

**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE
SERVICES**



**FISCAL YEAR 2011-2012
ANNUAL REPORT**

Dannel P. Malloy
Governor

Kevin B. Sullivan
Commissioner



A Message from the Commissioner:

I am pleased to present our Fiscal Year 2012 Annual Report. This has been a year of change and challenge as we continue our work with Governor Malloy to put Connecticut's finances and economy back in order.

The Department of Revenue Service is responsible for 42 separate taxes, processing over 3.9 million tax returns and collecting \$15.7 billion for the benefit of the people of our state. We strive to be efficient, effective, honest, transparent and, above all, fair.

We are a smaller, flatter state agency than last year -- working smarter every day and doing more to be open, accessible, and helpful to those we serve. We expect the best from our hardworking employees and we focus continuously on improving our services.

We strongly subscribe to Governor Malloy's guiding principle that if state government always does what it has always done, we will always get what we always got. Guided by a new strategic plan and an active process of lean project management, our agency administrative initiatives have reduced costs and increased collections by over \$200 million this year.

Our annual report provides a general overview and includes summary statistical data for the taxes we administer. If you want more detailed information, please check out the agency's website at www.ct.gov/drs, contact our Research Unit directly at drs.taxresearch@po.state.ct.us or call (860) 297-5693.

We hope you find this report helpful and we welcome any comments or suggestions.

Sincerely,

Kevin B. Sullivan

Kevin B. Sullivan
Commissioner of Revenue Services

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DEPARTMENT MISSION

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 2012 GENERAL ASSEMBLY REGULAR & SPECIAL SESSIONS

ALCOHOLIC BEVERAGES TAX

Public Act 12-7

Establishes a Competitive Alcoholic Liquor Pricing task force that will analyze and compare with surrounding states Connecticut's alcoholic liquor taxes, alcoholic liquor quantity and volume discounts, existing alcoholic liquor permit restrictions and alcoholic liquor minimum pricing and other alcoholic liquor policies. The task force is to report their findings to the General Assembly's General Law Committee no later than January 1, 2013.

CIGARETTE TAX

Public Act 12-1, June 12 Special Session.

This act requires any retailer that uses a cigarette rolling machine at their retail or commercial establishment to obtain a cigarette manufacturer's license. Effective October 1, 2012.

CORPORATION BUSINESS TAX

Public Act 12-1, June 12 Special Session.

- Modifies and make technical changes to the Manufacturing

Reinvestment Account (MRA) established under Conn. Gen. Stat. §32-9zz including allowing pass-through entities filing under the personal income tax to participate and clarifies that the five-year period begins at the time the account is established. Effective upon passage and applicable to taxable years commencing on or after January 1, 2011;

- Expands the definition of "qualifying employee" under the JET Credit established in Conn. Gen. Stat. §12-217pp to include employers hiring people receiving employment services from the Department of Mental Health and Addiction Services or participating in employment opportunities and day services operated or funded by the Department of Developmental Services. Effective July 1, 2012 and applicable to income or taxable years commencing on or after January 1, 2012;
- Allows the Department of Economic and Community Development to give preference under the "First Five Plus" program to companies who have projects that will relocate jobs from outside of the United States into Connecticut; and
- Expands the "First Five Plus" Program established under Conn.

Gen. Stat. §32-41(a) to include up to fifteen eligible business development projects by June 30, 2013. Effective upon passage (June 15, 2012).

INCOME TAX

Public Act 12-75

Eliminates the mandate that the Department of Economic and Community Development establish the Learn Here, Live Here Program established under Public Act 11-140, and expands eligibility for the program to graduates of private colleges and health care training schools in Connecticut. The program creates an incentive for certain graduates to stay in Connecticut after graduation and to buy a home here. The program requires DRS to segregate income payments of eligible graduates for up to ten years after graduation. Effective upon passage (June 6, 2012).

INSURANCE PREMIUMS TAX

Public Act 12-1, June 12 Special Session

Makes technical and clarifying changes to the captive insurers language adopted in the 2011 October Special Session.

MISCELLANEOUS TAXES

Public Act 12-92

Requires state agency regulations to be posted online on the Secretary of the State and regulating agency's websites instead of in the *Connecticut Law Journal*. Effective July 1, 2013.

Public Act 12-153

Establishes a prepaid wireless fee equal to the monthly fee assessed on other telecommunications service subscribers on each purchase of prepaid wireless phone services from a retailer. The bill requires retailers to collect the fee from consumers. Retailers keep 1% of the amount collected and remit the balance to DRS. All monies collected are used to fund the Enhanced E-911 Telecommunications Fund. Effective January 1, 2013.

Public Act 12-55

This bill allows a licensed physician to certify an adult patient's use of marijuana after determining that the patient has a debilitating condition and could potentially benefit from the palliative use of marijuana. Under this bill the sale of marijuana may be subject to the sales and use and controlled substances taxes. Effective October 1, 2012.

Public Act 12-2, June 12 Special Session.

- Extends the deadline for submitting consensus revenue estimates from October 15 to November 10 annually and extends from October 25 to November 20 the deadline for the Comptroller to issue the estimate if the Office of Fiscal Analysis and the Office of Policy and Management do not agree on a joint estimate. Effective upon passage (June 15, 2012);
- Makes a technical change to Conn. Gen. Stat. §12-412(82). Effective July 1, 2012; and
- Makes a technical change to Conn. Gen. Stat. §51-81b(g) relating to the attorney occupational tax.

Public Act 12-1, June 12 Special Session

Commencing on July 1, 2012 and for the following 15 months the bill extends the current hospital provider tax rates and exemptions that were in effect as of January 1, 2012. Effective upon passage (June 15, 2012).

**PETROLEUM PRODUCTS GROSS
EARNINGS TAX**

Public Act 12-4

This bill caps the Petroleum Products Gross Earnings Tax at \$3.00 per gallon

on 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. Effective upon passage.

SALES AND USE TAXES

Public Act 12-135

The bill makes it a Class C felony to sell, purchase, install, transfer or possess an automated sales suppression device (“zapper”) or other similar phantomware used to eliminate point-of-sale transactions (“zap” them) randomly and create a shadow record of the sale. Effective July 1, 2012.

Public Act 12-1, June 12 Special Session

Amends the existing sales tax exemption under Conn. Gen. Stat. §12-412(58) by expanding the eligibility of certain types of joint ventures in the aircraft industry by allowing the percentage of ownership by each participant in the joint venture to equal the aggregate ownership interest percentage of each related member instead of 25%. Additionally, the exemption is extended from a period of 30 consecutive years to 40 consecutive years. Effective for sales occurring on or after July 1, 2012.

CONNECTICUT TAXES

*The Department collected
\$15.7 billion in state taxes
for fiscal year 2011-12.*

*Personal Income Tax,
Sales and Use Tax and Corporation Tax
comprised 82% of all collections.*

State Revenue Sources

Tax Type & Citation	Fiscal Year Ending		
	June 30, 2010	June 30, 2011	June 30, 2012
Admissions & Dues Tax <i>Ch. 225</i>	\$35,100,766	\$33,702,049	\$34,361,334
Alcoholic Beverages Tax <i>Ch. 220</i>	48,196,509	48,922,769	60,595,455
Bottle Deposit <i>Ch. 446d</i>	0	31,458,682	27,134,224
Business Entity Tax <i>Ch. 213a</i>	40,520,151	39,972,174	42,162,256
Cigarette Tax <i>Ch. 214</i>	380,512,620	397,067,659	410,807,228
Cable, Satellite & Video Companies. <i>Ch. 211</i>	55,752,434	58,236,814	52,656,640
Connecticut Estate Tax <i>Ch. 217</i>	816,233	328,910	95,966
Controlled Substances <i>Ch. 228d</i>	22,321	33,610	35,611
Controlling Interest Transfer <i>Ch. 228b</i>	2,691,067	3,709,603	10,978,545
Corporation Business Tax <i>Ch. 208 & 209</i>	624,815,570	752,261,374	671,117,864
Dry Cleaners Surcharge <i>Ch. 211b</i>	672,524	682,911	745,185
Electric and Power Companies <i>Ch. 212</i>	163,051,140	160,649,629	153,968,884
Electric Generation <i>Ch. 212b</i>	0	0	69,532,719
Gas and Electric Companies <i>Ch. 212</i>	55,413,321	55,943,739	51,181,942
Gift and Estate Tax <i>Ch. 217 & 228c</i>	177,600,970	237,573,241	191,699,581
Gift Tax <i>Ch. 228c</i>	822,698	758,267	584,098
Health Care Centers <i>Ch. 207</i>	23,863,638	22,736,051	18,068,574
Hospital Net Patient Revenue <i>Ch. 211a</i>	0	0	349,277,587
Income Tax <i>Ch. 229</i>	6,585,854,470	7,246,418,948	8,309,391,926
Insurance Companies, Domestic <i>Ch. 207</i>	33,017,215	40,905,240	49,596,515
Insurance Companies, Foreign <i>Ch. 207</i>	152,140,265	139,879,273	150,058,845
Intermediate Care Facility <i>Ch. 319y</i>	0	0	15,966,764
Motor Carrier Road Tax <i>Ch. 222</i>	19,769,648	14,070,884	16,044,514
Motor Vehicle Fuels Tax <i>Ch. 221</i>	484,156,213	469,723,945	476,998,407
Nursing Home User Fee <i>Ch. 319x</i>	122,394,630	121,662,798	151,701,572
Occupational Tax <i>Ch. 876</i>	8,873,512	8,692,107	9,127,226
Public, Educational & Governmental Programming Tax <i>Ch. 289</i>	5,473,904	3,155,075	3,584,642
Petroleum Products Tax <i>Ch. 227</i>	264,917,723	334,462,843	372,966,634
Railroad Companies <i>Ch. 210</i>	84,866	51,775	89,114
Real Estate Conveyance Tax <i>Ch. 223</i>	97,576,032	91,112,443	121,762,920
Rental Surcharge <i>Ch. 228h</i>	77,679	151,287	230,315
Sales and Use Taxes <i>Ch. 219</i>	3,205,427,713	3,354,088,802	3,887,346,160
Solid Waste <i>Ch. 446d</i>	3,550,344	3,323,663	3,470,186
Succession Tax <i>Ch. 216</i>	1,611,893	532,644	1,213,677
Tobacco Products <i>Ch. 214a</i>	7,282,491	7,391,212	9,944,436
Tourism Tax <i>Ch. 228e</i>	4,414,841	4,793,788	4,914,319
Nonadmitted (Unauthorized) Insurers <i>Ch. 698d</i>	6,204,053	5,666,578	6,682,827
Unrelated Business Income Tax <i>Ch. 208a</i>	1,606,904	1,905,559	1,957,467
Total	\$12,614,286,358	\$13,692,026,346	15,738,052,159

ADMISSIONS AND DUES TAX

Revenue	
FY 2009-10	\$ 35,100,766
2010-11	33,702,049
2011-12	34,361,334

Exemptions:

Admissions

- under \$1
- Non-profit organization
- Motion pictures at not more than \$5.00
- Live performances at non-profit theaters or playhouses, Gateway Candlewood Playhouse, and Ocean Beach Park
- Sporting or athletic activities in which patrons participate
- Carnival or amusement ride
- Cabarets
- Interscholastic athletic events held at Rentschler Field
- On or before December 31, 2011, games of the New Britain Rock Cats;
- On or before December 31, 2011 to any event at:
 - Arena at Harbor Yard
 - Bridgeport Harbor Yard Stadium
 - Connecticut Convention Center
 - Connecticut Exposition Center
 - Dodd Stadium
 - Hartford Civic Center
 - Lime Rock Park
 - Nature's Art
 - New Britain Beehive Stadium
 - New Britain Stadium
 - New Britain Veterans Memorial Stadium
 - Stafford Motor Speedway
 - Tennis Foundation of Connecticut or any successor organization
 - Thompson Speedway
 - Waterford Speedbowl
 - William A. O'Neill Convocation Center.

Dues:

- Under \$100;
- 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

ADMISSIONS AND DUES TAX (cont.)

Number of Taxpayers / Filing Frequency

Admissions	345 taxpayers / Monthly
Dues	298 taxpayers / Monthly

Basis and Rate

Admissions	6% of the admissions charge to motion picture shows. 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.

Comparative Data

	Tax Due		
	FY 2009-10	FY 2010-11	FY 2011-12
Motion Picture Admissions	\$5,194,677	\$4,318,415	\$4,205,499
Other Admissions	6,826,378	5,625,480	7,013,641
Dues	23,079,711	23,758,154	23,142,194
Total	\$35,100,766	\$33,702,049	\$34,361,334

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 2009-10	\$48,196,509
2010-11	48,922,769
2011-12	60,595,455

Exemption

Sales of malt beverages which are consumed on the premises of an establishment covered by a manufacturer's permit.

Number of Taxpayers/Filing Frequency

464 distributors/ Monthly

Basis and Rate

	Effective Until June 30, 2011	Effective July 1, 2011
Beer	\$6.00 per barrel (31 gallons)	\$7.20 per barrel (31 gallons)
Beer	20¢ per gallon	24¢ per gallon
Still Wines	60¢ per gallon	72¢ per gallon
Small Wineries	15¢ per gallon	18¢ per gallon
Sparkling Wines	\$1.50 per gallon	\$1.80 per gallon
Alcohol	\$4.50 per proof gallon	\$5.40 per proof gallon
Distilled Liquor	\$4.50 per gallon	\$5.40 per gallon
Liquor Coolers	\$2.05 per gallon	\$2.46 per gallon

Comparison of Gallonage

TYPE	FY 2009-10 (gallons)	FY 2010-11 (gallons)	FY 2011-12 (gallons)
Beer - barrels	193,587	195,681	193,885
Beer - gallons	55,255,523	51,541,184	50,806,908
Still Wine	12,909,886	13,157,043	13,587,232
Small Wineries	318,995	440,358	371,388
Sparkling Wine	452,693	466,315	512,645
Distilled Liquor	6,172,439	6,293,535	6,406,575
Liquor Cooler	17,567	17,854	13,052
Alcohol	54,199	56,799	58,311

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 open a separate bank account in which to deposit the monies collected. Each deposit initiator files a quarterly report and remits the unclaimed deposits amount to the state. The unclaimed amount is the amount left in the account after refunds paid to customers and bank fees have been deducted. Effective for quarters commencing July 1, 2010, all reports and payments are made to the Department of Revenue Services.

Revenue	
FY 2010-11	\$31,458,682
2011-12	27,134,224

Exemptions

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

Number of Taxpayers/Filing Frequency

72 Entities/Quarterly

BUSINESS ENTITY TAX

The following business entities are subject to an annual 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).

Revenue	
FY 2009-10	\$40,520,151
2010-11	39,972,174
2011-12	42,162,256

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

146,980 Entities/ Annually*

* Effective for taxable years commencing on or after January 1, 2013, this tax becomes payable every other year.

Basis and Rate

\$250 per taxable year.

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 2009-10	\$380,512,620
2010-11	397,067,659
2011-12	410,807,228

Exemption

- Cigarettes sold to any state institution other than a correctional institution.

Number of Taxpayers/ Filing Frequency

41 taxpayers/ Monthly

Basis and Rate

The cigarette tax was 150 mills per cigarette or \$3.00 per pack of twenty until June 30, 2011. Effective July 1, 2011, the cigarette tax increased from 150 mills per cigarette to 170 mills per cigarette or from \$3.00 per pack of twenty to \$3.40 per pack of twenty.

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 2009-10	\$22,321
2010-11	33,610
2011-12	35,611

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 2009-10	\$2,691,067
2010-11	3,709,603
2011-12	10,978,545

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.
57 transfers in FY 2011-12

Basis and Rate

1.11% on the sale or transfer of a controlling interest. Also, an additional tax not to exceed 10% on the value of open space land, farmland, forestland, and maritime heritage land depending on the holding period, may 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 2009-10	\$624,815,570
2010-11	752,261,374
2011-12	671,117,864

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 applying the adjustments allowed or required by Connecticut law to the federal taxable income of the corporation. Additions to the base include interest income wholly exempt from federal tax, deductions taken for qualified domestic production activities under I.R.C. §199, and unallowable deductions for corporation or franchise taxes paid to other states. Deductions from the federal base include 70% of the dividends received from domestic corporations in which ownership is less than 20% and capital loss carryover, if not deducted in computing federal capital gain.

Connecticut uses an apportionment method to determine the portion of income taxable in the state. This method isolates what percentage of a corporation's economic activity takes place in Connecticut. Three factors: sales, payroll and property compare Connecticut to the nation to arrive at this percentage. The sales factor is double weighted.

Special single-factor apportionment rules are currently provided for financial service companies, manufacturers and broadcasters.

Connecticut Net Income is taxed at the rate of 7.5%.

CORPORATION BUSINESS TAX (cont.)

Capital Base Method

The second and alternate method corporations must compute their tax under is the Capital Base. 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.

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 beginning between 2009 and 2011, corporations, except those paying the minimum tax of \$250, paid the surtax in an amount equal to 10% of the tax due before credits are applied. The surtax amount increased to 20% for the 2012 and 2013 income years. Companies whose gross income is less than \$100 million are exempt from the surtax unless they file as part of a combined or unitary return.

The total amount of surtax reported on Income Year 2010 returns was \$40.2M.

Unitary Returns

Unitary tax returns measure the entire net income of all of the corporations included in the unitary group as if they were one corporation. Corporations that are subject to the add back of interest expenses paid to related members may elect to calculate their tax on a unitary basis provided there are substantial inter-corporate business transactions among the included corporations. Taxpayers may otherwise petition DRS for approval. The combined entire net income of the unitary group is apportioned to Connecticut as if it was one corporation.

CORPORATION BUSINESS TAX (cont.)

Combined Returns

If a corporation is permitted to file a federal consolidated return, it may file a combined return in Connecticut. Filing a combined return allows a group of corporations engaged in business in Connecticut to file jointly. Their combined Connecticut tax liability is determined after each corporation individually apportions its income to Connecticut.

Preference Tax

A preference tax is imposed on corporations filing a combined return. These corporations are not entitled to the first \$500,000 of tax savings over what they would pay if they filed separately. Combined filers must determine the total tax due as if they were filing separately. The difference, up to \$500,000, between this amount and the total combined tax is the preference tax and must be added to the total combined tax.

The total amount due for income year 2010 combined filers had they filed separate single returns would have been \$375.1M. The preference tax due by these filers was \$34.3M. The total tax due by combined filers was \$236.7M, including the \$34.3M in preference tax.

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

2010 Corporation Business Tax Returns

	Number of Taxpayers	Tax Due Before Credits	Tax Due After Credits
Single Filers			
Net Income	7,727	248,865,948	221,076,182
Capital Base	4,757	33,314,076	26,323,204
Minimum Tax	23,634	5,933,056	5,919,610
Exempt	3,659	0	0
Combined Filers			
Net Income	303	181,890,711	116,837,697
Capital Base	290	42,537,249	27,237,193
Minimum Tax	379	12,279,418	8,220,552
Unitary Filers			
Net Income	83	53,633,912	38,317,653
Capital Base	44	6,703,959	4,666,325
Minimum Tax	64	322,750	322,750
Total	40,940	\$585,481,080	\$448,921,167

CORPORATION BUSINESS TAX (cont.)

2010 Corporation Business Tax Returns

Industry Sector	Number of Returns	Tax Due Before Credits	Tax Due After Credits
11 Agriculture, Forestry, Fishing and Hunting	145	\$ 431,357	\$ 371,090
21 Mining	49	610,011	573,678
22 Utilities	98	30,515,187	12,228,253
23 Construction	3,266	6,928,597	6,616,838
31-33 Manufacturing	3,934	136,017,428	100,998,966
42 Wholesale Trade	2,583	30,130,785	26,566,728
44-45 Retail Trade	3,457	46,482,266	36,791,836
48-49 Transporting and Warehousing	810	7,169,248	5,921,118
51 Information	927	64,831,745	38,501,778
52 Finance and Insurance	2,797	59,950,171	54,676,829
53 Real Estate and Rental and Leasing	3,816	13,766,513	12,567,075
54 Professional, Scientific and Tech Services	6,087	33,130,142	27,731,067
55 Management of Companies and Enterprises	841	61,900,869	48,660,841
56 Administrative and Support Services	1,324	8,615,400	7,019,527
61-62 Education, Health Care and Social Assistance	1,895	11,477,912	9,178,125
71 Arts, Entertainment, and Recreation	451	1,657,878	819,109
72 Accommodation and Food Services	985	3,430,895	3,208,908
81-92 Other Services	3,570	6,687,595	6,307,606
99 Not Yet Assigned	3,905	61,747,082	50,181,794
Total	40,940	\$585,481,080	\$448,921,167

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. The amount of tax credits allowable generally cannot exceed 70% of the amount of tax due or reduce the amount of tax to less than \$250. An exception to the 70% limitation is allowed for income years beginning in 2011 and 2012 to those taxpayers with an average monthly net employment gain.

Apprenticeship Training

Reference: Conn. Gen. Stat. §12-217g

A corporation that hires apprentices in the manufacturing or 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.

Clean Alternative Fuels

Reference: Conn. Gen. Stat. §12-217i

The Clean Alternative Fuels credit enabled a business to claim a credit for its expenditures on vehicles, equipment and filling stations that enable use of clean alternative fuel. This credit is not available for income years commencing on or after January 1, 2008. Unused credit may be carried forward for three years.

Computer Donation

Reference: Conn. Gen. Stat. §10-228b

A corporation business tax credit is available for the donation of new or used computers to a local or regional board of education or a public or non-public school. The amount of the credit shall not exceed 50% of the fair market value at the time of donation.

The amount of credit granted to any business firm cannot exceed \$75,000 annually. The credit is no longer available for income years beginning on or after January 1, 2014.

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 cost were incurred.

Displaced Workers

Reference: Conn. Gen. Stat. §12-217hh

A corporation business tax credit is available for employers that hire workers displaced because of a business restructuring in which at least ten employees were terminated. The available credit is \$1,500 for each displaced worker who completes twelve months of full-time employment and whose salary is at least 75% of their previous annual wages.

Displaced Workers Hired By Electric Suppliers

Reference: Conn. Gen. Stat. §12-217bb

Electric suppliers that hire workers displaced by the restructuring of the electric industry may claim a credit of \$1,500 for each displaced worker employed at least 6 months.

Donation of Land

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

These credits are 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 protected open space land may be carried forward for up to 25 years. Unused credit for donations of land for educational use may be carried forward for 15 succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

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. This credit is 100% of the corporation's tax liability for its first three years and 50% of its liability for the next seven.

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).

Credits may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred. These may be sold, assigned or transferred in whole or part no more than 3 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.

For income years beginning on or after January 1, 2010, 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 3 times.

CORPORATION BUSINESS TAX CREDITS (cont.)

Financial Institutions

Reference: Conn. Gen. Stat. §12-217u

This credit is available to financial institutions that construct a new facility of at least 900,000 square feet and create a minimum of 1,200 new jobs. Each company must obtain an eligibility certificate from DECD and may claim this credit for up to fifteen years. Credit levels of 30%, 40% or 50% for years one through ten and 25% for years eleven through fifteen are based on the number of qualified employees. This credit is repealed for income years beginning on or after January 1, 2014.

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

For income years beginning on or after January 1, 2012 a credit is available for eligible construction, renovation, or rehabilitation projects that are designed to meet the applicable requirements for LEED Green Building Rating System gold or platinum certification or another equivalent certification determined by DEEP.

Credits percentages range between 5% and 11% and depend on the location and certification level of the project. Unused credits may be carried forward for five succeeding income years.

Hiring Incentive

Reference: Conn. Gen. Stat. §12-217y

This credit is for companies that hire recipients of the Temporary Family Assistance (TFA) program. Employees must have been receiving TFA benefits for at least 9 months and worked at least 30 hours per week to qualify. A corporation may claim a credit of \$125 for each full month that the worker is employed. Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

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 \$25,000 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. Unused credits may be carried forward for four succeeding income years.

Historic Preservation

Reference: Conn. Gen. Stat. §10-416b

This tax credit is available to owners rehabilitating certified historic buildings that will have mixed residential and nonresidential uses. DECD may allocate up to \$50 million in vouchers for this credit during the period beginning July 1, 2008 and ending June 30, 2011. After the rehabilitation work is performed and verified, a tax credit is allowed for 25% of the qualified rehabilitation expenditures. The amount of the available credit increases to 30% of the qualified expenditures if the rehabilitated building contains affordable housing. Unused credits may be carried forward for five succeeding income years.

Historic Structures Rehabilitation

Reference: Conn. Gen. Stat. §10-416a

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

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.

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

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.

2010 legislation significantly changed this tax credit. New eligibility certificates for insurance businesses which enable investors to claim a corporation tax credit cannot be issued on or after July 1, 2010. Furthermore, an insurance business must have received investments of at least \$1 million by July 1, 2011. Any new eligibility certificates issued on or after July 1, 2010 can only qualify investors for tax credits applicable against the insurance premiums tax (Chapter 207); health care centers tax (Chapter 207); and surplus lines brokers tax (Section 38a-743).

Job Expansion

Reference: Conn. Gen. Stat. §12-217pp, as amended by 2012 Conn. Pub. Acts, §198 (June 12 Spec. Sess.)

This tax credit program has been established for taxpayers that hire new employees who reside in Connecticut to fill new jobs after January 1, 2012 and before January 1, 2014. The amount of the tax credit is \$500 per month for a new full-time employee and \$900 per month for an armed forces veteran or a qualifying employee. A qualifying employee is one who at the time of hiring is receiving unemployment compensation, has exhausted unemployment compensation without an intervening job, is receiving employment services from the Department of Mental Health and Addiction Services or is participating in employment opportunities and day services provided by Department of Rehabilitation Services.

CORPORATION BUSINESS TAX CREDITS (cont.)

A business must apply to DECD for this tax credit and cannot claim any other tax credit with respect to the same employees. A taxpayer can claim this tax credit in the income year the credit is earned and the next two income years.

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 is 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.

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.

CORPORATION BUSINESS TAX CREDITS (cont.)

New Jobs Creation

Reference: Conn. Gen. Stat. §12-217ii

This tax credit is available to businesses that created at least 10 new jobs. To qualify, the taxpayer must have submitted an application with the Department of Economic and Community Development. The credit allowed is an amount up to 60% of the Connecticut income tax deducted and withheld from the wages of new employees. For each new employee, credits may be granted for five successive income years.

As of January 1, 2012, the Commissioner of Economic and Community Development may no longer issue eligibility certificates for this tax credit.

Qualified Small Business Job Creation

Reference: Conn. Gen. Stat. §12-217nn

An employer with less than 50 employees in Connecticut may earn a tax credit equal to \$200 per month for hiring a Connecticut resident after May 6, 2010. The new employee must be hired to fill a full time job during the income years beginning on or after January 1, 2010, and before January 1, 2013. The tax credit can be claimed in the income year of the hire and the next two income years if the new employee remains employed by the employer at the close of that income year. The tax credit is administered by the Department of Economic and Community Development.

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.

CORPORATION BUSINESS TAX CREDITS (cont.)

Research and Development Grants to Institutions of Higher Education

Reference: Conn. Gen. Stat. §12-217i

This credit is available for 25% of the incremental increase in amounts spent by a corporation for a qualifying grant or combination of grants to any institution of higher education in Connecticut for the purposes of research and development related to advancements in technology.

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.

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.

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 is eliminated for income years beginning on or after January 1, 2014.

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

Vocational Rehabilitation Job Creation

Reference: Conn. Gen. Stat. §12-217oo

An employer may earn a tax credit equal to \$200 per month for hiring a new employee who is receiving rehabilitation services from the Department of Social Services or from the Board of Education and Services for the Blind.

The new employee must be hired prior to January 1, 2012 to work at least 20 hours per week for 48 weeks of a calendar year. The tax credit can be claimed in the income year of the hire and the next two income years if the new employee remains employed by the employer at the close of that income year. The tax credit is administered by the Department of Economic and Community Development.

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the number of corporation tax credits claimed and the amounts taken for each of the corporation credit programs utilized by businesses. The figures represent credit claimed on 2010 returns and any credits carried forward from prior years and used in 2010.

Credit Claimed on 2010 Corporation Business Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	13	\$ 625,791
Clean Alternative Fuels	2	1,870
Computer Donation	1	12,245
Digital Animation	2	1,743,055
Displaced Workers	2	4,499
Donation of Land	2	3,616
Electronic Data Processing	1,234	10,930,347
Film Production	3	1,926,102
Film Production Infrastructure	1	422,564
Financial Institutions	5	304,193
Fixed Capital	1,821	79,475,794
Historic Homes Rehabilitation	4	92,883
Historic Preservation	1	552,107
Historic Structures Rehabilitation	1	2,791
Housing Program Contribution	3	3,460,360
Human Capital	127	3,495,919
Insurance Reinvestment	3	403,123
Machinery and Equipment	88	752,857
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	28	1,368,387
Neighborhood Assistance	48	1,219,444
New Jobs Creation	5	523,816
Qualified Small Business Job Creation	4	14,218
Research & Development	153	4,585,699

CORPORATION BUSINESS TAX CREDITS (cont.)

Credit Claimed on 2010 Corporation Business Returns (cont.)

Type of Credit	Number of Credits	Amount Claimed
Research & Development Grants to Institutions of Higher Education	1	7,002
Research & Experimental Expenditures	158	14,798,423
Small Business Guaranty Fee	1	1,788
Urban and Industrial Site Reinvestment	13	9,831,021
Total	3,724	\$136,559,915

The table below shows the amount of unused credit amounts reported on 2010 corporation business tax returns as being carried forward to the 2011 income year.

Credits Carried Forward to 2011 Income Year

Type of Credit	Carryforward Amount
Donation of Land	\$ 3,461,739
Electronic Data Processing	120,292,592
Film Production Infrastructure	186,249
Fixed Capital	293,270,858
Hiring Incentive	3,414
Historic Homes	5,220
Historic Structures Rehabilitation	71,021
Housing Program Contribution	588,823
Human Capital	8,521,158
Insurance Reinvestment	19,241
Research & Development	1,226,473,987
Research & Experimental Expenditures	553,092,866
SBA Guaranty Fee	174,243
Urban and Industrial Site Reinvestment	15,084,056
Total Carryforward Credits	\$2,221,245,467

DRY CLEANING SURCHARGE

The Dry Cleaning 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.

Revenue	
FY 2009-10	\$672,524
2010-11	682,911
2011-12	745,185

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

459 taxpayers/Quarterly

ELECTRIC GENERATORS TAX

Effective for calendar quarters commencing on or after July 1, 2011 an electric generation tax is established and imposed on any entity that provides electric generation services and uploads electricity generated at a Connecticut facility to the regional bulk power grid.

Revenue	
FY 2011-12	\$69,532,719

Basis and Rate

The rate is equal to \$0.0025 multiplied by the net kilowatt hours of electricity that is generated and uploaded.

Exemptions

- Electricity generated at a facility through the use of alternative energy systems;
- Electricity generated at a facility through the exclusive use of fuel cells;
- Electricity generated at a resource recovery facility; and
- Electricity generated at customer-side distributed resources.

Sunset of Tax

The tax is scheduled to sunset as of July 1, 2013.

GIFT AND ESTATE TAX

Resident and nonresident estates of decedents dying on or after January 1, 2011 are liable for the Connecticut Estate Tax on the amount of their Connecticut taxable estate that exceeds \$2 million. For estates of decedents dying during 2010, this threshold was \$3.5 million.

For estates of decedents dying on or after January 1, 2005, but prior to January 1, 2010 the threshold was \$2 million. If the threshold for these estates, was exceeded, the tax was payable on the entire amount, including the first \$2 million.

“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 on or after January 1, 2005, exceeds \$2 million. 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.

For Connecticut taxable gifts made during 2010, a donor paid Connecticut gift tax if the aggregate amount of the Connecticut taxable gifts during all calendar years beginning on or after January 1, 2005, exceeded \$3.5 million.

“Connecticut taxable gifts” are defined as taxable gifts as determined for federal gift tax purposes. They 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.

	Gift Tax Revenue*	Connecticut Estate Tax Revenue*	Gift and Estate Tax Revenue
FY 2009-10	\$822,698	\$816,233	\$177,600,970
2010-11	758,267	328,910	237,573,241
2011-12	584,098	95,966	191,699,581

* Revenues from late returns and audit activity for taxes in effect prior to 1/1/05.

GIFT AND ESTATE TAX (cont.)

Basis and Rate

For gifts made, or the estates of decedents dying **on or after January 1, 2011** the table below is used to compute the Gift and Estate tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$2,000,000	None
Over \$2,000,000 but not over \$3,600,000	7.2% of the excess over \$2,000,000
Over \$3,600,000 but not over \$4,100,000	\$115,200 plus 7.8% of the excess over \$3,600,000
Over \$4,100,000 but not over \$5,100,000	\$154,200 plus 8.4% of the excess over \$4,100,000
Over \$5,100,000 but not over \$6,100,000	\$238,200 plus 9.0% of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$328,200 plus 9.6% of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$424,200 plus 10.2% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$526,200 plus 10.8% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$634,200 plus 11.4% of the excess over \$9,100,000
Over \$10,100,000	\$748,200 plus 12% of the excess over \$10,100,000

Detail of Revenue

For Fiscal Year 2011-12, total Gift and Estate Tax revenue collected was \$191,699,581. Much of this revenue is attributable to prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during fiscal year 2011-12 follows.

GIFT AND ESTATE TAX (cont.)

GIFT AND ESTATE TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2011-12

Amount of Taxable Estate More Than	Not Over	# of Returns	Tax Due
\$2 Million	\$3 Million	161	\$4,786,361
\$3 Million	\$4 Million	52	4,437,326
\$4 Million	\$5 Million	62	8,977,996
\$5 Million	\$6 Million	32	5,963,520
\$6 Million	\$7 Million	13	2,840,006
\$7 Million	\$ 8 Million	9	3,156,759
\$ 8 Million	\$10 Million	15	7,425,144
\$ 10 Million	\$15 Million	21	11,761,276
\$15 Million	\$25 Million	10	15,642,263
\$25 Million		13	110,383,082
Total		388	\$175,373,733

For Fiscal Year 2011-12, an additional amount of the gift and estate tax was attributable to tax returns filed by non-decedents. A breakdown of calendar year 2011 returns is shown below.

GIFT AND ESTATE TAX RETURNS 2011 GIFT TAX ONLY

Amount of 2011 Taxable Gifts More Than	Not Over	# of Returns	Tax Due
	\$2 Million	70	\$3,189,630
\$2 Million	\$3 Million	116	6,882,338
\$3 Million	\$4 Million	128	20,264,158
\$4 Million	\$5 Million	81	18,068,081
\$5 Million	\$6 Million	5	1,368,483
\$6 Million		7	15,487,084
Total		407	\$65,259,774

HOSPITAL NET PATIENT REVENUE TAX

A tax is imposed on each health care facility or institution, which is licensed as a short-term general hospital by the Department of Public Health.

Revenue	
FY 2011-12	\$349,277,587

Exemptions

- 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).

Basis and Rate

The Department of Social Services determines the amount of net patient revenue and net patient revenue tax for each hospital.

Number of Taxpayers/Filing Frequency

28 taxpayers/Quarterly

INCOME TAX

Connecticut's highest marginal rate for individuals is 6.7%. 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 2009-10	\$6,585,854,470
2010-11	7,246,418,948
2011-12	8,309,391,926

Number of Taxpayers/Filing Frequency

1.72 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. Please see charts for rates by filing status.

For taxable years commencing on or after January 1, 2009, but prior to January 1, 2011:

Filing Status	Connecticut Taxable Income	Rate of Tax
Single and	Not over \$10,000	3%
Married Filing Separately	Over \$10,000 but not over \$500,000	\$300, plus 5% of the excess over \$10,000
	Over \$500,000	\$24,800, plus 6.5% of the excess over \$500,000
Head of Household	Not over \$16,000	3%
	Over \$16,000 but not over \$800,000	\$480, plus 5% of the excess over \$16,000
	Over \$800,000	\$39,680, plus 6.5% of the excess over \$800,000
Joint Filers	Not over \$20,000	3%
	Over \$20,000 but not over \$1,000,000	\$600, plus 5% of the excess over \$20,000
	Over \$1,000,000	\$49,600, plus 6.5% of the excess over \$1,000,000

INCOME TAX (cont.)

For taxable years commencing on or after January 1, 2011:

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 6.7% on the excess over \$250,000
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 6.7% on the excess over \$400,000
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 6.7% on the excess over \$500,000

Generally, one's filing status for Connecticut must be the same as his or her federal filing status. However, under Connecticut law taxpayers who are in a same sex marriage are allowed to file jointly for Connecticut only.

Exemptions

- \$13,500 for taxable years commencing on or after January 1, 2012 but prior to January 1, 2013. For taxpayers with Connecticut AGI in excess of \$27,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$38,000;
- \$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;

INCOME TAX (cont.)

- \$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;
- \$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;
- Social Security benefits for single filers and married individuals filing separately whose federal adjusted gross income for the taxable year is less than \$50,000. 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 \$60,000; and
- Fifty percent of federally taxable military retirement pay is exempted through a subtraction from federally adjusted gross income for fifty percent of income received from the United States government as retirement pay 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.

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

- \$150 per \$10,000 of Connecticut adjusted gross income over the starting point for taxpayers filing jointly, with a maximum total recapture of \$4,500;
- \$75 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 \$2,250; and
- \$120 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 \$3,600.

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;
- 50% of military retirement pay;
- Gain on sale of Connecticut bonds; and
- 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 civil union filing separately or \$10,000 for individuals whose filing status is married filing jointly, civil union filing jointly or qualifying widow(er) with dependent child.

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, and they expect their Connecticut income tax withheld to be less than their required annual payment.

INCOME TAX (cont.)

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 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. Effective for taxable years commencing on or after January 1, 2011, the maximum credit is reduced from \$500 to \$300 per return. The credit cannot exceed the amount of qualifying property taxes paid or income tax liability.

Tax 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.

New Tax Credits:

Earned Income Tax Credit:

2011 Conn. Pub. Acts 6 established an earned income tax credit (EITC) effective for income years commencing on or after January 1, 2011. The credit is equal to 30% of the EITC claimed and allowed for the IRS for the same taxable year. The credit is refundable.

Job Expansion Tax Credit:

2011 Conn. Pub. Acts 1 (October Special Session) establishes the Job Expansion Tax Credit Program (JET). The program creates a credit equal to \$500 per month for each new employee hired and \$900 per month for each qualifying employee or veteran hired. Qualified employee means a new employee who at the time of hire was either receiving unemployment or had exhausted unemployment benefits or was receiving vocational rehabilitation services from the Bureau of Rehabilitative Services. The credit can be applied against the corporation business, insurance premiums, utilities companies, and personal income taxes. Effective for income years commencing on or after January 1, 2012. Not allowed for any new jobs created on or after January 1, 2014.

INCOME TAX (cont.)

The **Vocational Rehabilitation Job Creation and Qualified Small Business Job Creation Tax credits** can only be claimed for income years commencing on or after January 1, 2010 and prior to January 1, 2012 as the JET credit established in 2011 will replace these two credits:

- **Qualified Small Business Job Creation Tax Credit Program** is available to a qualified small business that hires a new employee. The credit is applicable to taxable years beginning on or after January 1, 2010 and prior to January 1, 2012. To be eligible to claim the credit a qualified small business must apply to the Department of Economic and Community Development (DECD).

The amount of the credit is \$200 per month for each new employee hired. The new employee must reside in Connecticut and be hired after May 6, 2010, to fill a new full time job in which he or she is required to work at least 35 or more hours per week for not less than 48 weeks in a calendar year during the income years beginning on or after January 1, 2010, and prior to January 1, 2012 with certain restrictions; and

- **Vocational Rehabilitation Job Creation Tax Credit Program** is also administered by DECD and is applicable to taxable years beginning on or after January 1, 2010 and prior to January 1, 2012. The credit is equal to \$200 per month for each new qualifying employee hired by an employer engaged in business in Connecticut. A new qualifying employee must reside in CT and be required to work at least 20 hours or more per week for not less than 48 weeks in a calendar year.;

Angel Investor Tax Credit

Provides a credit for a cash investment of not less than \$100,000 (and not less than \$25,000 effective October 27, 2011) in the qualified securities of a Connecticut business by an angel investor. The credit is applicable to taxable years beginning on or after January 1, 2010.

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 may apply to Connecticut Innovations, Inc. to reserve a tax credit equal to 25 percent of the cash investment. 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, 2014.

INCOME TAX (cont.)

Connecticut Earned Income Tax Credit

For taxable years beginning on or after January 1, 2011, a Connecticut resident taxpayer may claim an earned income tax credit (CT EITC) against the Connecticut income tax due for the taxable year.

The amount of the CT EITC is 30% of the earned income credit claimed and allowed on the federal income tax return for the same taxable year. If the CT EITC exceeds the taxpayer's Connecticut income tax liability, the excess is considered an overpayment and will be refunded without interest.

For the 2011 taxable year 181,620 filers claimed a CT EITC and the total credit amount claimed equaled \$109.2M.

INSURANCE PREMIUMS TAX

Insurance companies are taxed in Connecticut on the total net direct premiums received from policies written on property or risks within the State. In addition, total net direct subscriber charges received on any new or renewal contract or policy by a health care center is also taxed. Persons who purchase insurance from unauthorized insurers are also subject to tax. Unauthorized insurers are defined as an insurer who has not been granted a certificate of authority by the Commissioner to transact the business of insurance in Connecticut, or an insurer transacting business not authorized by a valid certificate.

Revenue	
FY 2009-10	\$215,225,171
2010-11	209,187,141
2011-12	224,406,761

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

1,491	insurance companies/ Annually with four estimated payments:
105	Domestic companies
1,055	Foreign companies
10	Health Care Centers
321	Nonadmitted/Unauthorized Insurers

Basis and Rate

- 1.75% of net direct premiums received by domestic and foreign insurance companies.
- 4% of gross premiums charged by nonadmitted/unauthorized insurers; and
- 1.75% of net direct subscriber charges of health care centers.

INSURANCE PREMIUMS TAX (cont.)

Comparative Data

	FY 2009-10	FY 2010-11	FY 2011-12
Domestic	\$33,017,215	\$40,905,240	\$49,596,515
Foreign	152,140,265	139,879,273	150,058,845
Health Care Center	23,863,638	22,736,051	18,068,574
Nonadmitted/ Unauthorized	6,204,053	5,666,578	6,682,827
Total	\$215,225,171	\$209,187,142	\$224,406,761

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 2010 Insurance Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	38	\$15,082,034
Insurance Department Assessment	6	752,736
Insurance Reinvestment	15	1,414,037
Neighborhood Assistance	18	1,147,650
Urban & Industrial Site Reinvestment	5	5,402,177
Film Production	40	47,393,655
Film Production Infrastructure	24	7,190,035
Digital Animation	8	9,429,713
Housing Program Contribution	2	303,000
New Job Creation	1	60,367
Historic Homes	3	808,575
Historic Structures Rehabilitation	2	87,008
Historic Preservation	5	1,352,237
Total Credits	167	\$90,423,224

INSURANCE PREMIUMS TAX (cont.)

Calendar Year 2011 Insurance Business Tax Credits Preliminary

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	31	\$6,902,796
Insurance Department Assessment	6	614,509
Insurance Reinvestment	7	1,192,414
Neighborhood Assistance	20	1,409,352
Urban & Industrial Site Reinvestment	8	3,321,706
Film Production	18	7,292,245
Film Production Infrastructure	4	1,357,931
Digital Animation	23	8,201,244
New Job Creation	1	25,815
Historic Homes	6	718,616
Historic Structures Rehabilitation	1	625,055
Historic Preservation	4	581,285
Total Credits	129	\$32,242,968

INTERMEDIATE CARE FACILITY USER FEE

A fee is imposed on each residential facility for the mentally retarded which is certified to meet the requirements of 42 C.F.R. Part 442, Subpart C and, in the case of any private facility, licensed pursuant to Conn. Gen. Stat. §17a-227 by the Department of Developmental Services.

Revenue	
FY 2011-12	\$15,966,764

Basis and Rate

The intermediate care facility user fee payment for a calendar quarter is the product of an intermediate care facility's total resident days during the calendar quarter multiplied by the intermediate care facility user fee determined by the Department of Social Services. The intermediate care facility user fee is determined on or before July first either annually or biennially.

	Fee per Resident Day	
	7/1/2011 to 9/30/2011	10/1/2011 to 6/30/2013
State-owned and operated intermediate care facilities	\$49.32	\$53.81
All other intermediate care facilities	\$25.44	\$27.76

Number of Taxpayers/Filing Frequency

71 taxpayers/Quarterly

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 2009-10	\$19,769,648
2010-11	14,070,884
2011-12	16,044,514

Exemption

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

Number of Taxpayers/Filing Frequency

2,463 IFTA filers/Quarterly
3,223 Intrastate Motor Carrier filers

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel - 7/1/10 - 6/30/11	39.6¢
Diesel Fuel - effective 7/1/11	46.2¢
Natural Gas or Propane	26¢

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.

Revenue	
FY 2009-10	\$484,156,213
2010-11	469,723,945
2011-12	476,998,407

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; and
- A company that uses or consumes motor fuels exclusively for hauling waste for the Connecticut Resource Recovery Authority, Mid-Connecticut Project.

Number of Taxpayers/Filing Frequency

913 taxpayers/Monthly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel - 7/1/10 - 6/30/11	39.6¢
Diesel Fuel – effective 7/1/11	46.2¢
Natural Gas or Propane	26¢

MOTOR VEHICLE FUELS TAX (cont.)

Comparative Data

	Number of Gallons Sold		
	FY 2009-10	FY 2010-11	FY 2011-12
Special Fuel*	234,923,457	244,253,773	239,845,475
Gasohol	1,512,566,402	1,490,129,818	1,461,380,892
Total Gallons	1,747,489,859	1,734,383,591	1,701,226,367

* Gallons reported under Special Fuel contain a small amount of gallons reported for Natural Gas and Propane.

NURSING HOME USER FEE

A Nursing Home User Fee is imposed 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. The fee is remitted quarterly.

Revenue	
FY 2009-10	\$122,394,630
2010-11	121,662,798
2011-12	151,701,572

Basis and Rate

The nursing home user fee is determined by the Department of Social Services on or before July 1 annually or biennially. This amount is multiplied by the nursing home's total resident days during the calendar quarter.

Number of Taxpayers/Filing Frequency

215 taxpayers/Quarterly

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 2009-10	\$8,873,512
2010-11	8,692,107
2011-12	9,127,226

Exemptions

- Judges and employees of the State of Connecticut;
- Any attorney who has retired from the practice of law;
- 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; and
- Any attorney employed by a political subdivision of Connecticut or any probate court.

Number of Taxpayers/Filing Frequency

12,950 Attorneys/ Annually

Basis and Rate

\$565 per practicing attorney.

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 2009-10	\$264,917,723
2010-11	334,462,843
2011-12	372,966,634

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;
- 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 used exclusively for heating;
- 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; and
- Diesel fuel other than diesel fuel to be used in an electric generating facility to generate electricity.

Number of Taxpayers/Filing Frequency

637 taxpayers/Quarterly

Basis and Rate

Calendar quarters commencing:	Rate
on or after July 1, 2007	7.0%
on or after July 1, 2013	8.1%

Cap on Petroleum Products Gross Earnings Tax

Effective April 3, 2012 the Petroleum Products Gross Earnings Tax is capped at \$3.00 per gallon on 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.

PUBLIC SERVICE COMPANIES TAX

Revenue	
FY 2009-10	\$279,775,665
2010-11	278,037,032
2011-12	261,481,222

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

74 taxpayers:

- 41 Public Utility Companies/Quarterly
- 16 Community Antenna TV Companies/Quarterly
- 8 Satellite TV Companies /Quarterly
- 9 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	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 will be used to fund the Public, Educational and Governmental Programming and Education Technology Investment Account.

PUBLIC SERVICE COMPANIES TAX (cont.)

Residential Credit

Gas companies claimed \$5,396,233 in Fiscal Year 2011-12 under the one-percent credit attributable to the sale of gas and electric power for residential use.

Manufacturing Companies Credit

\$9,015,725 was claimed in credit for Fiscal Year 2011-12 for gas sales used directly by a company engaged in a manufacturing production process.

Comparative Data

	FY 2009-10	FY 2010-11	FY 2011-12
Cable, Satellite & Video Companies	\$55,752,434	\$58,236,814	\$52,656,640
Electric & Power Companies	163,051,140	160,649,629	153,968,884
Gas Companies	55,413,321	55,943,739	51,181,942
Public, Educational & Governmental Programming Tax*	5,473,904	3,155,075	3,584,642
Railroad Companies	84,866	51,775	89,114
Total Tax	\$279,775,665	\$278,037,032	\$261,481,222

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

Municipal Electric Utilities

The gross earnings of municipal electric utilities in Connecticut are taxed in the same manner as the gross earnings of electric distribution companies. Municipal electric utilities are subject to gross earnings tax only on their gross earnings from providing electric transmission services and electric distribution services. The rate is 6.8% for transmitting and distributing power to residential customers and 8.5% on nonresidential services.

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 2009-10	\$97,576,032
2010-11	91,112,443
2011-12	121,762,920

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;
- All transfers between spouses;
- Any deeds of property located in an 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; and
- 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.

Basis and Rate

Classification	Conveyances Occurring on or after July 1, 2011
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%

The table on the following page will show the number of conveyances by price of property and the conveyance tax revenue generated for the same price increments.

REAL ESTATE CONVEYANCE TAX (cont.)

Fiscal Year 2011-12 Conveyances

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances *	Number of Exempt Conveyances	Tax Remitted
Under \$2,000	0	25,450	10,037	\$ 0
\$ 2,000 to \$ 29,999.99	1,451	0	15	165,916
\$ 30,000 to \$ 39,999.99	608	0	6	159,134
\$ 40,000 to \$ 49,999.99	656	0	8	218,417
\$ 50,000 to \$ 59,999.99	667	0	8	273,137
\$ 60,000 to \$ 69,999.99	673	0	13	327,107
\$ 70,000 to \$ 79,999.99	692	0	19	389,912
\$ 80,000 to \$ 89,999.99	769	0	19	494,512
\$ 90,000 to \$ 99,999.99	698	0	14	499,396
\$100,000 to \$109,999.99	789	0	14	626,058
\$110,000 to \$119,999.99	821	0	17	709,997
\$120,000 to \$129,999.99	1,039	0	18	979,277
\$130,000 to \$139,999.99	1,088	0	12	1,106,521
\$140,000 to \$149,999.99	1,069	0	22	1,167,539
\$150,000 to \$159,999.99	1,219	0	21	1,423,319
\$160,000 to \$169,999.99	1,197	0	14	1,487,487
\$170,000 to \$179,999.99	1,137	0	19	1,507,613
\$180,000 to \$189,999.99	1,099	0	12	1,530,384
\$190,000 to \$199,999.99	898	0	20	1,315,534
\$200,000 to \$249,999.99	4,382	0	47	7,408,381
\$250,000 to \$299,999.99	3,233	0	33	6,683,777
\$300,000 to \$399,999.99	4,289	0	42	11,279,698
\$400,000 to \$499,999.99	2,287	0	29	7,788,654
\$500,000 to \$599,999.99	1,390	0	10	5,851,809
\$600,000 to \$699,999.99	882	0	9	4,429,236
\$700,000 to \$799,999.99	627	0	5	3,683,554
\$800,000 and over	2,724	0	18	57,847,799
Total	36,384	25,450	10,501	\$119,354,168

* Non-taxable equals no consideration or consideration of less than \$2,000

RENTAL SURCHARGE

The Rental Surcharge is imposed on the rental of each private passenger motor vehicle or rental truck in Connecticut by a rental company for a period of less than 31 days. Rental companies must pay over the portion of the surcharge collected during the calendar year that exceeds the amount paid in personal property tax and the amount paid in titling and registration fees.

A rental truck is defined as either a vehicle rented without a driver that has a gross vehicle weight rating of 26,000 pounds or less and is used in the transportation of personal property but not for business purposes, or a trailer that has a gross vehicle weight rating of not more than 6,000 pounds.

The surcharge also includes a 1.5% surcharge on machinery rented within Connecticut for a period of less than 31 days. The term of a machinery rental begins on the date a piece of machinery is rented to a lessee and terminates on the date the piece of machinery is returned to the rental company. Machinery means heavy equipment intended for outside use that may be used for construction, mining, or forestry. It is rented without an operator and is propelled by its own internal engine or internal power source.

Revenue	
FY 2009-10	\$ 77,679
2010-11	151,287
2011-12	230,315

Exemptions

- Motor vehicles delivered to a lessee outside Connecticut;
- Rentals by an agency of United States Government;
- Rentals of 31 days or more; and
- Rentals of motor vehicles by a person that is not a rental company.

Number of Taxpayers / Filing Frequency

172 taxpayers / Annually

Basis and Rate

3% of the total rental charges on passenger motor vehicles or trucks.

1.5% of the total rental charges on heavy machinery.

Comparative Data

Gross collections of the surcharge by rental companies during 2011 amounted to \$6,145,710. Rental companies retained the difference between gross collections and the amount remitted to reimburse personal property taxes and titling and registration fees paid in Connecticut.

REPEALED TAXES

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 survivor. Due to legislative changes enacted during the 2005 Legislative Session, 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 2011-12: \$ 1,213,677

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 business services.

Revenue	
FY 2009-10	\$ 3,205,427,713
2010-11	3,354,088,802
2011-12	3,887,346,160

Basis and Rate

6.35% on the gross receipts from the sale, rental or leasing of tangible personal property, and the rendering of certain business services (general rate);

7.0%

- Most motor vehicles with a sales price of more than \$50,000;
- Vessels with a sales price of more than \$100,000.
- Items of jewelry, whether real or imitation, 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.

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;

1.0% on computer and data processing services;

9.35% for the rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less;

15.0% on 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 2011-12.

FY 2011-12 SALES TAX EXEMPTIONS

(In Millions)

Deductible Item	6.0% Tax Rate	6.35% Tax Rate	7.0% Tax Rate	Total Deductions (Excluding 9.35% tax rate)	Revenue Forgone
Sale for Resale – Goods	\$14,348.7	\$76,908.8	\$1,369.9	\$92,627.4	\$5,840.5
Sale for Resale – Leases and Rentals	27.4	1,219.3	250.7	1,497.4	96.6
Sale for Resale – Labor and Services	327.9	2,637.5	0.0	2,965.4	187.2
Magazines by Subscription and All Newspapers	15.2	179.4	0.0	194.6	12.3
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	2.7	100.2	0.0	103.0	6.5
Food Products for Human Consumption	251.1	6,589.3	0.0	6,840.4	433.5
Fuel for Motor Vehicles	178.2	8,495.2	0.0	8,673.4	550.1
Electricity/Gas/Heating Fuel (residential)	287.4	2,965.2	0.0	3,252.6	205.5
Electricity (\$150 monthly per business)	0.4	49.5	0.0	49.9	3.2
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	25.6	709.3	0.0	734.9	46.6
Aviation Fuel	17.8	100.3	0.0	118.2	7.4
Sales of Tangible Personal Property to Farmers	6.3	78.7	0.0	85.0	5.4
Machinery/Materials/Tools/Fuel – Mfg. Product	370.2	1,531.4	0.0	1,901.6	119.5

FY 2011-12 SALES TAX EXEMPTIONS (cont.)

(In Millions)

Deductible Item	6.0% Tax Rate	6.35% Tax Rate	7.0% Tax Rate	Total Deductions (Excluding 9.35% tax rate)	Revenue Forgone
Machinery/Materials/ Equip. - Printing	28.5	69.2	0.0	97.8	6.1
Machinery/Materials/ Tools/Fuel - Comm. Fishing	10.0	27.6	0.0	37.6	2.4
Out-of-State - Sale of Goods	10,083.6	45,511.9	153.2	55,748.6	3,505.7
Out-of-State - Leases/Rentals	55.5	412.0	62.4	529.9	33.9
Out-of-State - Labor and Services	1,289.3	8,535.7	0.0	9,824.9	619.4
Sales of Motor Vehicles, Vessels to Nonresidents	2.7	501.3	133.4	637.4	41.3
Prescription Medicines	273.4	5,346.6	0.0	5,620.0	355.9
Non-Prescription Medicines and Diabetic Equipment	16.5	0.0	0.0	16.5	1.0
Charitable/Religious - Sale of Goods	57.6	1,414.2	28.8	1,500.6	95.3
Charitable/Religious - Leases and Rentals	2.6	53.7	0.3	56.6	3.6
Charitable/Religious - Labor and Services	67.7	1,510.1	0.0	1,577.8	100.0
Government - Sale of Goods	182.5	6,723.1	9.4	6,915.0	438.5
Government- Leases and Rentals	10.2	181.7	3.2	195.1	12.4
Government- Labor and Services	343.0	3,526.5	0.0	3,869.5	244.5
Pollution Abatement	10.9	16.5	0.0	27.3	1.7
Non-Taxable Labor and Services	2,251.9	11,864.4	0.0	14,116.2	888.5
Business Services/Parent Owned Subs.	62.8	259.4	0.0	322.2	20.2
Trade-ins of Like-Kind Personal Property	1.8	850.6	104.1	956.5	61.4

FY 2011-12 SALES TAX EXEMPTIONS (cont.)

(In Millions)

Deductible Item	6.0% Tax Rate	6.35% Tax Rate	7.0% Tax Rate	Total Deductions (Excluding 9.35% tax rate)	Revenue Forgone
Taxed Goods returned within 90 days	0.6	118.7	0.2	119.6	7.6
Oxygen, Plasma, Protheses, etc.	18.2	202.1	0.0	220.3	13.9
Printed Material for Future Delivery Out-of-State	11.5	16.9	0.0	28.5	1.8
Clothing/Footwear under \$50	9.2	0.0	0.0	9.2	0.5
Funeral Expenses up to \$2,500	34.5	60.6	0.0	95.2	5.9
Repair or Replacement Parts/Repair Services to Aircraft	105.5	208.5	0.0	314.0	19.6
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the Full and 3% Rates)	1.0	23.2	0.0	24.2	1.5
Sales of Machinery, Equipment, Tools, Fuel, and Supplies used in the Biotechnology Industry	3.2	9.0	0.0	12.2	0.8
Sales of Repair and Maintenance Service to Vessels	2.5	54.9	0.0	57.3	3.6
Computer and Data Processing Services (Difference between the Full and 1% Rates)	47.2	1,944.9	0.0	1,992.1	126.3
Renovation Services to Residential Property	108.8	263.9	0.0	372.7	23.3
Sales to Direct Payment Permit Holders	34.5	433.4	1.5	469.4	29.7
Sales of College Textbooks	0.6	30.9	0.0	31.4	2.0
Sales Tax Holidays	0.8	74.4	0.0	75.1	4.8

FY 2011-12 SALES TAX EXEMPTIONS (cont.)
(In Millions)

Deductible Item	6.0% Tax Rate	6.35% Tax Rate	7.0% Tax Rate	Total Deductions (Excluding 9.35% tax rate)	Revenue Forgone
Weatherization Products	4.1	97.8	0.0	101.8	6.5
Motor Vehicles Sold to Armed Forces (Difference between the Full and 4.5% Rates)	0.0	2.3	0.5	2.8	0.2
Other Adjustments - Sales of Goods	772.4	7,863.0	69.0	8,704.5	550.5
Other Adjustments - Leases and Rentals	23.5	289.6	3.5	316.6	20.0
Other Adjustments - Labor and Services	159.1	1,003.3	0.0	1,162.4	73.3
TOTAL	\$31,946.4	\$201,065.7	\$2,190.3	\$235,202.4	\$14,837.8

Number of Taxpayers/Filing Frequency

152,335 Sales and Use Taxpayers
 36,225 / Monthly
 40,200 / Quarterly
 75,910 / Annually

2,605 Business Use Taxpayers

634 Room Occupancy Taxpayers
 532 / Monthly
 102 / Quarterly

Comparative Data

Table I 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. Receipts reported under the 6.0% tax rate represent cash basis transactions made on or before June 30, 2011, but reported in FY 2011-12 returns.

SALES AND USE TAXES (cont.)

Table I:

Gross Receipts Reported on Sales Tax Returns Periods Ending in Fiscal Year 2011-12 (In Millions)

Gross Receipts Attributable to:	6.0% Tax Rate	6.35% Tax Rate	7.0% Tax Rate
Sales of Tangible Personal Property	\$27,966.6	\$215,183.0	\$2,595.6
Leasing/Rental of Tangible Personal Property	144.5	2,881.1	167.7
Rendering of Services	4,388.6	35,338.2	0.0

Table II 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 II:

Taxable Receipts Periods Ending in Fiscal Year 2011-12 (In Millions)

Taxable Receipts Attributable to:	Tax Rate	Taxable Receipts
Room Occupancy	15%	\$673.8
Rental or Leasing of Motor Vehicles for 30 days or Less	9.35%	194.7

Table III:

Purchases Subject to Business Use Tax Periods Ending in Fiscal Year 2011-12 (In Millions)

	6.0% Tax Rate	6.35% Tax Rate	7.0% Tax Rate
Purchases of Tangible Personal Property	\$68.0	\$3,100.5	\$9.3
Leasing/Rental of Tangible Personal Property	2.6	25.5	0.2
Purchases of Services	18.8	528.3	0.0

SALES AND USE TAXES (cont.)

Table IV below, provides a summary of retail sales of goods for the state of Connecticut over the past three fiscal years. These sales are provided for the Retail Trade subsectors within the North American Industry Classification system (NAICS). Approximately half of all the sales and use tax revenue is generated by the retail trade sector.

TABLE IV: Retail Sales Volume - Fiscal Years 2010 - 2012
(In Millions)

	FY 2009-10	FY 2010-11	FY 2011-12
Motor Vehicle and Parts Dealers (NAICS 441)	\$6,943.5	\$7,610.1	\$7,995.9
Furniture and Home Furnishings Stores (NAICS 442)	1,279.5	1,221.4	1,181.9
Electronics and Appliance Stores (NAICS 443)	1,452.3	1,581.9	1,747.8
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)	2,730.9	2,844.8	3,022.7
Food and Beverage Stores (NAICS 445)	7,258.7	10,221.8	10,798.6
Health and Personal Care Stores (NAICS 446)	4,937.5	5,066.1	4,667.1
Gasoline Stations (NAICS 447)	2,990.5	3,426.2	3,787.5
Clothing and Clothing Accessories Stores (NAICS 448)	2,708.7	2,739.1	2,826.7
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	1,002.0	1,013.1	978.8
General Merchandise Stores (NAICS 452)	5,211.8	5,274.6	5,376.6
Miscellaneous Store Retailers (NAICS 453)	4,214.2	4,757.1	5,016.5
Non-store Retailers (NAICS 454)	3,356.6	3,677.3	5,809.1
TOTAL RETAIL TRADE (NAICS 44-45)	\$44,086.2	\$49,433.7	\$53,209.1

Table V 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 2011-12. The revenues are from regular payments and represent 95% of the total sales and use taxes collected in FY 2011-12. Receipts reported under the 6.0% tax rate represent cash basis transactions made on or before June 30, 2011, but reported in FY 2011-12 returns.

SALES AND USE TAXES (cont.)

TABLE V: Sales & Use Tax - From Regular Payments
Periods Ending in Fiscal Year 2011-12
(In Millions)

	NAICS Code	Tax Due at 6.0%	Tax Due at 6.35%	Tax Due at 7.0%	Total Tax Due (Including 9.35% tax rate)
<i>Motor Vehicle and Parts Dealers</i>	441	\$0.6	\$348.5	\$21.4	\$370.8
<i>Furniture and Home Furnishings</i>	442	1.1	58.5	0.1	59.6
<i>Electronics and Appliance Stores</i>	443	0.4	69.0	0.0	69.4
<i>Building Material and Garden Equipment</i>	444	0.5	164.9	0.0	165.4
<i>Food and Beverage Stores</i>	445	0.3	211.1	0.2	211.6
<i>Health and Personal Care Stores</i>	446	0.1	66.2	0.1	66.4
<i>Gasoline Stations</i>	447	0.1	40.9	0.6	41.6
<i>Clothing and Clothing Accessories Stores</i>	448	0.2	154.8	9.7	164.7
<i>Sporting Goods, Hobby, Book Stores</i>	451	0.1	50.9	0.0	51.1
<i>General Merchandise Stores</i>	452	0.1	250.9	0.1	251.2
<i>Miscellaneous Store Retailers</i>	453	1.2	188.5	3.3	192.9
<i>Non-store Retailers</i>	454	0.6	70.4	0.2	71.1
Retail Sector Subtotal	44-45	\$5.3	\$1,674.4	\$35.7	\$1,715.9
Utilities	22	0.9	109.7	0.0	110.5
Construction	23	8.0	122.9	0.3	131.1
Manufacturing	31-33	2.8	178.3	0.2	181.3
Wholesale Trade	42	2.5	164.0	0.5	167.0
Information	51	0.6	290.6	0.3	291.6
Arts, Entertainment & Recreation	71	5.1	159.5	0.0	164.7
Administrative and Support	56	0.1	30.1	0.1	30.3
Accommodation and Food Services	72	0.6	310.6	0.4	311.6
Other Services (except Public Admin)	81	3.5	151.0	1.7	156.3
All Other Businesses		12.0	380.9	6.1	416.8
TOTAL SALES & USE TAX		\$41.4	\$3,572.3	\$45.3	\$3,677.1

SOLID WASTE TAX

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

Revenue	
FY 2009-10	\$3,550,344
2010-11	3,323,663
2011-12	3,470,186

Number of Taxpayers / Filing Frequency

7 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 2009-10	\$7,282,491
2010-11	7,391,212
2011-12	9,944,436

Exemptions

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

Number of Taxpayers/Filing Frequency

230 distributors/Monthly

Basis and Rate

27.5% of the wholesale sales price until June 30, 2011. Effective July 1, 2011 the rate was increased to 50% of the wholesale sales price. In the case of cigars, the tax is 50% of the wholesale sales price, not to exceed 50¢ per cigar.

Snuff tobacco products are taxed at a rate of 40¢ per ounce prior to June 30, 2011. Effective July 1, 2011 snuff tobacco products are taxed at a rate of \$1.00 per ounce.

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 2009-10	\$4,414,841
2010-11	4,793,788
2011-12	4,914,319

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

20 taxpayers / Monthly
66 taxpayers / Quarterly

Basis and Rate

\$1.00 per rental/leasing day or portion thereof, of passenger motor vehicles.

UNRELATED BUSINESS TAXABLE INCOME TAX

The Unrelated Business Taxable 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. For most taxpayers, the due date is either April 15 or May 15, depending on the entity. Foreign trusts however, generally have a due date of June 15.

Revenue	
FY 2009-10	\$ 1,606,904
2010-11	1,905,559
2011-12	1,957,467

Number of Taxpayers / Filing Frequency

281 organizations / Annually

Basis and Rate

7.5% of the unrelated business income of the organization. A surtax of 20% applies to organizations whose gross income is \$100 million or more for the 2012 and 2013 income years. No minimum tax is required.

Credits

For the 2010 income year, 33 taxpayers claimed \$12,756 in Electronic Data Processing Property Tax Credits.

FY 2011-12 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
ANDOVER	25	25	\$ 5,847,756	\$ 43,858
ANSONIA	174	148	23,291,571	177,624
ASHFORD	59	46	11,205,325	90,924
AVON	244	315	154,709,111	1,291,330
BARKHAMSTED	54	32	5,497,050	41,228
BEACON FALLS	67	61	32,679,453	248,361
BERLIN	265	291	76,243,614	622,925
BETHANY	79	59	18,950,954	147,432
BETHEL	197	199	70,862,425	573,411
BETHLEHEM	61	29	7,543,373	59,325
BLOOMFIELD	204	214	76,349,147	738,536
BOLTON	186	66	15,676,275	119,322
BOZRAH	35	31	5,992,492	46,494
BRANFORD	435	325	93,208,329	743,292
BRIDGEPORT	1,109	1,107	163,857,266	1,362,527
BRIDGEWATER	23	25	13,607,400	115,131
BRISTOL	654	557	96,540,975	760,103
BROOKFIELD	190	198	78,426,414	640,967
BROOKLYN	86	85	21,710,945	181,056
BURLINGTON	100	129	36,767,322	277,505
CANAAN	16	15	3,380,099	25,860
CANTERBURY	84	62	9,040,988	70,282
CANTON	138	133	42,095,968	324,566
CHAPLIN	23	18	2,824,621	21,185
CHESHIRE	220	286	100,810,629	839,162
CHESTER	54	46	11,147,200	85,854
CLINTON	196	188	52,260,301	430,715
COLCHESTER	159	180	41,931,497	335,849
COLEBROOK	35	20	3,352,882	25,147
COLUMBIA	68	84	20,379,987	159,725
CORNWALL	40	25	11,073,986	93,825
COVENTRY	187	147	29,105,060	223,168
CROMWELL	172	205	64,219,463	504,027
DANBURY	708	695	231,552,851	1,915,311
DARIEN	170	310	473,346,676	4,658,079
DEEP RIVER	50	56	15,511,600	132,637
DERBY	135	93	18,618,526	160,076
DURHAM	88	71	18,705,251	143,019
EASTFORD	32	16	2,587,616	20,920
EAST GRANBY	75	60	17,466,751	139,476
EAST HADDAM	140	101	23,940,940	179,557
EAST HAMPTON	181	166	39,872,684	308,718
EAST HARTFORD	443	485	79,711,328	633,457

FY 2011-12 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
EAST HAVEN	309	260	\$ 65,846,914	\$ 533,084
EAST LYME	217	280	87,300,441	697,795
EASTON	93	82	50,816,597	400,269
EAST WINDSOR	123	133	42,861,514	371,689
ELLINGTON	152	156	40,965,768	307,352
ENFIELD	380	398	129,342,659	1,276,347
ESSEX	115	95	38,134,099	318,551
FAIRFIELD	536	709	530,429,092	4,799,572
FARMINGTON	355	415	146,209,543	1,192,744
FRANKLIN	24	15	3,736,300	33,847
GLASTONBURY	381	493	206,582,190	1,777,255
GOSHEN	68	62	20,377,450	164,168
GRANBY	114	120	32,751,309	246,185
GREENWICH	637	807	1,493,764,399	15,755,417
GRISWOLD	164	110	15,868,720	122,605
GROTON	364	346	85,788,648	688,704
GUILFORD	291	251	107,224,294	844,741
HADDAM	82	85	22,690,030	175,025
HAMDEN	486	569	124,419,244	1,007,634
HAMPTON	30	19	4,836,850	44,526
HARTFORD	669	622	225,306,376	2,307,732
HARTLAND	32	19	3,305,584	24,792
HARWINTON	102	59	13,279,175	100,494
HEBRON	108	113	28,195,140	224,914
KENT	41	49	18,075,024	151,910
KILLINGLY	211	180	25,373,490	201,526
KILLINGWORTH	60	66	19,363,853	148,404
LEBANON	107	72	12,245,277	91,840
LEDYARD	159	162	35,433,567	270,071
LISBON	38	46	7,607,074	57,053
LITCHFIELD	97	87	30,554,909	257,872
LYME	73	47	22,106,600	183,810
MADISON	228	216	103,982,867	829,464
MANCHESTER	464	499	115,215,740	1,013,329
MANSFIELD	173	177	43,944,353	336,645
MARLBOROUGH	70	82	25,568,013	196,385
MERIDEN	524	536	101,936,482	844,539
MIDDLEBURY	103	88	27,865,509	228,620
MIDDLEFIELD	45	48	10,557,544	81,607
MIDDLETOWN	405	439	108,485,652	851,548
MILFORD	543	603	186,734,050	1,494,788
MONROE	177	192	64,054,673	488,910
MONTVILLE	237	172	28,101,479	218,310

FY 2011-12 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
MORRIS	35	29	\$ 7,208,229	\$ 55,687
NAUGATUCK	359	289	40,660,098	313,526
NEW BRITAIN	565	472	75,671,364	663,595
NEW CANAAN	214	306	397,001,108	3,908,097
NEW FAIRFIELD	154	153	52,088,493	404,865
NEW HARTFORD	87	80	19,402,813	150,972
NEW HAVEN	999	732	172,979,160	1,454,204
NEWINGTON	297	320	68,344,786	548,242
NEW LONDON	190	214	33,335,214	273,329
NEW MILFORD	333	327	87,009,569	707,028
NEWTOWN	284	323	139,854,468	1,115,244
NORFOLK	36	30	10,786,858	97,901
NORTH BRANFORD	146	113	28,193,450	231,986
NORTH CANAAN	41	48	9,802,084	83,468
NORTH HAVEN	222	237	79,264,459	696,160
NORTH STONINGTON	76	73	15,678,242	122,339
NORWALK	606	780	400,412,479	3,537,667
NORWICH	422	284	69,142,751	663,523
OLD LYME	187	144	51,761,208	408,287
OLD SAYBROOK	221	225	83,595,657	676,991
ORANGE	124	134	54,071,125	444,424
OXFORD	142	146	51,651,453	395,261
PLAINFIELD	220	144	34,391,345	330,222
PLAINVILLE	194	180	109,997,856	1,217,477
PLYMOUTH	151	129	19,905,996	155,835
POMFRET	57	32	6,501,702	50,782
PORTLAND	122	111	24,253,193	192,536
PRESTON	66	59	8,808,487	67,089
PROSPECT	95	134	33,683,195	261,002
PUTNAM	89	113	16,423,469	132,426
REDDING	94	96	51,617,177	403,388
RIDGEFIELD	294	315	221,180,223	1,860,401
ROCKY HILL	174	234	73,960,477	642,365
ROXBURY	41	32	20,184,421	172,783
SALEM	60	69	15,966,133	119,746
SALISBURY	74	74	40,343,325	351,069
SCOTLAND	28	10	1,377,683	10,333
SEYMOUR	161	168	37,001,949	291,826
SHARON	73	60	30,274,622	263,661
SHELTON	348	405	180,895,846	1,611,254
SHERMAN	45	49	21,354,716	169,473
SIMSBURY	270	299	100,459,598	794,372
SOMERS	92	89	24,321,729	188,388

FY 2011-12 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
SOUTHBURY	225	313	\$ 73,285,100	\$ 581,041
SOUTHINGTON	502	520	149,476,402	1,244,315
SOUTH WINDSOR	276	314	88,172,369	687,357
SPRAGUE	28	19	2,680,213	22,252
STAFFORD	197	150	19,858,991	160,310
STAMFORD	884	1,158	715,372,644	5,882,405
STERLING	66	49	9,804,199	83,531
STONINGTON	328	253	101,501,988	896,819
STRATFORD	477	571	118,217,879	931,510
SUFFIELD	159	166	47,322,378	362,560
THOMASTON	95	65	12,342,241	103,560
THOMPSON	138	112	17,668,337	137,093
TOLLAND	147	164	47,038,318	360,405
TORRINGTON	407	330	50,382,972	424,445
TRUMBULL	299	377	165,190,970	1,375,306
UNION	16	12	2,547,500	19,361
VERNON	265	264	53,415,168	420,705
VOLUNTOWN	43	23	4,643,579	38,640
WALLINGFORD	382	497	122,304,856	960,374
WARREN	36	20	10,411,839	88,280
WASHINGTON	74	63	37,851,810	338,009
WATERBURY	1,169	957	106,574,001	891,347
WATERFORD	271	277	80,174,451	713,428
WATERTOWN	227	238	54,835,544	459,084
WESTBROOK	247	165	36,942,302	295,518
WEST HARTFORD	604	839	290,560,614	2,336,268
WEST HAVEN	444	430	80,604,218	695,027
WESTON	114	113	86,417,817	726,809
WESTPORT	366	449	573,556,516	5,653,474
WETHERSFIELD	279	309	75,761,433	605,166
WILLINGTON	60	49	23,774,855	178,311
WILTON	147	226	195,273,453	1,730,275
WINCHESTER	143	101	34,158,200	355,987
WINDHAM	162	163	36,270,537	285,557
WINDSOR	259	272	57,861,999	467,990
WINDSOR LOCKS	128	142	23,218,147	182,740
WOLCOTT	159	143	30,222,707	243,075
WOODBIDGE	108	129	54,164,582	425,218
WOODBURY	120	100	30,400,097	234,232
WOODSTOCK	94	115	26,317,300	199,630
TOWN UNKNOWN	70	83	27,974,509	243,497
TOTAL	35,951	36,384	\$13,624,513,832	\$119,354,168

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.

Penalties for late electronic funds transfer (EFT) payments are:

- 2% of the tax due for EFT payments not more than 5 days late;*
- 5% for EFT payments more than 5 days but not more than 15 days late; and*
- 10% for EFT payments more than 15 days late.*

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 returns 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.

Penalty and Interest Revenue By Tax Source

Tax Type		FY 2009-10	FY 2010-11	FY 2011-12
Corporation	Penalty	\$ 3,467,103	\$ 3,035,865	\$ 3,343,423
	Interest	48,071,103	26,274,538	30,202,299
Income Tax	Penalty	18,165,377	14,683,236	18,234,937
	Interest	45,340,145	34,224,723	52,174,410
Sales & Use	Penalty	14,187,221	13,363,184	14,585,942
	Interest	31,311,751	23,524,294	29,732,450
All Other Taxes	Penalty	5,681,789	5,178,720	4,081,914
	Interest	9,853,117	9,274,858	7,587,771
Total	Penalty	41,501,490	36,261,004	40,246,216
	Interest	134,576,116	93,298,414	119,696,930

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 45,221 external offsets in Fiscal Year 2011-12, totaling \$19,000,352. This is an increase over the 38,032 external offsets in Fiscal Year 2010-11, which totaled \$10,993,372.

AMOUNT OF TAXES REFUNDED			
	FY 2009-10	FY 2010-11	FY 2011-12
Admissions & Dues	\$ 43,432	\$ 56,203	\$ 25,548
Bottle Deposit	0	0	117,381
Business Entity	1,007,326	1,875,177	781,721
Business Use	181,455	2,866,676	432,709
Cigarette	955,168	396,368	2,143,257
Community Antenna	1,408	0	10,149,265
Connecticut Estate Tax	72,311	137,463	7,989
Controlling Interest	185,689	309,699	936,266
Corporation Business	148,905,977	110,562,608	85,322,616
Corp. R&D Credit Buyback	8,936,648	8,598,487	3,562,557
Domestic Insurers	858,434	1,194,745	1,410,015
Electric and Power	0	218,326	86,258
Foreign Insurers	10,403,870	11,951,316	17,389,158
Gas Companies	66,671	45,552	40,013
Gasoline	5,015,045	5,390,202	4,238,212
Gift Tax	112	98,278	11,894
Gift & Estate	9,499,886	10,100,853	17,145,556
Health Care Centers	375,708	7,807,900	3,048,793
Income Tax	817,008,193	777,173,081	938,202,610
Motor Carrier	1,835,542	1,014,547	1,333,189
Nursing Home User Fee	389,753	494,116	202,392
Occupational	63,585	76,538	107,513
PEG Account	134,448	133,387	37,754
Petroleum Products	11,001,714	4,570,977	4,704,476
Real Estate Conveyance	1,466,050	1,153,748	1,792,408
Room Occupancy	123,851	115,892	423,063
Sales & Use Taxes	57,419,527	21,134,130	20,320,131
Special Fuel	464,387	362,617	1,434,694
Succession Tax	60,683	3,577	9,346
Tobacco Distributor	843,915	3,153,315	20,440
Tourism Tax	923	1,226	44,766
Unauthorized Insurance	7,504	73,140	20,701
Unrelated Business Income	341,332	286,620	249,590
Miscellaneous	14,580	3,953	6,725
Total	\$ 1,077,685,127	\$971,360,717	\$1,115,759,005

NATIONWIDE COMPARISON OF TAX RATES

(Connecticut Effective as of 7/1/12, Other States Effective as of 1/1/12)

STATE	CORPORATION TAX RATES (%)	SALES AND USE TAX RATES (%)	GASOLINE TAX RATES (¢ PER GAL)	CIGARETTE TAX RATE (¢ PER PACK)
Alabama	6.5	4.0	18.0	42.5
Alaska	1.0 - 9.4	None	8.0	200.0
Arizona	6.968	6.6	19.0	200.0
Arkansas	1.0 - 6.5	6.0	21.8	115.0
California	8.84	7.25	41.2	87.0
Colorado	4.63	2.9	22.0	84.0
Connecticut	7.5	6.35	25.0	340.0
Delaware	8.7	None	23.0	160.0
Florida	5.5	6.0	16.6	133.9
Georgia	6.0	4.0	20.4	37.0
Hawaii	4.4 - 6.4	4.0	17.0	320.0
Idaho	7.6	6.0	26.0	57.0
Illinois	9.5	6.25	20.1	98.0
Indiana	8.5	7.0	18.0	99.5
Iowa	6.0 - 12.0	6.0	22.0	136.0
Kansas	4.0	6.3	24.0	79.0
Kentucky	4.0 - 6.0	6.0	27.8	60.0
Louisiana	4.0 - 8.0	4.0	20.125	36.0
Maine	3.5 - 8.93	5.0	30.0	200.0
Maryland	8.25	6.0	23.5	200.0
Massachusetts	8.0	6.25	21.0	251.0
Michigan	6.0	6.0	19.0	200.0
Minnesota	9.8	6.875	28.1	123.0
Mississippi	3.0 - 5.0	7.0	18.4	68.0
Missouri	6.25	4.225	17.3	17.0
Montana	6.75	None	27.0	170.0
Nebraska	5.58 - 7.81	5.5	27.6	64.0
Nevada	None	6.85	23.805	80.0
New Hampshire	8.5	None	19.625	168.0
New Jersey	9.0	7.0	14.50	270.0
New Mexico	4.8 - 7.6	5.125	18.875	166.0
New York	7.1	4.0	25.8	435.0
North Carolina	6.9	4.75	39.15	45.0
North Dakota	1.7 - 5.2	5.0	23.0	44.0
Ohio	N/A	5.5	28.0	125.0
Oklahoma	6.0	4.5	17.0	103.0
Oregon	6.6 - 7.6	None	30.0	118.0
Pennsylvania	9.99	6.0	31.2	160.0
Rhode Island	9.0	7.0	33.0	346.0
South Carolina	5.0	6.0	16.75	57.0
South Dakota	None	4.0	24.0	153.0
Tennessee	6.5	7.0	21.4	62.0
Texas	N/A	6.25	20.0	141.0
Utah	5.0	4.7	24.5	170.0
Vermont	6.0 - 8.5	6.0	26.13	262.0
Virginia	6.0	4.0	17.5	30.0
Washington	None	6.5	37.5	302.5
West Virginia	7.5	6.0	33.4	55.0
Wisconsin	7.9	5.0	32.9	252.0
Wyoming	None	4.0	14.0	60.0

**DEPARTMENT OF REVENUE SERVICES
FY 2011-12 ANNUAL REPORT**

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