment of foreclosure by market sale; and
- Conveyances made pursuant to a judgment of loss mitigation;
- Any instrument transferring a transferor's principal residence where the gross purchase price is insufficient to pay the sum of: the mortgages encumbering the property transferred and any real property taxes and municipal utility or other charges for which the municipality may place a lien on the property (such as sewer taxes) and which have priority over the mortgages encumbering the property transferred.
- An instrument that conveys a transferor's principal residence with a deteriorated concrete foundation caused by pyrrhotite, as determined by a professional engineer. The exemption applies only to the first transfer after the engineer's written evaluation has been obtained by the transferor and is not available to any seller who received financial assistance from the Crumbling Foundations Assistance Fund.

Basis and Rate

Conveyances made prior to July 1, 2020:

Classification	Rate
Unimproved Land	0.75%
Nonresidential property other than Unimproved Land	1.25%
Residential Dwelling:	
Portion \$800,000 or less	0.75%
Portion that exceeds \$800,000	1.25%
Residential Property other than Residential Dwelling	0.75%
Delinquent Mortgage	0.75%

REAL ESTATE CONVEYANCE TAX (cont.)

Basis and Rate (cont.)

Conveyances made on or after July 1, 2020:

Classification	Rate
Unimproved Land	0.75%
Nonresidential property other than Unimproved Land	1.25%
Residential Dwelling:	
Portion \$800,000 or less	0.75%
Portion between \$800,000 and \$2.5 million	1.25%
Portion that exceeds \$2.5 million	2.25%
Residential Property other than Residential Dwelling	0.75%
Delinquent Mortgage	0.75%

The table on the following page will show the number of conveyances by price of property and the corresponding revenue generated.

REAL ESTATE CONVEYANCE TAX (cont.)
Fiscal Year 2018-19 Conveyances

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances	Number of Exempt Conveyances	Tax Due
Under \$2,000	0	20,723	6,073	\$ 0
\$ 2,000 to \$ 29,999	1,452	0	43	171,944
\$ 30,000 to \$ 39,999	579	0	15	150,993
\$ 40,000 to \$ 49,999	699	0	19	233,049
\$ 50,000 to \$ 59,999	845	0	26	345,500
\$ 60,000 to \$ 69,999	865	0	22	420,738
\$ 70,000 to \$ 79,999	975	0	26	551,011
\$ 80,000 to \$ 89,999	985	0	33	631,242
\$ 90,000 to \$ 99,999	1,011	0	41	729,288
\$100,000 to \$109,999	1,090	0	33	864,789
\$110,000 to \$119,999	1,126	0	43	972,406
\$120,000 to \$129,999	1,466	0	44	1,380,276
\$130,000 to \$139,999	1,436	0	35	1,458,343
\$140,000 to \$149,999	1,601	0	36	1,750,853
\$150,000 to \$159,999	1,747	0	33	2,041,058
\$160,000 to \$169,999	1,820	0	30	2,264,493
\$170,000 to \$179,999	1,847	0	28	2,428,234
\$180,000 to \$189,999	1,770	0	21	2,457,080
\$190,000 to \$199,999	1,656	0	31	2,427,913
\$200,000 to \$249,999	7,714	0	86	13,040,454
\$250,000 to \$299,999	6,136	0	55	12,683,519
\$300,000 to \$399,999	7,874	0	69	20,509,656
\$400,000 to \$499,999	4,011	0	40	13,590,498
\$500,000 to \$599,999	2,104	0	18	8,764,788

Note that conveyances for no consideration or consideration of less than \$2,000 are non-taxable.

REAL ESTATE CONVEYANCE TAX

Fiscal Year 2018-19 Conveyances (cont.)

Amount of Consideration	Number of Taxable Conveyances	Number of Non- Taxable Conveyances	Number of Exempt Conveyances	Tax Due
\$600,000 to \$699,999	1,381	0	11	6,937,537
\$700,000 to \$799,999	865	0	*	5,059,535
\$800,000 to \$899,999	581	0	*	3,992,823
\$900,000 to \$999,999	421	0	*	3,437,441
\$1,000,000 to \$1,499,999	1,102	0	*	12,805,944
\$1,500,000 to \$1,999,999	537	0	11	9,530,060
\$2,000,000 to \$2,499,999	264	0	*	6,467,373
\$2,500,000 to \$2,999,999	206	0	*	6,204,932
\$3,000,000 to \$3,499,999	111	0	*	3,910,676
\$3,500,000 to \$3,999,999	76	0	*	3,096,389
\$4,000,000 to \$4,499,999	42	0	*	2,060,117
\$4,500,000 to \$4,999,999	38	0	*	1,981,582
\$5,000,000 and over	221	0	*	33,229,558
Total	56,654	20,723	6,963	\$188,582,092

Note that conveyances for no consideration or consideration of less than \$2,000 are non-taxable.

* Less than 10 conveyances.

FY 2018-19 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
ANDOVER	44	65	\$15,388,740	\$115,906
ANSONIA	136	228	48,747,965	390,767
ASHFORD	45	73	12,217,580	95,764
AVON	148	343	176,014,978	1,505,635
BARKHAMSTED	49	63	15,141,550	119,524
BEACON FALLS	55	133	60,434,219	461,557
BERLIN	209	324	85,759,884	672,361
BETHANY	39	95	29,418,111	228,926
BETHEL	139	366	126,540,184	991,369
BETHLEHEM	41	57	16,811,308	135,285
BLOOMFIELD	157	350	238,091,212	2,059,557
BOLTON	46	79	21,781,469	172,611
BOZRAH	26	45	16,384,630	144,091
BRANFORD	321	578	229,500,109	2,090,259
BRIDGEPORT	910	1,694	373,321,411	3,014,581
BRIDGEWATER	19	37	21,840,680	190,436
BRISTOL	564	1,021	183,639,731	1,438,081
BROOKFIELD	156	327	125,468,389	1,016,827
BROOKLYN	95	155	33,492,617	271,233
BURLINGTON	74	185	54,812,251	417,092
CANAAN	16	27	5,678,794	45,053
CANTERBURY	45	88	17,927,790	136,612
CANTON	80	216	73,420,532	605,354
CHAPLIN	16	45	8,024,165	60,181
CHESHIRE	184	444	155,551,399	1,299,770
CHESTER	32	70	21,748,068	177,293
CLINTON	155	275	102,910,515	917,659
COLCHESTER	120	288	72,466,230	549,359
COLEBROOK	16	19	5,795,128	45,660
COLUMBIA	50	100	26,889,723	209,573
CORNWALL	17	32	10,993,097	92,673
COVENTRY	138	235	55,167,569	422,275
CROMWELL	123	277	70,270,502	557,019
DANBURY	508	1,249	497,994,930	4,412,551
DARIEN	149	343	485,845,660	4,818,222
DEEP RIVER	28	91	32,446,861	277,122
DERBY	97	197	41,135,657	312,761
DURHAM	49	127	35,866,772	272,876
EASTFORD	25	35	7,622,349	63,518
EAST GRANBY	61	123	41,694,395	363,105
EAST HADDAM	145	182	41,617,047	315,253
EAST HAMPTON	147	248	62,476,553	480,136
EAST HARTFORD	358	752	166,949,890	1,419,854

FY 2018-19 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
EAST HAVEN	273	530	\$125,519,649	\$1,001,922
EAST LYME	196	393	131,953,097	1,095,266
EASTON	50	139	75,634,750	578,053
EAST WINDSOR	93	233	52,830,721	438,277
ELLINGTON	130	257	80,780,707	679,880
ENFIELD	325	714	182,329,766	1,646,250
ESSEX	73	150	90,064,774	859,748
FAIRFIELD	327	1,055	725,522,556	6,222,348
FARMINGTON	231	465	238,630,997	2,263,724
FRANKLIN	16	40	8,312,410	65,433
GLASTONBURY	309	723	340,851,663	3,013,413
GOSHEN	52	70	22,785,991	181,520
GRANBY	76	191	53,935,839	404,519
GREENWICH	471	940	1,911,068,741	20,383,530
GRISWOLD	129	220	41,964,644	327,885
GROTON	259	571	238,777,690	2,229,942
GUILFORD	224	413	209,463,844	1,839,027
HADDAM	84	130	35,111,778	266,663
HAMDEN	463	854	323,649,477	2,470,056
HAMPTON	17	30	6,518,340	49,513
HARTFORD	452	912	310,962,736	2,942,664
HARTLAND	23	43	10,020,987	77,032
HARWINTON	59	94	22,463,563	173,977
HEBRON	84	162	43,839,831	330,803
KENT	26	55	26,663,159	228,724
KILLINGLY	203	398	124,891,581	1,211,629
KILLINGWORTH	54	114	36,390,675	277,430
LEBANON	74	161	31,201,781	234,433
LEDYARD	116	325	70,249,606	548,297
LISBON	42	82	15,669,057	124,798
LITCHFIELD	94	171	61,835,651	511,304
LYME	64	62	35,144,396	298,996
MADISON	165	338	176,648,135	1,472,086
MANCHESTER	365	885	246,034,027	2,276,207
MANSFIELD	120	216	45,502,382	350,243
MARLBOROUGH	53	107	26,875,679	203,443
MERIDEN	464	846	185,944,915	1,469,699
MIDDLEBURY	75	154	56,437,404	452,156
MIDDLEFIELD	48	69	17,393,981	131,455
MIDDLETOWN	315	664	176,067,983	1,477,900
MILFORD	421	942	384,785,372	3,437,807
MONROE	132	326	120,607,858	965,734
MONTVILLE	152	350	77,136,893	628,617

FY 2018-19 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
MORRIS	19	48	\$14,850,615	\$116,017
NAUGATUCK	266	504	90,844,762	719,931
NEW BRITAIN	414	860	140,288,177	1,087,610
NEW CANAAN	163	308	410,543,350	4,007,209
NEW FAIRFIELD	113	229	78,582,705	606,695
NEW HARTFORD	92	122	25,800,604	194,255
NEW HAVEN	757	931	382,772,781	3,160,537
NEWINGTON	195	482	105,828,797	846,500
NEW LONDON	135	327	61,586,762	498,843
NEW MILFORD	256	546	157,853,752	1,262,698
NEWTOWN	212	502	187,037,755	1,448,476
NORFOLK	27	35	10,125,755	80,418
NORTH BRANFORD	115	231	61,381,864	460,372
NORTH CANAAN	32	55	8,436,658	69,367
NORTH HAVEN	168	385	119,858,906	982,419
NORTH STONINGTON	40	95	25,355,054	203,143
NORWALK	536	1,263	635,327,697	5,381,533
NORWICH	341	629	86,212,726	690,667
OLD LYME	132	197	73,901,499	572,276
OLD SAYBROOK	179	267	173,855,243	1,490,063
ORANGE	102	191	107,110,438	925,178
OXFORD	126	221	85,389,565	713,609
PLAINFIELD	143	301	56,845,920	443,861
PLAINVILLE	138	293	79,705,922	676,857
PLYMOUTH	84	237	39,188,915	303,867
POMFRET	40	58	15,662,113	119,866
PORTLAND	85	180	41,545,180	317,051
PRESTON	47	101	18,895,452	149,422
PROSPECT	86	196	55,441,992	436,555
PUTNAM	75	208	45,935,669	405,205
REDDING	55	159	85,562,502	663,841
RIDGEFIELD	170	441	282,781,744	2,304,295
ROCKY HILL	128	315	87,022,786	713,861
ROXBURY	38	66	45,580,213	383,093
SALEM	58	92	22,076,958	185,535
SALISBURY	76	80	42,376,410	354,581
SCOTLAND	7	20	3,549,261	26,619
SEYMOUR	131	260	60,720,553	473,337
SHARON	50	69	30,102,733	246,085
SHELTON	326	691	249,621,774	2,042,001
SHERMAN	59	83	40,131,547	330,202
SIMSBURY	166	410	138,850,534	1,054,537
SOMERS	67	160	43,202,877	329,147

FY 2018-19 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
SOUTHBURY	189	496	\$125,846,217	\$963,992
SOUTHINGTON	484	723	206,529,685	1,664,472
SOUTH WINDSOR	192	549	188,823,383	1,523,130
SPRAGUE	39	42	7,824,024	58,680
STAFFORD	106	323	42,329,104	330,456
STAMFORD	728	1,616	1,253,343,574	10,983,530
STERLING	36	84	15,230,945	123,132
STONINGTON	256	404	138,987,815	1,144,039
STRATFORD	450	1,047	269,945,488	2,107,820
SUFFIELD	142	266	78,769,387	602,740
THOMASTON	44	122	23,658,781	189,541
THOMPSON	106	182	36,445,356	295,090
TOLLAND	108	226	59,670,623	461,355
TORRINGTON	322	699	109,350,815	893,231
TRUMBULL	210	554	235,563,374	1,876,375
UNION	20	28	5,664,494	42,484
VERNON	219	475	123,463,488	1,115,643
VOLUNTOWN	28	53	10,952,055	82,140
WALLINGFORD	309	713	190,880,880	1,554,434
WARREN	20	21	12,832,400	99,868
WASHINGTON	69	80	79,362,338	787,114
WATERBURY	842	1,481	204,217,257	1,686,569
WATERFORD	184	436	115,780,657	938,585
WATERTOWN	220	375	96,497,568	767,365
WESTBROOK	173	172	54,655,362	440,520
WEST HARTFORD	416	1,115	410,253,599	3,232,066
WEST HAVEN	341	719	185,935,108	1,570,908
WESTON	82	181	138,876,662	1,179,314
WESTPORT	246	454	695,703,593	7,091,530
WETHERSFIELD	229	477	117,696,900	937,219
WILLINGTON	51	63	32,141,613	250,587
WILTON	117	258	190,420,205	1,600,873
WINCHESTER	112	189	46,628,895	391,590
WINDHAM	168	282	36,052,221	280,747
WINDSOR	226	494	205,101,686	1,767,463
WINDSOR LOCKS	118	250	80,598,140	794,320
WOLCOTT	109	268	62,752,647	495,640
WOODBIDGE	68	141	62,803,733	498,188
WOODBURY	89	182	54,886,313	440,847
WOODSTOCK	80	185	44,165,073	338,073
TOWN UNKNOWN	58	106	32,510,743	274,646
TOTAL	27,686	56,654	\$21,734,674,444	\$188,582,092

RENTAL SURCHARGE

The Rental Surcharge is imposed on the rental of machinery by a rental company. The surcharge is imposed on machinery rented for a period of less than 365 days, or under an open-ended contract for an undefined period.

Revenue	
FY 2018-19	\$ 213,605
2017-18	269,319
2016-17	323,801

Exemptions

- Rentals by an agency of United States Government; and
- Rentals by a person that is not a rental company.

Number of Taxpayers / Filing Frequency

48 taxpayers / Annually

Basis and Rate

2.75% of the total rental charges on machinery. Prior to July 1, 2018, the rate was 1.5%.

Comparative Data

Gross collections of the surcharge by rental companies during 2018 amounted to \$1,538,340. Rental companies retained the difference between gross collections and the amounts remitted to reimburse personal property taxes and titling and registration fees paid in Connecticut.

REPEALED TAXES

GIFT TAX

The Connecticut Gift Tax applied to Connecticut taxable gifts made prior to January 1, 2005 that had been taxable for federal purposes. The Gift Tax was replaced by the Estate and Gift Tax for taxable gifts made on or after January 1, 2005.

Revenue collected for Fiscal Year 2018-19: \$ 120,843

SUCCESSION TAX

The Succession Tax was levied on the transfer of property after death, with rates that varied depending on the size of the estate and the relationship of the decedent to the beneficiary. The Connecticut Succession Tax has been repealed and does not apply to estates of decedents dying on or after January 1, 2005.

Revenue collected for Fiscal Year 2018-19: \$ 87,888

SALES AND USE TAXES

Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property at retail, from the rental or leasing of tangible personal property, and on the gross receipts from the rendering of certain services.

Revenue	
FY 2018-19	\$ 4,720,321,873
2017-18	4,530,508,619
2016-17	4,381,614,724

Basis and Rate

6.35%	on the gross receipts from the sale, rental or leasing of tangible personal property, and the rendering of certain services (general rate);
<hr/>	
7.35%	As of October 1, 2019, meals and certain drinks are subject to an additional 1% rate of tax for a total effective tax rate of 7.35%.
<hr/>	
7.75%	This tax rate applies to: <ul style="list-style-type: none"> • Most motor vehicles with a sales price of more than \$50,000; • Items of jewelry with a sales price of more than \$5,000; and; • Articles of clothing or footwear or a handbag, luggage, umbrella, wallet or watch, with a price of more than \$1,000.
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1.0%	on computer and data processing services;
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2.99%	for sales and purchases of vessels, motors for vessels, and trailers used for transporting a vessel;
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4.5%	on the sale of a motor vehicle to a nonresident member of the United States armed forces serving on active duty in Connecticut;
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9.35%	for the rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less;
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11.0%	for occupancy in bed and breakfast establishments;
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15.0%	for the rental of rooms in a hotel or lodging house

SALES AND USE TAXES (cont.)

Exemptions

Conn. Gen. Stat. §12-412 provides for various exemptions from the sales and use taxes for the sale of, storage, use or other consumption of numerous goods and services. The following table provides a summary of the major exemptions claimed by businesses during Fiscal Year 2018-19.

FY 2018-19 SALES TAX EXEMPTIONS (In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Sale for Resale – Goods	\$94,903.6	\$155.0	\$95,058.6	\$6,038.4
Sale for Resale – Leases and Rentals	1,925.5	539.9	2,465.4	164.1
Sale for Resale – Labor and Services	2,754.8	0.0	2,754.8	174.9
Magazines by Subscription and All Newspapers	151.0	0.0	151.0	9.6
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	180.4	0.0	180.4	11.5
Food Products for Human Consumption	7,310.6	0.0	7,310.6	464.2
Fuel for Motor Vehicles	7,474.5	0.0	7,474.5	474.6
Electricity/Gas/Heating Fuel (residential)	2,791.3	0.0	2,791.3	177.3
Electricity (\$150 monthly per business)	59.4	0.0	59.4	3.8
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	775.4	0.0	775.4	49.2
Aviation Fuel	225.9	0.0	225.9	14.3
Sales of Tangible Personal Property to Farmers	104.2	0.0	104.2	6.6
Machinery/Materials/Tools/Fuel – Mfg. Product	1,749.0	0.0	1,749.0	111.1

SALES AND USE TAXES (cont.)

FY 2018-19 SALES TAX EXEMPTIONS (cont.)

(In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Machinery/Materials/ Equip. - Printing	\$24.2	\$0.0	\$24.2	\$1.5
Machinery/Materials/ Tools/Fuel - Comm. Fishing	7.7	0.0	7.7	0.5
Out-of-State - Sale of Goods	43,938.1	95.1	44,033.2	2,797.4
Out-of-State - Leases/Rentals	2,115.3	46.9	2,162.2	138.0
Out-of-State - Labor and Services	12,576.9	0.0	12,576.9	798.6
Sales of Motor Vehicles, Vessels to Nonresidents	804.6	266.3	1,070.9	71.7
Prescription Medicines	6,035.9	0.0	6,035.9	383.3
Nonprescription Drugs and Medicines	117.0	0.0	117.0	7.4
Charitable/Religious - Sale of Goods	1,220.1	0.7	1,220.8	77.5
Charitable/Religious - Leases and Rentals	74.7	0.0	74.7	4.7
Charitable/Religious - Labor and Services	890.7	0.0	890.7	56.6
Government - Sale of Goods	13,080.1	27.5	13,107.6	832.7
Government- Leases and Rentals	74.0	1.3	75.3	4.8
Government- Labor and Services	6,402.8	0.0	6,402.8	406.6
Pollution Abatement	22.4	0.0	22.4	1.4
Non-Taxable Labor and Services	19,504.1	0.0	19,504.1	1,238.5
Business Services/Parent Owned Subs.	1,063.3	0.0	1,063.3	67.5
Trade-ins of Like-Kind Personal Property	781.8	179.0	960.7	63.5
Taxed Goods returned within 90 days	136.4	0.4	136.8	8.7

SALES AND USE TAXES (cont.)

FY 2018-19 SALES TAX EXEMPTIONS (cont.) (In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Oxygen, Plasma, Prostheses, etc.	\$249.6	\$0.0	\$249.6	\$15.9
Funeral Expenses up to \$2,500	96.5	0.0	96.5	6.1
Repair or Replacement Parts/Repair Services to Aircraft	871.3	0.0	871.3	55.3
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the Full and 3% Rates)	18.5	0.0	18.5	1.2
Sales of Machinery, Equipment, Tools, Fuel, and Supplies used in the Biotechnology Industry	841.5	0.0	841.5	53.4
Sales of Repair and Maintenance Service to Vessels	67.6	0.0	67.6	4.3
Computer and Data Processing Services (Difference between the Full and 1% Rates)	4,638.7	0.0	4,638.7	294.6
Renovation Services to Residential Property	704.6	0.0	704.6	44.7
Sales to Direct Payment Permit Holders	908.1	0.0	908.1	57.7
Sales of College Textbooks	7.0	0.0	7.0	0.4
Sales Tax Holidays	35.6	0.0	35.6	2.3
Motor Vehicles Sold to Armed Forces (Difference between the Full and 4.5% Rates)	13.5	0.0	13.5	0.9

SALES AND USE TAXES (cont.)

FY 2018-19 SALES TAX EXEMPTIONS (cont.) (In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Purchases of Cigarettes Taxed by a Distributor	\$671.8	\$0.0	\$671.8	\$42.7
Sales of Vessels and Motors or Trailers for Vessels (Difference between the Full and 2.99% Rates)	125.3	0.0	125.3	8.0
Other Adjustments - Sales of Goods	9,418.9	4.1	9,423.0	598.4
Other Adjustments - Leases and Rentals *	365.1	16.8	389.6	25.2
Other Adjustments - Labor and Services	2,321.0	0.0	2,321.0	147.4
TOTAL	\$250,843.5	\$1,333.1	\$252,184.3	\$16,032.6

* Includes deductions for the 9.35% tax rate.

Number of Taxpayers / Filing Frequency

153,140 Sales and Use Taxpayers
70,074 / Monthly
39,975 / Quarterly
43,091 / Annually

1,677 Business Use Taxpayers

741 Room Occupancy Taxpayers
684 / Monthly
57 / Quarterly

SALES AND USE TAXES (cont.)

Comparative Data

Table I provides a summary of collection amounts attributed to each component of the Sales and Use taxes. Revenue from required license payments are included in both Sales and Use and Room Occupancy collections.

TABLE I:

Sales and Use Tax Collections - Fiscal Years 2017 - 2019

	FY 2016-17	FY 2017-18	FY 2018-19
Sales and Use	\$4,173,154,923	\$4,331,587,576	\$4,533,847,903
Business Use	63,464,312	56,522,460	47,701,982
Individual Use	22,205,637	12,697,224	7,484,811
Room Occupancy	122,789,852	129,701,359	131,287,177
Total Tax	\$4,381,614,724	\$4,530,508,619	\$4,720,321,873

Table II provides a summary of all gross receipts reported under the sales and use taxes attributable to various components. Note that the figures are gross, and do not necessarily represent taxable receipts.

Table II:

Gross Receipts Reported on Sales Tax Returns Periods Ending in Fiscal Year 2018-19 (In Millions)

Gross Receipts Attributable to:	6.35% Tax Rate	7.75% Tax Rate
Sales of Tangible Personal Property	\$254,853.5	\$1,985.2
Leasing/Rental of Tangible Personal Property	3,940.2	398.3
Rendering of Services	53,612.4	0

SALES AND USE TAXES (cont.)

Table III provides a summary of taxable receipts reported under the sales and use taxes attributable to room occupancy and the rental or leasing of passenger motor vehicles for a period of 30 consecutive calendar days or less.

Table III:

Taxable Receipts		
Periods Ending in Fiscal Year 2018-19		
<i>(In Millions)</i>		
Taxable Receipts Attributable to:	Tax Rate	Taxable Receipts
Room Occupancy in Hotel or Lodging House	15%	\$868.7
Room Occupancy in Bed and Breakfast Establishments	11%	4.5
Rental or Leasing of Motor Vehicles for 30 days or Less	9.35%	249.3

Table IV provides a summary of taxable purchases subject to business use taxes.

Table IV:

Purchases Subject to Business Use Tax			
Periods Ending in Fiscal Year 2018-19			
<i>(In Millions)</i>			
	6.35%	7.75%	9.35%
	Tax Rate	Tax Rate	Tax Rate
Purchases of Tangible Personal Property	\$5,244.1	\$0.3	\$0.0
Leasing/Rental of Tangible Personal Property	29.9	0.1	0.2
Purchases of Services	1,649.4	0.0	0.0

SALES AND USE TAXES (cont.)

Table V below, provides a summary of retail sales of goods for the state of Connecticut over the past three fiscal years. These sales include those goods which are exempt from the sales and use tax.

Data is provided for the Retail Trade subsectors within the North American Industry Classification System (NAICS). Approximately 45% of all the sales and use tax revenue is generated by the retail trade sector.

TABLE V: Retail Sales Volume - Fiscal Years 2017 - 2019
(In Millions)

	FY 2016-17	FY 2017-18	FY 2018-19
Motor Vehicle and Parts Dealers (NAICS 441)	\$10,072.3	\$10,140.8	\$11,435.0
Furniture and Home Furnishings Stores (NAICS 442)	2,009.3	2,003.9	2,043.1
Electronics and Appliance Stores (NAICS 443)	1,656.5	1,633.7	1,629.9
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)	3,020.9	3,187.3	3,331.4
Food and Beverage Stores (NAICS 445)	11,045.6	10,588.4	10,873.3
Health and Personal Care Stores (NAICS 446)	5,274.6	4,291.3	4,124.3
Gasoline Stations (NAICS 447)	3,297.8	3,729.1	3,792.5
Clothing and Clothing Accessories Stores (NAICS 448)	3,035.6	3,084.0	3,083.5
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	1,125.1	1,047.9	936.4
General Merchandise Stores (NAICS 452)	5,419.0	5,523.3	5,465.0
Miscellaneous Store Retailers (NAICS 453)	5,978.1	6,989.2	7,916.6
Non-store Retailers (NAICS 454)	4,095.5	4,641.6	5,451.4
TOTAL RETAIL TRADE (NAICS 44-45)	\$56,030.3	\$56,860.5	\$60,082.4

Table VI on the following page provides total sales and use taxes revenues by the economic activities sectors of the North American Industry Classification System (NAICS) for Fiscal Year 2018-19. The revenues are from regular payments and represent 96% of the total sales and use taxes collected in FY 2018-19.

SALES AND USE TAXES (cont.)

TABLE VI: Sales & Use Tax - From Periods Ending in Fiscal Year 2018-19
(In Millions)

	NAICS Code	Tax Due at 6.35%	Tax Due at 7.75%	Total Tax Due (Incl. 9.35% rate)
Utilities	22	\$145.0	\$0.0	\$145.0
Construction	23	171.4	0.0	171.5
Manufacturing	31-33	223.3	0.3	223.5
Wholesale Trade	42	239.4	0.3	239.7
<i>Motor Vehicle and Parts Dealers</i>	441	\$421.2	\$45.9	467.5
<i>Furniture and Home Furnishings</i>	442	106.2	0.0	106.2
<i>Electronics and Appliance Stores</i>	443	73.3	0.0	73.3
<i>Building Material and Garden Equipment</i>	444	186.2	0.0	186.2
<i>Food and Beverage Stores</i>	445	216.0	0.0	216.0
<i>Health and Personal Care Stores</i>	446	40.4	0.0	40.4
<i>Gasoline Stations</i>	447	27.3	0.8	28.1
<i>Clothing and Clothing Accessories Stores</i>	448	175.9	10.6	186.6
<i>Sporting Goods, Hobby, Book Stores</i>	451	45.6	0.0	45.6
<i>General Merchandise Stores</i>	452	227.4	0.2	227.6
<i>Miscellaneous Store Retailers</i>	453	229.8	3.9	233.7
<i>Non-store Retailers</i>	454	199.9	0.1	200.1
Retail Sector Subtotal	44-45	1,949.2	61.5	2,011.1
Information	51	263.0	1.0	264.0
Finance and Insurance	52	63.6	0.1	63.7
Real Estate and Rental and Leasing	53	120.7	13.0	154.0
Professional, Scientific and Technical Services	54	181.9	0.1	182.0
Administrative and Support	56	207.2	0.0	207.3
Arts, Entertainment & Recreation	71	39.9	0.1	40.0
Accommodation and Food Services	72	410.5	0.0	410.5
Other Services (except Public Admin)	81	190.8	1.2	192.0
All Other Businesses		155.7	3.9	162.0
TOTAL SALES & USE TAX REVENUE		\$4,361.6	\$81.4	\$4,466.4

SOLID WASTE ASSESSMENT

The Solid Waste Assessment is levied on the owners of commercial resources recovery facilities that process municipal solid waste to reclaim energy.

Revenue	
FY 2018-19	\$2,709,403
2017-18	3,013,079
2016-17	3,045,726

Number of Taxpayers / Filing Frequency

5 taxpayers / Quarterly

Basis and Rate

\$1.50 per ton of solid waste processed.

TOBACCO PRODUCTS TAX

An excise tax is imposed on all non-cigarette tobacco products such as cigars, stogies, snuff, pipe and chewing tobacco. The tax is imposed when the tobacco products are manufactured, imported, or purchased by distributors. Distributors must be licensed annually and remit the tax on a monthly basis.

Revenue	
FY 2018-19	\$22,319,680
2017-18	19,481,725
2016-17	14,594,924

Exemptions

- Tobacco products exported from the State; and
- Tobacco products sold to the federal government.

Number of Taxpayers/Filing Frequency

349 distributors/Monthly

Basis and Rate

Tobacco products are taxed at 50% of the wholesale sales price, except for cigars and snuff.

Cigars are taxed at 50% of the wholesale sales price, not to exceed 50¢ per cigar.

Snuff tobacco products are taxed at \$3.00 per ounce. Prior to December 1, 2017, snuff tobacco products were taxed at a rate of \$1.00 per ounce.

Note: The tax on tobacco products is reduced by 50% for any product the Secretary of the United States Department of Health and Human Services determines to be a “modified risk tobacco product” pursuant to 21 U.S.C. §387k.

Type	FY 2016-17	FY 2017-18	FY 2018-19
Other Tobacco Products*	\$7,549,972	\$8,127,952	\$8,539,063
Snuff Tobacco Products	5,336,724	10,134,250	12,101,112
Cigars in excess of \$1.00 per cigar	1,052,101	1,111,337	1,158,720

* Other Tobacco Products consists of all taxable tobacco products other than snuff and cigars in excess of \$1.00 per cigar.

TOURISM SURCHARGE

A surcharge is levied on the rental and leasing of passenger motor vehicles for a period of thirty consecutive calendar days or less. Revenues generated by the surcharge are deposited into the General Fund.

Revenue	
FY 2018-19	\$5,370,895
2017-18	5,310,837
2016-17	5,381,432

Exemption

The rental or leasing of a motor vehicle pursuant to a written agreement, which has a term of more than thirty days.

Number of Taxpayers / Filing Frequency

21 taxpayers / Monthly
61 taxpayers / Quarterly

Basis and Rate

\$1.00 per day or portion of a day, for the rental or lease of a passenger motor vehicle delivered to a lessee in Connecticut (regardless of where the vehicle is subsequently used) for a term of 30 consecutive calendar days or less.

TRANSPORTATION NETWORK COMPANY FEE

Each transportation network company pays a fee on each prearranged ride that originates in this state. The fee is paid over to the Department of Revenue Services and the revenue is reported with the Admissions and Dues taxes. For fiscal year 2018, the revenue was reported with the Motor Carrier Road Tax collections.

Number of Taxpayers/Filing Frequency

4 /Quarterly

Basis and Rate

Effective July 1, 2019 the rate is 30¢ on each prearranged ride that originates in this state. Prior to July 1, 2019 the rate was 25¢.

UNRELATED BUSINESS INCOME TAX

The Unrelated Business Income Tax is imposed on any trade or business conducted by a tax-exempt organization that does not substantially relate to its tax-exempt purpose. The tax is paid at the same rate as the Corporation Business Tax.

Revenue	
FY 2018-19	\$ 5,697,312
2017-18	6,423,832
2016-17	4,200,458

Number of Taxpayers / Filing Frequency

644 organizations / Annually

Basis and Rate

7.5% of the unrelated business income of the organization. A surtax of 20% applied to organizations whose gross income is \$100 million or more for the 2017 income year. The surtax was reduced to 10% for income years 2018 through 2020.

No minimum tax is required.

Credits

For the 2017 income year, 27 taxpayers claimed \$16,476 in electronic data processing equipment property tax credits.

PENALTY AND INTEREST RECEIPTS

Failure to pay taxes or file tax returns in a timely manner generally results in a penalty to the taxpayer of \$50 or 10% of the tax due, whichever is greater. If the taxpayer is subject to a penalty for late payment, the late filing penalty is not applicable.

The penalty for the late payment of Sales and Use taxes is 15% of the amount due, or \$50, whichever is greater. The penalty for failure to pay the use tax with the Connecticut income tax return is 10%, reduced from 15%, to parallel the rate for the income tax.

Interest is also charged on any amount of tax due that is not paid on or before the due date or on the underpayment of estimated tax requirements. Interest is charged on a monthly basis at a rate of 1% per month from the due date.

It should be noted that, beginning July 1, 2018, partial payments against any outstanding tax liabilities were applied first to any penalties and then to the tax and lastly to the interest on such tax. Prior to July 1, 2018, the order of application of tax payments satisfied penalty, then interest, then tax. Recent legislation reverts to this ordering application for periods ending on or after December 31, 2019.

Penalty and Interest Revenue By Tax Source

Tax Type		FY 2016-17	FY 2017-18	FY 2018-19
Corporation	Penalty	\$3,960,069	\$3,054,874	\$2,635,494
Business Tax	Interest	24,981,371	22,394,444	14,184,087
Income Tax and Pass-Through Entity Tax	Penalty	24,138,590	29,550,680	30,998,784
	Interest	55,208,314	71,897,567	55,454,492
Sales & Use Taxes	Penalty	14,270,375	15,630,783	18,711,861
	Interest	23,980,568	33,445,511	26,337,665
All Other Taxes	Penalty	4,299,590	5,093,318	6,446,668
	Interest	7,153,519	7,967,057	7,991,873
Total	Penalty	\$46,668,624	\$53,329,655	\$58,792,807
	Interest	\$111,323,771	\$135,704,579	\$103,968,117

TAX REFUNDS

The Department of Revenue Services issues refunds to taxpayers when an overpayment of tax liability has been made. The refund is charged to the fund to which such tax, penalty or interest was previously credited. Due to statutory allowances, refunds for Motor Fuel Taxes are allowed in certain cases involving fuel sold to a Connecticut motorbus company or company engaged in livery service.

Refunds of the Personal Income Tax owed to any person or entity with a debt obligation to Connecticut, the Internal Revenue Service or another reciprocating state may be withheld to offset the outstanding debt. There were 55,017 external offsets totaling \$23,299,093 in Fiscal Year 2018-19, compared to 57,764 external offsets that totaled \$22,942,600 in Fiscal Year 2017-18.

AMOUNT OF TAXES REFUNDED			
	FY 2016-17	FY 2017-18	FY 2018-19
Admissions & Dues Tax	94,587	104,576	100,397
Alcoholic Beverages	3,959	21,521	286,693
Ambulatory Surgical Care	29,623	0	1,872
Beverage Container Deposits	469,404	-13,968	45,622
Business Entity Tax	738,862	1,067,941	785,620
Business Use Tax	8,249,360	5,399,359	6,589,907
Cable, Satellite & Video Companies Tax	-67	714,144	9,214,946
Cigarette Tax	1,506,756	437,584	365,908
Controlling Interest Transfer Tax	1,824,975	1,252,677	1,280,289
Corporation Business	140,338,266	142,395,150	160,515,152
Corporation R&D Credit Buyback	5,485,268	5,664,350	5,370,344
Electric & Power Companies	163,472	320,418	141,731
Estate & Gift Tax	32,925,012	35,608,089	15,603,596
Gas Companies	15,504	101,856	15,745
Gasoline Motor Vehicle Fuels Tax	5,282,508	5,947,297	7,632,479
Gift Tax (Repealed)	33,733	9,307	34,823
Health Care Centers Tax	2,464	642,095	0
Hospitals Tax	143,390	155,268	2,425,948
Income Tax	1,029,115,162	1,036,572,691	1,182,932,242
Insurance Premiums Tax, Domestic	2,393,940	1,919,912	9,954,260
Insurance Premiums Tax, Foreign	10,959,115	8,940,180	8,775,329
Insurance, Non-admitted/Unauthorized	15,252	169,360	8,871
Intermediate Care Facility	37,469	28	2,200
Motor Carrier Road Tax	1,348,285	1,019,228	937,064
Nursing Home User Fee	777,871	129,033	283,045
Occupational Tax	207,178	333,469	338,464
Pass-Through Entity	0	0	15,339,924
PEG Account	0	41,652	167,081
Petroleum Products Gross Earnings Tax	6,193,926	2,948,094	23,544,615
Real Estate Conveyance Tax	2,844,080	779,120	825,031

TAX REFUNDS (cont.)

AMOUNT OF TAXES REFUNDED (cont.)			
	FY 2016-17	FY 2017-18	FY 2018-19
Room Occupancy Tax	60,248	164,325	206,900
Sales & Use Taxes	19,984,880	23,065,921	37,106,316
Solid Waste Tax	135	0	44,445
Special Fuel Tax	411,642	135,254	34,546
Tobacco Products Tax	6,151	62,389	77,577
Unrelated Business Income Tax	799,904	560,323	484,260
Withholding	10,263,620	8,808,644	11,445,670
Miscellaneous	6,561	52,401	22,933
Total	\$1,282,732,495	\$1,285,529,688	\$1,502,941,845

**FY 2018-19 ANNUAL REPORT
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

PREPARED BY: TAX RESEARCH UNIT

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