

FISCAL YEAR 2015-2016 ANNUAL REPORT



STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES

Dannel P. Malloy
Governor

Kevin B. Sullivan
Commissioner



A MESSAGE FROM THE COMMISSIONER

I am pleased to present our Annual Report. DRS continues to work with Governor Malloy to restore fiscal stability, encourage economic growth and make state government leaner, smarter and more responsive.

Actual state revenue collection improved over the prior year, but DRS is always challenged to do even better in closing the “tax gap” between what is due and what is paid. This past year, we improved tax collection and agency productivity while cutting agency costs.

DRS continued to ramp up our efforts to protect taxpayers and fight tax fraud. The agency has been much more active and visible in reaching out to taxpayers with better and more accessible information and assistance. We launched a major reform of Connecticut’s tax laws to be fairer to businesses that are based in our state. DRS also became even more engaged in developing in state economic and fiscal policy.

This Annual Report offers an overview of our activities and summary statistical data for the taxes we administer. More information is available through our website at www.ct.gov/drs and our Research Unit at drs.taxresearch@po.state.ct.us.

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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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 2016 GENERAL ASSEMBLY REGULAR & SPECIAL SESSIONS

ADMISSIONS TAX

Public Act 16-3, May Special Session

- Exempts Dunkin' Donuts Park in Hartford from the admissions tax effective June 2, 2016;
- Exempts a member team of the Atlantic League of Professional Baseball at the New Britain Stadium effective July 1, 2017;
- Allows municipalities to impose a 5% local option admissions tax on certain events effective June 2, 2016; and
- Allows for a local option admissions tax of up to 10% at events held at Dunkin' Donuts Park in Hartford effective June 2, 2016.

CORPORATION BUSINESS TAX

Public Act 16-3, May Special Session

- Authorizes the Department of Economic and Community Development (DECD) to establish up to ten Knowledge Center Enterprise Zones. Businesses located within these designated zones will be entitled to the same benefits as businesses

located within enterprise zones; and

- For net income apportionment purposes, most corporations (other than corporations subject to industry-specific sourcing rules) are required to source receipts from the sales of services and intangible property on a market basis. Effective for income years beginning on or after January 1, 2016.

Special Act 16-21

Requires DECD to develop recommendations to allow for the exchange of unused research and development tax credits for businesses that meet certain job and business expansion requirements. DECD must report to the Finance Committee no later than January 1, 2017.

AMBULATORY SURGICAL CENTERS TAX

Public Act 16-3, May Special Session

Requires the Office of Policy and Management, in consultation with the Departments of Revenue Services and Social Services, to conduct a study of ambulatory surgical centers.

ESTATE AND GIFT TAX

Public Act 16-3, May Special Session

This bill allows for a reduction in the estate tax for decedents that make qualifying investments through Connecticut Innovations (CI) investment program for state residents. Decedents qualify for the deduction for amounts they invested for at least ten years in a private investment fund through the CI program. The estate tax reduction is equal to half of the eligible investment, up to \$5 million per decedent. The aggregate amount of deductions is capped at \$30 million. Applicable to estates of decedents who die on or after January 1, 2021.

MISCELLANEOUS TAXES

Public Act 16-32

Expands the type of information that must be included in an agency's regulatory flexibility analysis regarding the impact of regulations on small businesses. Effective October 1, 2016.

Public Act 16-212

Expands the powers of the Connecticut Green Bank, including the ability to form one or more subsidiaries.

Public Act 16-3, May Special Session

- Extends the sunset on the First Five Plus program by three years from June 30, 2016 until June 30, 2019, expands the number of projects eligible for the program, from 15 to 20 projects, and

expands the types of projects eligible for the program;

- Expands the membership of the Commission on Economic Competitiveness to include the chairs and ranking members of the Finance, Revenue and Bonding and Commerce Committees and several new appointees;
- Establishes the Connecticut 500 Project with the goal of creating 500,000 jobs over the next 25 years;
- Specifies that DRS is to make reasonable efforts to facilitate the issuance of tax warrants on payment settlement entities;
- Delays the due date for the DRS incidence report from February 15, 2017 to February 15, 2018 and biennially thereafter; and
- Prohibits the renewal of a sales tax permit, tobacco license, or cigarette license for taxpayers that have any outstanding unfiled returns.

PERSONAL INCOME TAX

Public Act 16-3, May Special Session

- Extends the Angel Investor Tax Credit for three years from July 1, 2016 to June 30, 2019. In addition, it allows for the assignment, transfer, or sale of angel investor tax credits. Effective for taxable years commencing on or after January 1, 2016; and

- For apportionment purposes, a business, trade, profession or occupation carried on in Connecticut and outside of Connecticut must apportion its income using a single factor gross income percentage. To calculate the single factor gross income percentage, these multistate businesses are required to source receipts from the sales of services and intangible property on a market basis. Effective for income years commencing on or after January 1, 2017.

REAL ESTATE CONVEYANCE TAX

Public Act 16-7

Eliminates the requirement that the Department of Revenue Services receive notice of a hearing due to the conveyance of property through an out-of-state will.

Public Act 16-65

Exempts deeds made pursuant to a judgement of loss mitigation from the real estate conveyance tax. Effective October 1, 2016.

SALES AND USE TAXES

Public Act 16-72 & Public Act 16-3, May Special Session

This bill exempts non-metered motor vehicle parking in municipally-owned parking lots with 30 or more spaces and seasonal lots with 30 or more spaces operated by federal, state, or political subdivisions. Effective from passage (May 27, 2016) for sales made on or after said date.

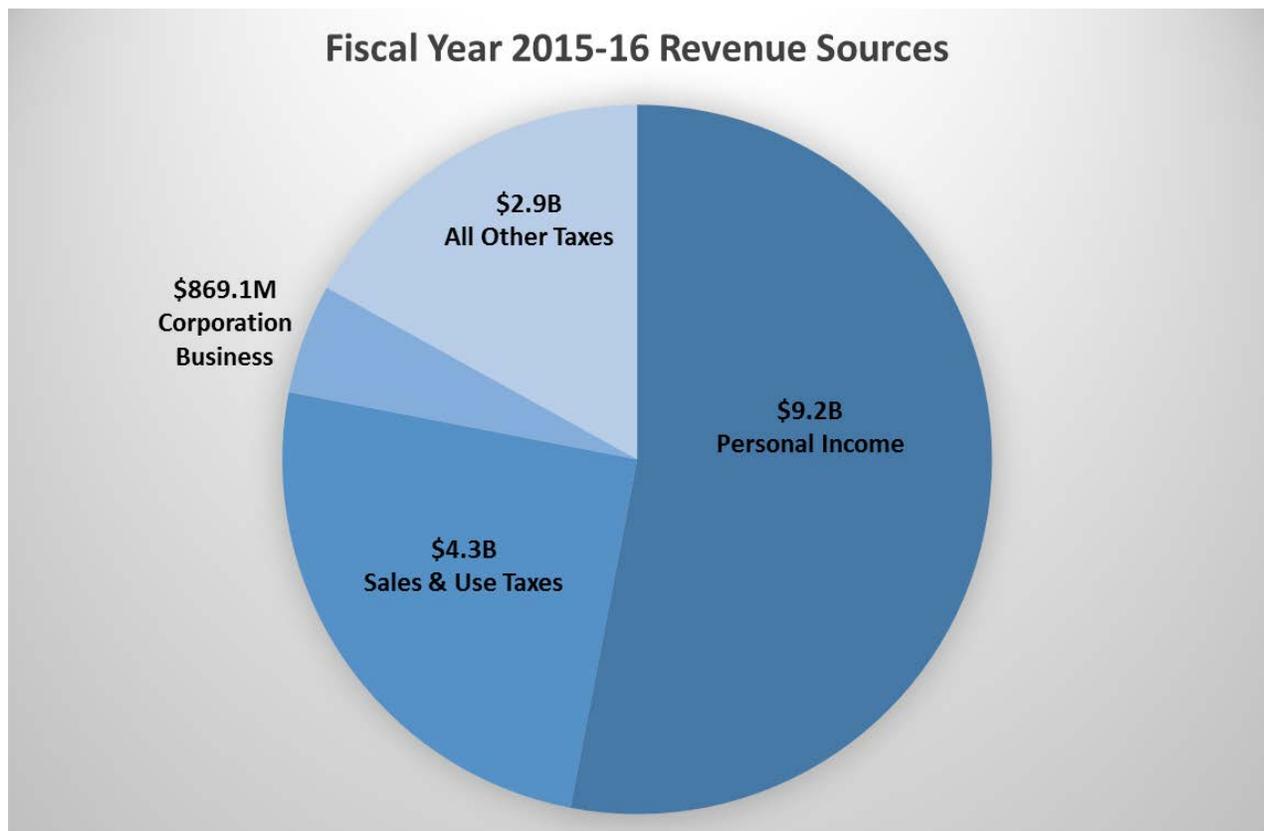
Public Act 16-3, May Special Session

Exempts feminine hygiene products and disposable and reusable diapers from the sales tax. Effective for sales occurring on or after July 1, 2018.

CONNECTICUT TAXES

The Department collected \$17.3 billion in state taxes for fiscal year 2015-16.

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



State Revenue Sources

Tax Type & Citation	FY 2013-2014	FY 2014-2015	FY 2015-2016
Admissions & Dues Tax <i>Ch. 225</i>	\$39,739,857	\$38,606,444	\$39,330,813
Alcoholic Beverages Tax <i>Ch. 220</i>	60,685,777	61,611,937	63,113,361
Ambulatory Surgical Centers <i>Ch. 221a</i>	0	0	10,377,388
Beverage Container Deposits <i>Ch. 446d</i>	27,384,746	30,599,746	33,530,941
Business Entity Tax <i>Ch. 213a</i>	9,011,496	43,917,190	6,638,031
Cable, Satellite & Video Companies Tax <i>Ch. 211</i>	63,574,938	73,925,969	70,795,676
Cigarette Tax <i>Ch. 214</i>	364,655,595	348,169,977	361,578,691
Connecticut Estate Tax <i>Ch. 217 (repealed)</i>	154,134	0	43,046
Controlled Substances Tax <i>Ch. 228d</i>	37,921	50,978	27,815
Controlling Interest Transfer Tax <i>Ch. 228b</i>	8,310,899	9,058,982	13,877,263
Corporation Business Tax <i>Ch. 208 & 209</i>	768,501,652	766,105,922	869,053,285
Dry Cleaning Surcharge <i>Ch. 211b</i>	654,782	833,935	774,744
Electric Distribution Companies <i>Ch. 212</i>	171,536,153	144,615,302	157,147,427
Electric Generators Tax <i>Ch. 212b (repealed)</i>	15,315,188	7,269	87,673
Estate and Gift Tax <i>Ch. 217 & 228c</i>	169,635,635	176,763,127	221,821,138
Gas Companies <i>Ch. 212</i>	60,553,567	61,278,960	66,811,800
Gasoline Motor Vehicle Fuels Tax <i>Ch. 221</i>	355,677,079	361,445,078	373,196,137
Gift Tax <i>Ch. 228c (repealed)</i>	(219,586)	258,477	336,697
Health Care Centers Tax <i>Ch. 207</i>	8,476,434	6,304,926	2,354,633
Hospitals Tax <i>Ch. 211a</i>	321,208,807	300,060,728	537,955,538
Income Tax <i>Ch. 229</i>	8,721,296,135	9,148,678,853	9,181,708,938
Insurance Premiums Tax, Domestic <i>Ch. 207</i>	52,511,626	44,052,248	42,234,573
Insurance Premiums Tax, Foreign <i>Ch. 207</i>	155,690,959	143,708,618	167,912,010
Insurance: Nonadmitted/Unauthorized <i>Ch. 698d</i>	5,066,139	6,354,243	6,113,202
Intermediate Care Facility User Fee <i>Ch. 319y</i>	9,347,809	8,774,012	8,350,476
Motor Carrier Road Tax <i>Ch. 222</i>	19,565,965	19,322,938	16,909,309
Nursing Home User Fee <i>Ch. 319x</i>	149,569,948	146,173,499	145,049,484
Occupational Tax <i>Ch. 876</i>	8,655,040	9,407,881	7,491,394
Petroleum Products Gross Earnings Tax <i>Ch. 227</i>	416,109,657	337,903,492	250,170,373
Prepaid Wireless E-9-1-1 Fee <i>Ch. 518b</i>	1,965,399	1,979,765	1,658,219
Public, Educational & Gov. Programming Tax <i>Ch. 289</i>	4,168,579	3,034,630	3,676,706
Railroad Companies Tax <i>Ch. 210</i>	138,565	212,580	338,427
Real Estate Conveyance Tax <i>Ch. 223</i>	172,196,438	176,896,115	182,620,666
Rental Surcharge <i>Ch. 228h</i>	274,934	237,191	407,484
Sales and Use Taxes <i>Ch. 219</i>	4,107,784,578	4,217,708,383	4,335,567,554
Solid Waste Tax <i>Ch. 446d</i>	3,459,416	3,454,245	3,100,569
Special Fuel Tax <i>Ch. 221</i>	133,074,125	136,096,381	128,403,162
Succession Tax <i>Ch. 216 (repealed)</i>	843,453	301,174	335,254
Tobacco Products Tax <i>Ch. 214a</i>	12,446,636	10,883,016	12,255,744
Tourism Surcharge <i>Ch. 228e</i>	4,997,092	5,232,982	5,338,305
Unrelated Business Income Tax <i>Ch. 208a</i>	4,707,536	4,715,550	4,593,450
Total	\$16,428,765,101	\$16,848,742,742	\$17,333,087,396

ADMISSIONS AND DUES TAX

Revenue	
FY 2015-16	\$39,330,813
2014-15	38,606,444
2013-14	39,739,857

Exemptions:

Admissions

- under \$1
- Non-profit organizations
- Motion pictures at not more than \$5.00
- Live performances at non-profit theaters or playhouses, Gateway's Candlewood Playhouse, and Ocean Beach Park
- Sporting or athletic activities in which patrons participate
- Carnival or amusement rides
- Cabarets
- Interscholastic athletic events held at Rentschler Field
- Events at the XL Center in Hartford
- Events at the Webster Bank Arena in Bridgeport
- Athletic events at the Ballpark at Harbor Yard in Bridgeport presented by an Atlantic League team from July 1, 2015 to June 30, 2017
- Any event at the Dunkin' Donuts Park in Hartford, effective June 2, 2016
- Any athletic event presented by a member team of the Atlantic League of Professional Baseball at the New Britain Stadium, effective July 1, 2017.

Dues:

- \$100 or less;
- Lawn Bowling Clubs
- Locker Rental Fees
- Additional charges used to acquire open space land
- Charitable, religious, governmental or non-profit educational institution
- Society, order or association operating under the lodge system or local fraternal organizations among students of a college or university

Number of Taxpayers / Filing Frequency

565 taxpayers / Monthly

Admissions 373 taxpayers
Dues 304 taxpayers

Note: 112 taxpayers collect both taxes

ADMISSIONS AND DUES TAX (cont.)

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 2013-14	FY 2014-15	FY 2015-16
Motion Picture Admissions	\$5,428,268	\$5,246,035	\$5,596,331
Other Admissions	10,468,040	8,413,330	8,632,451
Dues	23,843,549	24,947,079	25,102,031
Total	\$39,739,857	\$38,606,444	\$39,330,813

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.

<u>Revenue</u>	
FY 2015-16	\$63,113,361
2014-15	61,611,937
2013-14	60,685,777

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

675 distributors/ Monthly

Basis and Rate

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

Comparison of Gallonage

TYPE	FY 2013-14 (gallons)	FY 2014-15 (gallons)	FY 2015-16 (gallons)
Beer - barrels	205,788	211,540	216,272
Beer - gallons	50,236,606	49,714,527	50,627,280
Still Wine	13,443,147	13,370,257	13,500,987
Small Wineries	218,393	229,331	271,329
Sparkling Wine	547,852	586,406	657,989
Distilled Liquor	6,611,609	6,773,312	7,069,342
Liquor Cooler	10,394	9,902	13,248
Alcohol	70,706	68,298	66,142

AMBULATORY SURGICAL CENTER TAX

A tax is imposed on the gross receipts of each ambulatory surgical center for each calendar quarter commencing on or after October 1, 2015. Gross receipts do not include net patient revenue of a hospital that is subject to the Hospitals Tax.

Revenue	
FY 2015-16	\$10,377,388

Basis and Rate

6%

Number of Taxpayers/Filing Frequency

43/Quarterly

Credit Limitation

There is a limit on the amount of tax liability ambulatory surgical centers may reduce through the use of the Urban and Industrial Site Reinvestment (USIR) tax credit as follows:

For Calendar Quarters Commencing	Limit
October 1, 2015	50.01%
January 1, 2016	55%
January 1, 2017	60%
January 1, 2018	65%
January 1, 2019 and after	70%

No credits were claimed in fiscal year 2015-16.

BEVERAGE CONTAINER DEPOSITS

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

Revenue	
FY 2015-16	\$33,530,941
2014-15	30,599,746
2013-14	27,384,746

Exemption

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

Number of Taxpayers/Filing Frequency

101 Entities/Quarterly

BUSINESS ENTITY TAX

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

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

Revenue	
FY 2015-16	\$ 6,638,031
2014-15	43,917,190
2013-14	9,011,496

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

165,700 Entities/Biennially*

* Effective for taxable years commencing on or after January 1, 2013, this tax is payable every other year. Tax returns for a biennial period that began January 1, 2013 and ended December 31, 2014 were due on April 15, 2015.

Basis and Rate

\$250 per biennial period.

CIGARETTE TAX

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

Revenue	
FY 2015-16	\$361,578,691
2014-15	348,169,977
2013-14	364,655,595

Exemption

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

Number of Taxpayers/ Filing Frequency

34 taxpayers/ Monthly

Basis and Rate

Effective Date	Rate
Prior to 10/1/15	170 mills per cigarette or \$3.40 per pack of twenty
10/1/15 - 6/30/16	182.5 mills per cigarette or \$3.65 per pack of twenty
7/1/16 and after	195 mills per cigarette or \$3.90 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 2015-16	\$27,815
2014-15	50,978
2013-14	37,921

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 2015-16	\$ 13,877,263
2014-15	9,058,982
2013-14	8,310,899

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.
74 transfers in FY 2015-16

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 2015-16	\$869,053,285
2014-15	766,105,922
2013-14	768,501,652

Basis and Rate

Net Income Base Method

The method under which most Corporation Business Tax revenue is derived is the Net Income Base. Corporations compute their Connecticut Net Income by starting with Federal Taxable Income and then applying the adjustments allowed or required by Connecticut law to the federal taxable income of the corporation.

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

- Exempt interest income
- State and local income taxes
- Royalties or interest paid to a related member
- Bonus depreciation
- Domestic Production Activities deduction.

Certain other deductions are then allowed, such as:

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

Beginning in income year 2016, companies that conduct business in multiple states are allowed to apportion their net income based upon the percentage of their sales made in Connecticut. Prior to income year 2016, most businesses were required to also include the percentage of their Connecticut property and payroll in the apportionment calculation. Special single-factor apportionment rules are provided for certain industries such as financial service companies, manufacturers and broadcasters.

CORPORATION BUSINESS TAX (cont.)

Beginning in income year 2016, market-based sourcing rules consider sales of services and most intangible property to be made where the customer is located. Prior to income year 2016, sales of services and most intangible property were considered to be made at the location of the seller.

Apportioned net operating losses incurred for income years beginning on or after January 1, 2000, may be carried forward for 20 successive income years. Effective for income years beginning on or after January 1, 2015, a taxpayer's net operating loss (NOL) deduction may not exceed 50% of its net income.

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

Capital Base Method

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

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

Corporations are subject to tax on the greater of the Net Income Base method or the Capital Base method calculations.

Minimum Tax

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

CORPORATION BUSINESS TAX (cont.)

Surtax

For income years beginning between 2012 and 2017, corporations, except those paying the minimum tax of \$250, pay a surtax in an amount equal to 20% of the tax due before credits are applied. The surtax rate is reduced to 10% in income year 2018.

Companies whose gross income is less than \$100 million are exempt from the surtax unless they file as part of a combined or elective unitary return (through income year 2015) or as part of a combined unitary return after income year 2015.

The total amount of surtax reported on Income Year 2014 returns was \$85.7M.

Combined Returns

If a corporation is permitted to file a federal consolidated return, it may elect to 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.

Taxpayers may no longer file combined returns for income years beginning on or after January 1, 2016.

Preference Tax

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

The total tax due for income year 2014 combined filers had they filed separate single returns would have been \$507.1M. The preference tax due by these filers was \$34.2M. The total tax due before credits for combined filers was \$235.0M, including the \$34.2M in preference tax.

CORPORATION BUSINESS TAX (cont.)

Elective Unitary Returns

Elective 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.

Taxpayers may no longer file elective unitary returns for income years beginning on or after January 1, 2016.

Combined Unitary Reporting

Effective for income years beginning on or after January 1, 2016, commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the Corporation Business Tax, are required to file their Corporation Business Tax returns on a combined unitary basis. Taxpayers may no longer file combined returns or elective unitary returns for income years beginning on or after January 1, 2016.

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.

Filing Frequency

Annually with four estimated installments.

CORPORATION BUSINESS TAX (cont.)

Number of Taxpayers

2014 Corporation Business Tax Returns

	Number of Taxpayers	Tax Due Before Tax Credits	Tax Due After Tax Credits
Single Filers			
Net Income	8,527	\$296,302,071	\$251,200,940
Capital Base	4,573	36,565,784	27,548,966
Minimum Tax	22,735	5,686,504	5,685,979
Exempt	4,075	0	0
Combined Filers			
Net Income	291	178,507,485	120,037,177
Capital Base	274	42,384,710	24,805,391
Minimum Tax	439	14,107,478	8,449,591
Unitary Filers			
Net Income	130	92,092,432	67,282,032
Capital Base	54	7,414,032	4,974,217
Minimum Tax	96	316,500	316,500
Total	41,194	\$673,376,996	\$510,300,793

CORPORATION BUSINESS TAX (cont.)

2014 Corporation Business Tax Returns

Industry Sector	Number of Returns	Tax Due Before Credits	Tax Due After Credits
11 Agriculture, Forestry, Fishing and Hunting	144	\$ 629,365	\$ 541,817
21 Mining	42	603,516	567,838
22 Utilities	97	18,372,872	6,166,063
23 Construction	2,903	6,979,041	6,741,418
31-33 Manufacturing	3,876	169,693,174	118,796,120
42 Wholesale Trade	2,607	41,485,451	36,923,728
44-45 Retail Trade	3,368	58,312,643	47,945,124
48-49 Transporting and Warehousing	751	8,794,679	7,799,788
51 Information	1,000	40,545,734	22,167,080
52 Finance and Insurance	2,929	100,518,284	80,183,077
53 Real Estate and Rental and Leasing	3,813	15,688,108	15,421,582
54 Professional, Scientific and Tech Services	6,261	42,862,978	36,754,536
55 Management of Companies and Enterprises	981	49,539,648	35,775,183
56 Administrative and Support Services	1,294	30,504,684	13,963,593
61-62 Education, Health Care and Social Assistance	1,706	9,542,387	8,124,750
71 Arts, Entertainment, and Recreation	423	1,648,056	762,387
72 Accommodation and Food Services	950	3,649,644	3,476,131
81-92 Other Services	3,653	8,092,744	7,553,270
99 Not Yet Assigned	4,396	65,913,988	60,637,310
Total	41,194	\$673,376,996	\$510,300,793

CORPORATION BUSINESS TAX (cont.)

2014 Corporation Business Tax Returns

Tax Due Before Credits	Number of Returns	Tax Due Before Credits	Tax Due After Credits
Exempt	4,075	\$ 0	\$ 0
\$250 or less	22,736	5,685,729	5,685,729
\$251 to \$999	4,902	2,675,818	2,558,570
\$1000 to \$24,999	7,375	40,569,031	37,517,455
\$25,000 to \$49,999	691	24,711,385	22,238,457
\$50,000 to \$99,999	553	39,515,952	35,395,313
\$100,000 to \$249,999	426	65,779,334	57,135,938
\$250,000 to \$499,999	197	68,992,953	57,578,133
\$500,000 to \$999,999	131	89,665,576	70,083,337
\$1 million to \$2 million	65	85,011,888	66,445,393
\$2 million to \$5 million	28	84,419,094	67,209,099
\$5 million and over	15	166,350,235	88,453,370
Total	41,194	\$673,376,996	\$510,300,793

CORPORATION BUSINESS TAX CREDITS

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

Generally, the amount of tax credits allowable cannot exceed 50.01% of the amount of tax due or reduce the amount of tax to less than \$250. However, taxpayers may use Research and Development, Research and Experimental Expenditures, and Urban and Industrial Site Reinvestment tax credits that remain after the application of the 50.01% limitation, provided the total of all tax credits applied shall not exceed:

Income Years Beginning In	Limit
2016	55%
2017	60%
2018	65%
2019 and after	70%

Apprenticeship Training

Reference: Conn. Gen. Stat. §12-217g

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

Pass-through entities may also earn this tax credit for apprenticeships in manufacturing. Their credits may be sold, assigned or transferred in whole or part no more than 3 times and may be used to offset the Corporation Business Tax. Beginning in 2016, these credits may also be applied against the Utilities Companies and Petroleum Products Gross Earnings taxes.

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

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

CORPORATION BUSINESS TAX CREDITS (cont.)

Digital Animation Production

Reference: Conn. Gen. Stat. §12-217ll

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

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

Donation of Land

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

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

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

Electronic Data Processing Equipment

Reference: Conn. Gen. Stat. §12-217t

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

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

CORPORATION BUSINESS TAX CREDITS (cont.)

Enterprise Zone Credit for Qualifying Corporations

Reference: Conn. Gen. Stat. §12-217v

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

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

Film Production

Reference: Conn. Gen. Stat. §12-217jj

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

Credit vouchers may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred. Tax credit vouchers issued on or after July 1, 2015 may be claimed in the year the expenses were incurred or in the next five income years. 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.

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.)

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

Up to \$25 million in tax credits are 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.

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

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. Effective for income years that begin in 2015, the minimum amount of qualified rehabilitation expenditures is reduced to \$15,000.

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. Effective for income years that begin in 2015, this maximum is increased to \$50,000 for owners that are nonprofit corporations.

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

CORPORATION BUSINESS TAX CREDITS (cont.)

Historic Preservation

Reference: Conn. Gen. Stat. §10-416b

This tax credit is available to owners rehabilitating certified historic buildings that will have mixed residential and nonresidential uses. 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.

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

Historic Rehabilitation

Reference: Conn. Gen. Stat. §10-416c

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

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

Unused credits may be carried forward for five succeeding income years or may be sold, assigned or transferred in whole or part no more than 3 times.

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

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

Housing Program Contribution

Reference: Conn. Gen. Stat. §8-395

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

Human Capital Investments

Reference: Conn. Gen. Stat. §12-217x

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

CORPORATION BUSINESS TAX CREDITS (cont.)

Insurance Reinvestment Fund

Reference: Conn. Gen. Stat. §38a-88a

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

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

Job Expansion

Reference: Conn. Gen. Stat. §12-217pp

This tax credit program was established for taxpayers that hired 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 business had to 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.

CORPORATION BUSINESS TAX CREDITS (cont.)

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. as amended by 2015 Conn. Pub. Acts 5 (June Spec. Sess.)

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. Effective with the 2017 program year, this cap increases from \$5 million to \$10 million.

New Jobs Creation

Reference: Conn. Gen. Stat. §12-217ii

The tax credit was 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.

CORPORATION BUSINESS TAX CREDITS (cont.)

Research and Development Expenditures

Reference: Conn. Gen. Stat. §12-217n

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

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

Research and Experimental Expenditures

Reference: Conn. Gen. Stat. §12-217j

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

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

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.

CORPORATION BUSINESS TAX CREDITS (cont.)

Small Business Guaranty Fee

Reference: Conn. Gen. Stat. §12-217cc

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

Traffic Reduction Programs

Reference: Conn. Gen. Stat. §12-217s

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

Urban and Industrial Site Reinvestment

Reference: Conn. Gen. Stat. §32-9t

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

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the number 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 2014 returns and any credits carried forward from prior years and used in 2014.

Tax Credits Claimed on 2014 Corporation Business Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	15	\$ 146,231
Digital Animation	3	980,575
Donation of Land	5	291,732
Electronic Data Processing	1,104	14,111,210
Film Production	26	30,516,128
Film Production Infrastructure	4	10,416,666
Fixed Capital Investments	1,643	46,938,438
Green Buildings	1	3,974,962
Historic Homes Rehabilitation	2	33,192
Historic Preservation	1	90,268
Housing Program Contribution	2	4,656
Human Capital Investments	103	2,807,819
Insurance Reinvestment	1	1,400,003
Job Expansion	26	4,696,489
Machinery and Equipment	60	1,208,719
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	20	1,242,261
Neighborhood Assistance	68	2,457,834
New Jobs Creation	2	26,915
Research & Development Expenditures	162	8,419,918
Research & Experimental Expenditures	184	24,514,339
SBA Guaranty Fee	2	2,453
Urban and Industrial Site Reinvestment	11	8,795,394
Total	3,445	\$163,076,202

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the unused credit amounts reported on 2014 corporation business tax returns as being carried forward to the 2015 income year.

Credits Carried Forward to 2015 Income Year

Type of Credit	Carryforward Amount
Donation of Land	\$ 2,343,119
Electronic Data Processing	82,188,678
Fixed Capital Investments	300,909,538
Historic Homes	11,512,802
Historic Preservation	2,377,247
Housing Program Contribution	4
Human Capital Investments	6,024,057
Research & Development *	1,786,267,915
Research & Experimental Expenditures	569,280,605
SBA Guaranty Fee	177,267
Urban and Industrial Site Reinvestment	5,447,502
Total Carryforward Credits	\$2,766,528,734

* Revised March 31, 2017

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.

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

Revenue	
FY 2015-16	\$774,744
2014-15	833,935
2013-14	654,782

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

491 taxpayers/Quarterly

ESTATE AND GIFT TAX

Resident and nonresident estates of decedents are liable for the Connecticut Estate Tax on the amount of the Connecticut taxable estate that exceeds \$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.

The maximum amount of gift and estate tax that will be paid by donors or the estates of residents and non-residents who die on or after January 1, 2016 is capped at \$20 million. The \$20 million cap is reduced by the amount of any gift taxes paid on taxable gifts made by the decedent, the decedent’s estate, or the decedent’s spouse on or after January 1, 2016.

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.

“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. The maximum amount of gift tax payable on taxable gifts donors make on or after January 1, 2016 is capped at \$20 million.

Revenue	
FY 2015-16	\$221,821,138
2014-15	176,763,127
2013-14	169,635,635

ESTATE AND GIFT 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 Estate and Gift 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 2015-16, total Estate and Gift Tax revenue collected was \$221,821,138. Much of this revenue is attributable to prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during Fiscal Year 2015-16 follows.

ESTATE AND GIFT TAX (cont.)

ESTATE AND GIFT TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2015-16

Amount of Taxable Estate		# of Returns	Tax Due	Tax Due After Credits *
More Than	Not Over			
\$2 Million	\$3 Million	273	\$ 8,647,482	\$ 7,782,996
\$3 Million	\$4 Million	106	11,023,276	10,042,731
\$4 Million	\$5 Million	79	14,838,955	12,754,316
\$5 Million	\$6 Million	56	14,787,178	10,873,543
\$6 Million	\$7 Million	24	8,684,523	6,472,947
\$7 Million	\$ 8 Million	14	6,330,024	5,588,481
\$ 8 Million	\$10 Million	17	10,436,958	8,696,369
\$ 10 Million	\$15 Million	20	21,454,736	17,489,985
\$15 Million	\$25 Million	16	27,664,823	17,362,812
\$25 Million		18	151,391,236	59,813,671
Total		623	\$275,259,191	\$156,877,853

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

For Fiscal Year 2015-16, an additional amount of the estate and gift tax was attributable to gift tax returns filed by non-decedents. A breakdown of calendar year 2015 returns is shown below.

ESTATE AND GIFT TAX RETURNS 2015 GIFT TAX ONLY

Amount of 2015 Taxable Gifts		# of Returns	Tax Due
More Than	Not Over		
	\$2 Million	298	\$4,191,212
\$2 Million	\$3 Million	11	1,406,501
\$3 Million	\$4 Million	7	2,220,220
\$4 Million		6	2,336,799
Total		322	\$10,154,732

HOSPITALS 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 2015-16	\$537,955,538
2014-15	300,060,728
2013-14	321,208,807

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); and
- Financial hardship (outpatient services).

Basis and Rate

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

Number of Taxpayers/Filing Frequency

26 taxpayers/Quarterly

Credit Limitation / Urban and Industrial Site Reinvestment (UISR) Tax Credit

There is a limit on the amount of tax liability hospitals may reduce through the use of the UISR tax credit as follows:

For Calendar Quarters Commencing	Limit
July 1, 2015	50.01%
January 1, 2016	55%
January 1, 2017	60%
January 1, 2018	65%
January 1, 2019 and after	70%

A total of \$18,535,000 in UISR credits were applied against the Hospitals Tax in fiscal year 2015-16.

INCOME TAX

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

Revenue	
FY 2015-16	\$9,181,708,938
2014-15	\$9,148,678,853
2013-14	8,721,296,135

Number of Taxpayers/Filing Frequency

1.84 million taxpayers/ Annually

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

Basis and Rate

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

Effective for taxable years *prior* to January 1, 2015:

Filing Status	Rate and Basis
Single and Married Filing Separately	3% on the first \$10,000 of Connecticut Taxable Income 5% on the excess over \$10,000, but not over \$50,000 5.5% on the excess over \$50,000, but not over \$100,000 6% on the excess over \$100,000, but not over \$200,000 6.5% on the excess over \$200,000, but not over \$250,000 6.7% 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

INCOME TAX (cont.)

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

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

Exemptions

- \$14,500 for taxable years commencing on or after January 1, 2015 but prior to January 1, 2016. For taxpayers with Connecticut AGI in excess of \$29,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$43,000. For taxable years commencing on or after January 1, 2016, the exemption increases to \$15,000, and is phased out at \$44,000;
- \$12,000 for married persons filing separately and filing separately for Connecticut only. For taxpayers with Connecticut AGI in excess of \$24,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$35,000;
- \$19,000 for heads of household. For taxpayers with a Connecticut AGI in excess of \$38,000, the exemption decreases by \$1,000 for each additional \$1,000 of Connecticut AGI. There is no exemption if the taxpayer earns more than \$56,000; and
- \$24,000 for married persons filing jointly, filing jointly for Connecticut only, or qualifying widow(er) with dependent child. The exemption for joint filers decreases by \$1,000, for taxpayers whose Connecticut AGI exceeds \$48,000, for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$71,000.

INCOME TAX (cont.)

Benefit Recapture

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

The recapture provision starting point is:

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

The recapture amount is

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

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;
- 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

INCOME TAX (cont.)

household filers whose federal adjusted gross income for the taxable year is less than \$60,000;

- Fifty percent of federally taxable military retirement pay received from the United States government for a retired member of the Armed Forces of the United States as defined in Section 101 of Title 10 of the U.S. Code or the National Guard, as defined in Section 101 of Title 10 of the U.S. Code;
- Connecticut Higher Education Trust (CHET) contributions of up to \$5,000 for each individual taxpayer whose filing status is single, head of household, married filing separately or civil union filing separately or up to \$10,000 for individuals whose filing status is married filing jointly, civil union filing jointly or qualifying widow(er) with dependent child; and
- Effective for taxable years commencing on or after January 1, 2016, 25% of the pension payments received from the Connecticut teacher's retirement system, provided it was properly included in federal adjusted gross income for federal income tax purposes. For taxable years commencing on or after January 1, 2017, the subtraction modification increases to 50% of pension payments.

Withholding Requirement

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

Estimated Tax Payments

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

Connecticut Alternative Minimum Tax

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

Tax 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, 2016, the maximum credit is reduced from \$300 to \$200 per return. The credit cannot exceed the amount of qualifying property taxes paid or income tax liability.

INCOME TAX (cont.)

Credit for Income Taxes Paid to Qualifying Jurisdictions

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

Connecticut Earned Income Tax Credit

A Connecticut resident taxpayer may claim an earned income tax credit (CT EITC) against the Connecticut income tax due for the taxable year. The amount of the CT EITC for 2011 and 2012 was 30% of the federal earned income credit claimed and allowed. For the 2013 tax year, the EITC credit is reduced from 30% to 25% of the amount of federal EITC claimed. For the 2014-2016 taxable years the EITC rate is 27.5%. If the CT EITC exceeds the taxpayer's Connecticut income tax liability, the excess is considered an overpayment and will be refunded without interest.

Earned Income Tax Credit		
Year	Number of Credits	Amount of Credit
2011	181,620	\$109,194,583
2012	187,043	\$112,153,814
2013	191,760	\$96,303,193
2014	193,052	\$107,515,761
2015	194,115	\$108,359,437

Angel Investor Tax Credit

Provides a credit for a cash investment of not less than \$25,000 in the qualified securities of a Connecticut business by an angel investor. The credit is equal to 25% of such investor's cash investment provided the total tax credits allowed to any one investor shall not exceed \$250,000 and shall be claimed in the taxable year in which the cash investment was made.

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

The angel investor must apply to Connecticut Innovations, Inc. to reserve a tax credit. The angel investor must choose from a list of Connecticut businesses that Connecticut Innovations Inc. has determined are qualified to receive cash investments eligible for

INCOME TAX (cont.)

the angel investor tax credit. Tax credits cannot be reserved for any investments made on or after July 1, 2019.

Additionally, effective for taxable years commencing on or after January 1, 2016, angel investor credits may be assigned, transferred, or sold

Credit for Prior Year Connecticut Minimum Tax for Individuals

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

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

Job Expansion Tax (JET) Credit

Reference: Conn. Gen. Stat. §12-217pp

The JET credit was for hiring new employees who reside in Connecticut to fill new jobs after January 1, 2012 but before January 1, 2014. 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. Application was made through the Department of Economic and Community Development. A taxpayer could claim the credit in the income year the credit was earned and the next two income years. The last year to claim the JET credit is 2015, for employees hired in 2013.

The JET credit replaced the **Qualified Small Business Job Creation** and the **Vocational Rehabilitation Job Creation** Tax Credit Programs. The Vocation Rehabilitation Job Creation tax credit could only been claimed through the 2013 income year and the Qualified Small Business Job Creation Tax credit could only been claimed for income years 2012 through 2014.

Insurance Reinvestment Fund

The insurance reinvestment fund credit is no longer available to individuals under the personal income tax. The new **Second Insurance Reinvestment Fund Tax Credit** replaces the original credit and is only available against insurance premiums taxes. Any credits previously earned under the old insurance reinvestment act are able to be used until they expire.

INCOME TAX (cont.)

Personal Income Tax Credits

2013		
Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	140	\$1,740,311
Insurance Reinvestment Fund	9	536,143
Prior Year CT Minimum Tax	603	1,406,397
Qualified Small Business Job Creation	89	532,821
Job Expansion Tax Credit	484	5,261,968
Total	1,325	\$9,477,640

2014		
Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	151	\$2,021,836
Insurance Reinvestment Fund	14	256,268
Prior Year CT Minimum Tax	427	871,406
Qualified Small Business Job Creation	55	186,042
Job Expansion Tax Credit	392	5,517,373
Total	1,039	\$8,852,925

INSURANCE PREMIUMS TAX

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

Revenue	
FY 2015-16	\$218,614,418
2014-15	200,420,035
2013-14	221,745,158

Exemptions

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

Number of Taxpayers/Filing Frequency

1,338 insurance companies/ Annually with four estimated payments:

101	Domestic companies
1074	Foreign companies
10	Health Care Centers
149	Nonadmitted/Risk Retention Groups
4	Captive Insurers

Basis and Rate

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

INSURANCE PREMIUMS TAX (cont.)

Comparative Data

	FY 2013-14	FY 2014-15	FY 2015-16
Domestic	\$52,511,626	\$44,052,248	\$42,234,573
Foreign	155,690,959	143,708,618	167,912,010
Health Care Center	8,476,434	6,304,926	2,354,633
Nonadmitted/ Unauthorized/Captive	5,066,139	6,354,243	6,113,202
Total	\$221,745,158	\$200,420,035	\$218,614,418

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 2014 Insurance Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	37	\$9,911,944
Insurance Department Assessment	5	490,567
Insurance Reinvestment	27	14,313,348
Neighborhood Assistance	24	1,663,894
Urban & Industrial Site Reinvestment	5	785,083
Film Production	35	36,212,592
Film Production Infrastructure	36	16,118,627
Digital Animation	15	5,919,146
Historic Homes	1	9,076
Historic Structures Rehabilitation	1	599,349
Job Expansion	3	229,217
Total Credits	189	\$86,252,843

INSURANCE PREMIUMS TAX (cont.)

Calendar Year 2015 Insurance Tax Credits Preliminary

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	51	\$12,104,260
Insurance Department Assessment	4	459,862
Insurance Reinvestment	25	12,837,509
Neighborhood Assistance	21	1,245,738
Urban & Industrial Site Reinvestment	6	3,485,840
Film Production	27	9,868,971
Film Production Infrastructure	23	11,014,268
Digital Animation	29	8,977,232
Historic Structures Rehabilitation	1	186,088
Job Expansion	1	68,326
Total Credits	188	\$60,248,094

INTERMEDIATE CARE FACILITY USER FEE

A fee is imposed on each residential facility for individuals with intellectual disabilities that meets certain federal requirements, and, in the case of a private facility, is licensed by the Department of Developmental Services.

Revenue	
FY 2015-16	\$ 8,350,476
2014-15	8,774,012
2013-14	9,347,809

Basis and Rate

The intermediate care facility user fee is determined by the Department of Social Services on or before July first, either annually or biennially. During fiscal year 2015-16, the user fee was \$27.76.

The amount due from each facility is determined by multiplying the appropriate user fee by the facility's resident days for the calendar quarter.

Number of Taxpayers/Filing Frequency

68 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 2015-16	\$16,909,309
2014-15	19,322,938
2013-14	19,565,965

Exemption

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

Number of Taxpayers/Filing Frequency

2,128 IFTA filers/Quarterly
3,078 Intrastate Motor Carrier filers

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel -7/1/14 - 6/30/15*	54.5¢
Diesel Fuel -7/1/15 - 6/30/16*	50.3¢
Diesel Fuel -7/1/16 - 6/30/17*	41.7¢
Natural Gas or Propane	26¢

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

MOTOR VEHICLE FUELS TAX

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

Revenue	
FY 2015-16	\$501,599,299
2014-15	497,541,459
2013-14	488,751,204

Exemptions

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

Number of Taxpayers/Filing Frequency

978 taxpayers/Monthly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel -7/1/14 - 6/30/15*	54.5¢
Diesel Fuel -7/1/15 - 6/30/16*	50.3¢
Diesel Fuel -7/1/16 - 6/30/17*	41.7¢
Natural Gas or Propane	26¢

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

MOTOR VEHICLE FUELS TAX (cont.)

Comparative Data

	Number of Gallons Sold		
	FY 2013-14	FY 2014-15	FY 2015-16
Special Fuel*	238,012,324	237,779,507	247,002,698
Gasohol	1,433,570,492	1,452,242,979	1,498,416,588
Alternative Fuels**	N/A	2,981,813	3,619,661
Total Gallons	1,671,582,816	1,693,004,299	1,749,038,947

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

** Alternative fuels not broken out on tax return until July 2014. Alternative fuels consist of Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG), and Liquefied Petroleum Gas (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.

Revenue	
FY 2015-16	\$145,049,484
2014-15	146,173,499
2013-14	149,569,948

Basis and Rate

The nursing home user fee is determined by the Department of Social Services on or before July 1 annually or biennially. During Fiscal Year 2015-16 the user fee was set at \$16.13 for municipally-owned facilities and facilities with over 230 beds and at \$21.02 for all other nursing homes.

The amount due from each nursing home is determined by multiplying the appropriate user fee by the home's resident days for the calendar quarter.

Number of Taxpayers / Filing Frequency

220 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 2015-16	\$7,491,394
2014-15	9,407,881
2013-14	8,655,040

Exemptions

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

Number of Taxpayers/Filing Frequency

12,970 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 2015-16	\$250,170,373
2014-15	337,903,492
2013-14	416,109,657

Exemptions

- Number 2 heating oil used exclusively for heating purposes or in a commercial fishing vessel;
- Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil used in vessels displacing over 4,000 dead weight tons, and used in vessels primarily engaged in interstate commerce;
- Kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket, or to a centrally metered system serving a group of homes;
- Propane gas used exclusively for heating. Effective for sales occurring on or after December 1, 2015, propane that is primarily used for heating purposes is exempt;
- Paraffin and microcrystalline waxes;
- Gross earnings from the sale or use of Number 2 heating oil used exclusively in vessels engaged in interstate commerce and Number 6 fuel oil used by manufacturers;
- Commercial heating oil blend containing not less than 10% alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, including, but not limited to biodiesel or low sulfur dyed diesel fuel and kerosene. Such blended products must be used for commercial heating;
- Diesel fuel other than diesel fuel to be used in an electric generating facility to generate electricity; and
- Cosmetic grade mineral oil. Effective for the first sale on or after July 1, 2013.

Number of Taxpayers/Filing Frequency

615 taxpayers/Quarterly

Basis and Rate

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

Cap on Petroleum Products Gross Earnings Tax

Since 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.

PREPAID WIRELESS E-9-1-1 FEE

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

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

Revenue	
FY 2015-16	\$1,658,219
2014-15	1,979,765
2013-14	1,965,399

Basis and Rate

\$0.51 for sales made between July 1, 2015 and June 30, 2016. Beginning on or after July 1, 2016, the fee is \$0.47.

Number of Taxpayers/Filing Frequency

453 Retailers
370 / Monthly
83 / Quarterly

PUBLIC SERVICE COMPANIES TAX

Revenue	
FY 2015-16	\$298,770,037
2014-15	283,067,440
2013-14	299,971,802

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

77 taxpayers:

- 51 Public Utility Companies/Quarterly
- 9 Community Antenna TV & Certified Competitive Video Provider Companies/Quarterly*
- 4 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 is used to fund the Public, Educational and Governmental Programming and Education Technology Investment Account.

PUBLIC SERVICE COMPANIES TAX (cont.)

Residential Credit

Gas companies claimed \$5,568,310 in Fiscal Year 2015-16 under the one-percent credit attributable to the sale of gas and electric power for residential use.

Manufacturing Companies Credit

\$6,523,713 was claimed in credit for Fiscal Year 2015-16 for gas sales used directly by a company engaged in a manufacturing production process.

Comparative Data

	FY 2013-14	FY 2014-15	FY 2015-16
Cable, Satellite & Video Companies	\$63,574,938	\$73,925,969	\$70,795,676
Electric & Power Companies	171,536,153	144,615,302	157,147,427
Gas Companies	60,553,567	61,278,960	66,811,800
Public, Educational & Governmental Programming Tax*	4,168,579	3,034,630	3,676,706
Railroad Companies	138,565	212,580	338,427
Total Tax	\$299,971,802	\$283,067,440	\$298,770,036

* 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.

Fiscal Year 2015-16 Public Service Companies Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	5	\$425,925
Neighborhood Assistance	3	448,647
Historic Structures Rehabilitation	1	5,653,659
Historic Preservation	1	14,669,039
Housing Program Contribution	2	10,000,000
Total Credits	12	\$31,197,270

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 2015-16	\$186,620,666
2014-15	176,896,115
2013-14	172,196,438

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;
- Deeds pursuant to a judgment of foreclosure by market sale; and
- Deeds made pursuant to a judgment of loss mitigation (effective October 1, 2016);
- 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	Rate
Unimproved Land	0.75%
Nonresidential property other than Unimproved Land	1.25%
Residential Dwelling:	
Portion \$800,000 or less	0.75%
Portion that exceeds \$800,000	1.25%
Residential Property other than Residential Dwelling	0.75%
Delinquent Mortgage	0.75%

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 2015-16 Conveyances

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances *	Number of Exempt Conveyances	Tax Remitted
Under \$2,000	0	25,707	10,602	\$ 0
\$ 2,000 to \$ 29,999.99	1,669	0	30	201,026
\$ 30,000 to \$ 39,999.99	675	0	12	176,084
\$ 40,000 to \$ 49,999.99	756	0	22	253,977
\$ 50,000 to \$ 59,999.99	935	0	30	383,476
\$ 60,000 to \$ 69,999.99	974	0	37	473,113
\$ 70,000 to \$ 79,999.99	1,055	0	38	592,895
\$ 80,000 to \$ 89,999.99	961	0	27	613,816
\$ 90,000 to \$ 99,999.99	950	0	37	680,523
\$100,000 to \$109,999.99	995	0	36	788,706
\$110,000 to \$119,999.99	1,129	0	41	973,281
\$120,000 to \$129,999.99	1,340	0	31	1,263,075
\$130,000 to \$139,999.99	1,363	0	29	1,388,817
\$140,000 to \$149,999.99	1,484	0	42	1,625,712
\$150,000 to \$159,999.99	1,650	0	47	1,926,890
\$160,000 to \$169,999.99	1,545	0	23	1,920,672
\$170,000 to \$179,999.99	1,556	0	24	2,048,852
\$180,000 to \$189,999.99	1,364	0	21	1,896,514
\$190,000 to \$199,999.99	1,325	0	24	1,935,649
\$200,000 to \$249,999.99	6,111	0	77	10,311,809
\$250,000 to \$299,999.99	4,856	0	63	10,015,751
\$300,000 to \$399,999.99	6,526	0	72	17,108,666
\$400,000 to \$499,999.99	3,251	0	32	11,008,577
\$500,000 to \$599,999.99	1,833	0	18	7,665,015
\$600,000 to \$699,999.99	1,156	0	17	5,820,124
\$700,000 to \$799,999.99	812	0	8	4,667,436
\$800,000 and over	3,704	0	49	87,178,757
Total	49,975	25,707	11,489	\$172,919,212

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

FY 2015-16 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
ANDOVER	41	46	\$ 9,351,259	\$ 70,134
ANSONIA	203	213	38,748,607	320,992
ASHFORD	75	56	9,804,022	74,155
AVON	207	368	215,603,219	2,002,833
BARKHAMSTED	40	47	9,844,350	74,583
BEACON FALLS	72	116	35,160,478	284,854
BERLIN	198	316	99,351,429	849,688
BETHANY	44	49	16,176,422	126,213
BETHEL	206	308	106,534,214	816,909
BETHLEHEM	48	42	9,085,750	68,143
BLOOMFIELD	234	320	161,019,672	1,352,957
BOLTON	64	61	16,131,605	123,737
BOZRAH	54	37	15,110,902	155,171
BRANFORD	419	504	155,853,386	1,288,968
BRIDGEPORT	1,180	1,280	241,498,443	2,199,286
BRIDGEWATER	33	43	28,431,949	256,346
BRISTOL	655	819	150,311,178	1,212,192
BROOKFIELD	150	312	113,886,382	916,646
BROOKLYN	112	157	29,846,240	236,139
BURLINGTON	80	153	46,633,607	349,752
CANAAN	12	20	5,110,750	40,006
CANTERBURY	87	82	14,703,875	114,853
CANTON	103	189	62,619,901	512,194
CHAPLIN	26	43	6,653,750	53,903
CHESHIRE	278	437	153,759,245	1,263,600
CHESTER	56	58	15,617,500	124,381
CLINTON	228	257	69,744,251	554,449
COLCHESTER	180	263	64,353,726	520,526
COLEBROOK	20	25	6,458,200	48,737
COLUMBIA	61	90	21,113,020	175,524
CORNWALL	47	36	12,451,297	101,180
COVENTRY	221	209	45,358,891	343,917
CROMWELL	170	259	57,760,760	451,336
DANBURY	639	1,038	335,719,304	2,846,506
DARIEN	167	411	669,777,573	6,855,849
DEEP RIVER	57	85	21,043,677	168,190
DERBY	119	181	41,572,226	374,242
DURHAM	81	93	27,485,546	213,592
EASTFORD	22	36	6,953,660	54,452
EAST GRANBY	56	96	22,162,405	166,218
EAST HADDAM	179	174	43,796,835	359,603
EAST HAMPTON	158	247	60,241,805	459,719
EAST HARTFORD	438	586	100,280,631	886,025

FY 2015-16 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
EAST HAVEN	391	385	\$ 93,198,929	\$ 792,822
EAST LYME	272	331	124,630,985	991,899
EASTON	87	128	77,494,067	622,310
EAST WINDSOR	121	187	44,482,720	394,954
ELLINGTON	131	238	63,175,763	485,293
ENFIELD	484	627	140,797,365	1,262,371
ESSEX	97	145	64,951,518	548,900
FAIRFIELD	501	1,004	711,974,430	6,201,731
FARMINGTON	332	473	185,920,802	1,551,201
FRANKLIN	23	40	11,016,445	113,360
GLASTONBURY	409	643	285,628,482	2,498,688
GOSHEN	75	76	23,664,950	188,337
GRANBY	112	210	59,250,926	460,731
GREENWICH	615	964	1,921,857,593	20,452,127
GRISWOLD	187	177	27,827,675	228,865
GROTON	387	466	133,763,430	1,106,802
GUILFORD	314	361	171,278,388	1,471,447
HADDAM	100	144	36,635,290	275,765
HAMDEN	535	689	160,947,239	1,243,807
HAMPTON	34	32	4,846,480	38,575
HARTFORD	675	696	303,475,934	3,118,420
HARTLAND	20	24	5,140,755	38,556
HARWINTON	97	86	21,199,964	161,252
HEBRON	90	139	34,772,787	270,696
KENT	58	74	26,683,450	216,031
KILLINGLY	264	298	52,650,142	407,648
KILLINGWORTH	82	104	30,637,822	231,789
LEBANON	129	98	25,152,094	241,882
LEDYARD	236	218	43,912,027	330,575
LISBON	61	69	11,647,738	91,843
LITCHFIELD	101	132	44,912,419	375,303
LYME	60	59	27,631,552	228,749
MADISON	245	342	158,623,222	1,274,607
MANCHESTER	519	759	152,977,988	1,264,575
MANSFIELD	122	222	47,059,623	364,747
MARLBOROUGH	59	98	27,228,795	210,948
MERIDEN	666	755	171,126,478	1,621,265
MIDDLEBURY	116	118	40,431,799	321,013
MIDDLEFIELD	52	62	16,615,090	127,613
MIDDLETOWN	438	566	227,488,290	1,762,708
MILFORD	571	873	302,380,598	2,483,039
MONROE	181	284	104,199,949	844,784
MONTVILLE	210	267	48,509,975	389,323

FY 2015-16 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
MORRIS	34	45	\$ 12,352,387	\$ 92,643
NAUGATUCK	348	372	52,330,250	401,087
NEW BRITAIN	605	731	125,676,788	1,057,468
NEW CANAAN	182	330	490,771,498	4,927,161
NEW FAIRFIELD	144	246	91,138,493	727,889
NEW HARTFORD	79	135	30,186,526	226,399
NEW HAVEN	1,044	834	307,995,822	2,974,830
NEWINGTON	333	460	121,057,591	1,067,057
NEW LONDON	266	258	38,577,735	317,458
NEW MILFORD	369	452	133,275,601	1,115,219
NEWTOWN	241	446	166,330,569	1,266,496
NORFOLK	40	47	12,303,638	93,715
NORTH BRANFORD	158	159	39,485,380	305,610
NORTH CANAAN	32	40	7,728,475	65,126
NORTH HAVEN	254	344	121,821,583	1,050,449
NORTH STONINGTON	82	105	22,192,650	172,395
NORWALK	716	1,345	759,212,693	6,968,984
NORWICH	468	483	101,736,975	891,831
OLD LYME	188	174	67,554,986	551,102
OLD SAYBROOK	211	263	109,888,516	917,414
ORANGE	145	227	107,459,769	951,042
OXFORD	159	195	67,827,570	519,061
PLAINFIELD	212	239	33,567,956	258,216
PLAINVILLE	207	274	59,747,730	515,028
PLYMOUTH	171	137	19,757,335	153,593
POMFRET	45	69	15,223,849	115,015
PORTLAND	137	160	37,541,137	301,401
PRESTON	71	99	16,087,357	122,680
PROSPECT	114	153	50,115,215	420,184
PUTNAM	137	155	23,803,724	194,743
REDDING	81	142	85,654,225	677,132
RIDGEFIELD	225	417	282,060,069	2,382,613
ROCKY HILL	166	294	110,446,774	1,057,882
ROXBURY	29	61	36,994,730	318,130
SALEM	46	69	11,959,845	89,699
SALISBURY	93	67	38,751,051	343,388
SCOTLAND	21	27	5,135,790	38,518
SEYMOUR	191	214	41,157,881	314,246
SHARON	54	54	20,789,103	176,549
SHELTON	402	575	191,941,101	1,556,718
SHERMAN	62	62	30,764,475	248,309
SIMSBURY	230	456	177,109,925	1,441,993
SOMERS	83	140	40,826,382	311,785

FY 2015-16 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
SOUTHBURY	247	463	\$ 140,535,063	\$ 1,185,043
SOUTHINGTON	468	654	181,419,634	1,441,806
SOUTH WINDSOR	271	426	166,773,803	1,563,249
SPRAGUE	30	35	5,479,450	41,096
STAFFORD	164	240	35,600,361	275,167
STAMFORD	933	1,593	1,074,354,717	9,013,717
STERLING	74	64	11,751,525	90,636
STONINGTON	303	352	134,316,125	1,147,987
STRATFORD	582	840	241,619,659	2,143,529
SUFFIELD	161	284	73,808,528	565,326
THOMASTON	83	91	17,005,123	136,376
THOMPSON	106	165	29,567,550	226,009
TOLLAND	141	190	49,663,419	374,876
TORRINGTON	497	524	96,719,756	848,145
TRUMBULL	320	540	231,898,921	1,917,477
UNION	17	12	2,042,300	15,317
VERNON	292	388	70,291,373	547,909
VOLUNTOWN	47	42	7,772,044	58,290
WALLINGFORD	479	599	186,139,078	1,652,842
WARREN	26	43	22,328,474	195,738
WASHINGTON	69	84	68,873,080	653,933
WATERBURY	1,103	1,165	170,169,074	1,569,795
WATERFORD	270	378	79,936,306	611,900
WATERTOWN	262	295	68,855,011	578,483
WESTBROOK	270	170	55,919,797	473,456
WEST HARTFORD	559	1,058	407,045,513	3,210,464
WEST HAVEN	571	641	139,972,099	1,221,861
WESTON	91	159	130,338,371	1,124,184
WESTPORT	311	522	763,627,468	7,630,796
WETHERSFIELD	244	398	99,530,819	797,124
WILLINGTON	66	56	11,286,755	86,376
WILTON	116	259	225,859,564	2,026,398
WINCHESTER	155	152	27,615,392	210,715
WINDHAM	233	246	37,878,390	327,063
WINDSOR	278	455	229,744,459	2,432,015
WINDSOR LOCKS	129	229	44,003,224	355,704
WOLCOTT	199	224	51,277,361	401,944
WOODBIDGE	73	141	60,306,920	474,071
WOODBURY	133	178	50,982,622	392,842
WOODSTOCK	129	186	41,436,905	311,577
TOWN UNKNOWN	40	54	13,718,784	113,666
TOTAL	37,196	49,975	\$19,514,729,875	\$172,919,212

RENTAL SURCHARGE

The Rental Surcharge is imposed on the rental of private passenger motor vehicles, rental trucks or machinery by a rental company. 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 in Connecticut.

Rental companies are defined by recent legislation to exclude entities with total annual rental income, excluding retail or wholesale sales of rental equipment, which is less than 51% of their total annual revenue.

A 3% rate applies to the rental of private passenger motor vehicles and rental trucks for a period of less than 31 days. 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.

A 1.5% rate is applied on machinery rented for a period of less than 365 days (formerly limited to a period of less than 31 days), or under an open-ended contract for an undefined period. 2015 legislation amended the definition of machinery to include all equipment owned by a rental company. Prior to July 1, 2015, the definition of machinery included only heavy equipment rented without an operator that may be used for construction, mining or forestry.

Revenue	
FY 2015-16	\$ 407,484
2014-15	237,191
2013-14	274,934

Exemptions

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

Number of Taxpayers / Filing Frequency

92 taxpayers / Annually

RENTAL SURCHARGE (cont.)

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 2015 amounted to \$8,011,069. 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

CONNECTICUT ESTATE TAX

The Connecticut Estate Tax was equal to the amount that the federal government allowed as a tax credit for state death taxes. A credit was allowed for the amount of Connecticut Succession Tax imposed and paid. The Connecticut Estate Tax was replaced by the Estate and Gift Tax and does not apply to estates of decedents dying on or after January 1, 2005.

Revenue collected for Fiscal Year 2015-16: \$ 43,046

ELECTRIC GENERATORS TAX

Effective for calendar quarters commencing on or after July 1, 2011 an electric generation tax was imposed on any entity that provided electric generation services and uploaded electricity generated at a Connecticut facility to the regional bulk power grid. The tax had sunset as of October 1, 2013.

Revenue collected for Fiscal Year 2015-16: \$ 87,673

GIFT TAX

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

Revenue collected for Fiscal Year 2015-16: \$ 336,697

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. 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 2015-16: \$ 335,254

SALES AND USE TAXES

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

Revenue	
FY 2015-16	\$ 4,335,567,554
2014-15	4,217,708,383
2013-14	4,107,784,578

Basis and Rate

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

7.75% This tax rate applies to:

- Most motor vehicles with a sales price of more than \$50,000;
- 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% 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% for the rental of rooms in a hotel or lodging house.

SALES AND USE TAXES (cont.)

Exemptions

Conn. Gen. Stat. §12-412 provides for various exemptions from the sales and use taxes for the sale of, storage, use or other consumption of numerous goods and services. The following table provides a summary of the major exemptions claimed by businesses during Fiscal Year 2015-16.

FY 2015-16 SALES TAX EXEMPTIONS

(In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Sale for Resale - Goods	\$89,339.4	\$427.5	\$89,766.9	\$5,703.0
Sale for Resale - Leases and Rentals	2,046.0	523.3	2,569.3	166.6
Sale for Resale - Labor and Services	2,672.8	0.0	2,672.8	169.7
Magazines by Subscription and All Newspapers	176.6	0.0	176.6	11.2
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	167.5	0.0	167.5	10.6
Food Products for Human Consumption	6,985.9	0.0	6,985.9	443.6
Fuel for Motor Vehicles	6,584.2	0.0	6,584.2	418.1
Electricity/Gas/Heating Fuel (residential)	2,597.0	0.0	2,597.0	164.9
Electricity (\$150 monthly per business)	47.4	0.0	47.4	3.0
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	719.7	0.0	719.7	45.7
Aviation Fuel	70.1	0.0	70.1	4.4
Sales of Tangible Personal Property to Farmers	94.6	0.0	94.6	6.0
Machinery/Materials/Tools/Fuel - Mfg. Product	1,645.0	0.0	1,645.0	104.5

FY 2015-16 SALES TAX EXEMPTIONS (cont.)
(In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Machinery/Materials/ Equip. - Printing	36.2	0.0	36.2	2.3
Machinery/Materials/ Tools/Fuel - Comm. Fishing	6.9	0.0	6.9	0.4
Out-of-State - Sale of Goods	41,121.1	95.1	41,216.2	2,617.8
Out-of-State - Leases/Rentals	388.5	30.6	419.0	26.8
Out-of-State - Labor and Services	13,781.1	0.0	13,781.1	875.1
Sales of Motor Vehicles, Vessels to Nonresidents	726.7	225.3	952.0	61.9
Prescription Medicines	5,913.8	0.0	5,913.8	375.5
Nonprescription Drugs and Medicines	56.9	0.0	56.9	3.6
Charitable/Religious - Sale of Goods	1,308.8	0.3	1,309.1	83.1
Charitable/Religious - Leases and Rentals	63.3	0.3	63.6	4.0
Charitable/Religious - Labor and Services	1,913.4	0.0	1,913.4	121.5
Government - Sale of Goods	8,938.5	0.6	8,939.1	567.6
Government- Leases and Rentals	49.0	0.3	49.4	3.1
Government- Labor and Services	5,606.2	0.0	5,606.2	356.0
Pollution Abatement	11.9	0.0	11.9	0.8
Non-Taxable Labor and Services	18,090.4	0.0	18,090.4	1,148.7
Business Services/Parent Owned Subs.	989.0	0.0	989.0	62.8
Trade-ins of Like-Kind Personal Property	868.9	158.4	1,027.2	66.3
Taxed Goods returned within 90 days	184.2	1.1	185.3	11.8

FY 2015-16 SALES TAX EXEMPTIONS (cont.)
(In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Oxygen, Plasma, Protheses, etc.	229.3	0.0	229.3	14.6
Funeral Expenses up to \$2,500	100.9	0.0	100.9	6.4
Repair or Replacement Parts/Repair Services to Aircraft	475.0	0.0	475.0	30.2
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the Full and 3% Rates)	14.2	0.0	14.2	0.9
Sales of Machinery, Equipment, Tools, Fuel, and Supplies used in the Biotechnology Industry	17.8	0.0	17.8	1.1
Sales of Repair and Maintenance Service to Vessels	60.1	0.0	60.1	3.8
Computer and Data Processing Services (Difference between the Full and 1% Rates)	3,118.1	0.0	3,118.1	198.0
Renovation Services to Residential Property	522.8	0.0	522.8	33.2
Sales to Direct Payment Permit Holders	751.8	2.3	754.1	47.9
Sales of College Textbooks	24.7	0.0	24.7	1.6
Sales Tax Holidays	65.1	0.0	65.1	4.1
Weatherization Products	77.0	0.0	77.0	4.9
Motor Vehicles Sold to Armed Forces (Difference between the Full and 4.5% Rates)	4.7	0.1	4.8	0.3

FY 2015-16 SALES TAX EXEMPTIONS (cont.)
(In Millions)

Deductible Item	Deductions at the 6.35% Tax Rate	Deductions at the 7.75% Tax Rate	Total Deductions	Revenue Forgone
Purchases of Cigarettes Taxed by a Distributor	647.2	0.0	647.2	41.1
Other Adjustments - Sales of Goods	8,238.1	2.0	8,266.6	525.1
Other Adjustments - Leases and Rentals *	369.5	0.3	397.9	26.0
Other Adjustments - Labor and Services	1,283.5	0.0	1,283.5	81.5
TOTAL	\$229,200.7	\$1,498.4	\$230,722.6	\$14,661.3

* Includes deductions for the 9.35% tax rate.

Number of Taxpayers/Filing Frequency

148,815 Sales and Use Taxpayers
 55,650 / Monthly
 41,800 / Quarterly
 51,365 / Annually

2,035 Business Use Taxpayers

640 Room Occupancy Taxpayers
 570 / Monthly
 70 / Quarterly

SALES AND USE TAXES (cont.)

Comparative Data

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

TABLE I:

Sales and Use Tax Collections - Fiscal Years 2014 - 2016

	FY 2013-14	FY 2014-15	FY 2015-16
Sales and Use	\$3,924,292,613	\$4,020,560,691	4,122,248,483
Business Use	63,833,862	70,979,365	69,199,911
Individual Use	13,994,107	9,887,126	24,377,328
Room Occupancy	105,663,996	116,281,201	119,741,832
Total Tax	\$4,107,784,578	\$4,217,708,383	\$4,335,567,554

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

Table II:

Gross Receipts Reported on Sales Tax Returns Periods Ending in Fiscal Year 2015-16 (In Millions)

Gross Receipts Attributable to:	6.35% Tax Rate	7.75% Tax Rate
Sales of Tangible Personal Property	\$232,153.7	\$2,139.5
Leasing/Rental of Tangible Personal Property	3,628.1	219.3
Rendering of Services	51,876.7	0

SALES AND USE TAXES (cont.)

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

Table III:

Taxable Receipts		
Periods Ending in Fiscal Year 2015-16		
<i>(In Millions)</i>		
Taxable Receipts Attributable to:	Tax Rate	Taxable Receipts
Room Occupancy	15%	\$788.9
Rental or Leasing of Motor Vehicles for 30 days or Less	9.35%	221.4

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

Table IV:

Purchases Subject to Business Use Tax			
Periods Ending in Fiscal Year 2015-16			
<i>(In Millions)</i>			
	6.35%	7.75%	9.35%
	Tax Rate	Tax Rate	Tax Rate
Purchases of Tangible Personal Property	\$3,779.3	\$0.4	\$ 0
Leasing/Rental of Tangible Personal Property	38.8	0.4	0.5
Purchases of Services	1,226.8	0	0

SALES AND USE TAXES (cont.)

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

Data 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 V: Retail Sales Volume - Fiscal Years 2014 - 2016
(In Millions)

	FY 2013-14	FY 2014-15	FY 2015-16
Motor Vehicle and Parts Dealers (NAICS 441)	\$9,098.9	\$9,585.4	\$9,898.6
Furniture and Home Furnishings Stores (NAICS 442)*	1,706.5	1,768.2	1,897.6
Electronics and Appliance Stores (NAICS 443)	1,641.0	1,653.1	1,643.8
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)*	2,715.1	2,836.0	3,034.6
Food and Beverage Stores (NAICS 445)	11,183.5	10,742.8	10,964.2
Health and Personal Care Stores (NAICS 446)	4,714.6	4,847.5	5,074.7
Gasoline Stations (NAICS 447)	3,774.4	3,329.8	3,196.1
Clothing and Clothing Accessories Stores (NAICS 448)	2,945.6	2,992.7	3,083.1
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	1,055.0	1,054.6	1,084.9
General Merchandise Stores (NAICS 452)	5,380.8	5,508.7	5,503.2
Miscellaneous Store Retailers (NAICS 453)	5,052.6	5,739.5	5,773.9
Non-store Retailers (NAICS 454)*	4,332.5	4,496.1	4,204.1
TOTAL RETAIL TRADE (NAICS 44-45)	\$53,600.6	\$54,554.4	\$55,358.8

* Prior retail sales amounts revised from FY 2014-15 and FY 2013-14 annual reports.

Table VI on the following page provides total sales and use taxes revenues by the economic activities sectors of the North American Industry Classification System (NAICS) for Fiscal Year 2015-16. The revenues are from regular payments and represent 95% of the total sales and use taxes collected in FY 2015-16.

SALES AND USE TAXES (cont.)

TABLE VI: Sales & Use Tax - From Periods Ending in Fiscal Year 2015-16
(In Millions)

	NAICS Code	Tax Due at 6.35%	Tax Due at 7.75%	Total Tax Due (Incl. 9.35% rate)
Utilities	22	\$126.6	\$0.0	\$126.6
Construction	23	151.6	0.1	151.7
Manufacturing	31-33	189.5	0.2	189.7
Wholesale Trade	42	214.8	0.2	215.0
<i>Motor Vehicle and Parts Dealers</i>	441	\$397.3	\$37.3	\$435.0
<i>Furniture and Home Furnishings</i>	442	99.8	0.0	99.8
<i>Electronics and Appliance Stores</i>	443	70.5	0.0	70.5
<i>Building Material and Garden Equipment</i>	444	163.5	0.0	163.5
<i>Food and Beverage Stores</i>	445	208.8	0.1	208.8
<i>Health and Personal Care Stores</i>	446	52.1	0.0	52.1
<i>Gasoline Stations</i>	447	26.3	0.8	27.1
<i>Clothing and Clothing Accessories Stores</i>	448	171.2	10.6	181.8
<i>Sporting Goods, Hobby, Book Stores</i>	451	56.0	0.0	56.0
<i>General Merchandise Stores</i>	452	236.0	0.2	236.3
<i>Miscellaneous Store Retailers</i>	453	210.0	2.7	212.7
<i>Non-store Retailers</i>	454	113.0	0.2	113.2
Retail Sector Subtotal	44-45	1,804.5	51.9	1,856.8
Information	51	289.4	2.4	291.8
Finance and Insurance	52	65.9	0.0	65.9
Real Estate and Rental and Leasing	53	103.9	7.9	129.6
Professional, Scientific and Technical Services	54	174.6	0.4	175.0
Administrative and Support	56	188.7	0.0	188.7
Arts, Entertainment & Recreation	71	34.4	0.0	34.4
Accommodation and Food Services	72	370.2	0.0	370.3
Other Services (except Public Admin)	81	171.9	1.6	173.6
All Other Businesses		147.4	2.0	151.8
TOTAL SALES & USE TAX REVENUE		\$4,033.4	\$66.8	\$4,120.9

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 2015-16	\$3,100,569
2014-15	3,454,245
2013-14	3,459,416

Number of Taxpayers / Filing Frequency

5 taxpayers / Quarterly

Basis and Rate

\$1.50 per ton of solid waste processed.

TOBACCO PRODUCTS TAX

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

Revenue	
FY 2015-16	\$12,255,744
2014-15	10,883,016
2013-14	12,446,636

Exemptions

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

Number of Taxpayers/Filing Frequency

218 distributors/Monthly

Basis and Rate

Tobacco products are taxed at 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 \$1.00 per ounce

Type	FY 2013-14 (dollars)	FY 2014-15 (dollars)	FY 2015-16 (dollars)
Other Tobacco Products*	6,380,772	5,240,806	6,346,391
Snuff Tobacco Products	4,480,315	4,144,666	4,807,575
Cigars in Excess of \$1.00 per Cigar	1,205,968	1,446,305	1,090,566

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

TOURISM SURCHARGE

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

Revenue	
FY 2015-16	\$5,338,305
2014-15	5,232,982
2013-14	4,997,092

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

26 taxpayers / Monthly
68 taxpayers / Quarterly

Basis and Rate

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

UNRELATED BUSINESS INCOME TAX

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

Revenue	
FY 2015-16	\$ 4,593,450
2014-15	4,715,550
2013-14	4,707,536

Number of Taxpayers / Filing Frequency

359 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 through 2017 income years. The surtax rate is reduced to 10% for income year 2018.

No minimum tax is required.

Credits

For the 2014 income year, 32 taxpayers claimed \$20,644 in Electronic Data Processing Property Tax Credits.

PENALTY AND INTEREST RECEIPTS

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

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 return is 10%, reduced from 15%, to parallel the rate for the income tax.

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

Penalty and Interest Revenue By Tax Source

Tax Type		FY 2013-14	FY 2014-15	FY 2015-16
Corporation Business Tax	Penalty	\$ 2,502,469	\$ 2,391,545	\$ 2,420,355
	Interest	18,007,865	28,790,951	9,020,240
Income Tax	Penalty	25,076,887	22,985,805	22,462,812
	Interest	53,500,779	49,079,189	47,875,149
Sales & Use	Penalty	13,778,545	15,546,362	14,351,874
	Interest	22,258,267	21,270,062	22,103,875
All Other Taxes	Penalty	4,965,611	3,776,228	4,603,676
	Interest	6,717,499	6,478,260	6,231,647
Total	Penalty	46,323,513	44,699,940	43,838,717
	Interest	100,484,409	105,618,462	85,230,912

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 57,129 external offsets totaling \$23,079,007 in Fiscal Year 2015-16, compared to 42,258 external offsets that totaled \$19,026,586 in Fiscal Year 2014-15.

AMOUNT OF TAXES REFUNDED			
	FY 2013-14	FY 2014-15	FY 2015-16
Admissions & Dues Tax	\$ 106,761	\$ 36,988	\$ 178,015
Business Entity Tax	869,302	796,339	1,229,200
Business Use Tax	1,175,048	685,554	1,775,424
Cable, Satellite & Video Companies Tax	55,022	163,632	152,398
Cigarette Tax	268,276	703,872	1,757,278
Controlling Interest Transfer Tax	971,895	857,951	1,155,290
Corporation Business	139,584,663	116,092,555	103,561,001
Corporation R&D Credit Buyback	5,055,261	7,877,856	7,623,243
Electric & Power Companies	61,836	441,941	383,402
Estate & Gift Tax	21,899,481	16,050,871	26,664,666
Estate Tax (Repealed)	278,604	0	0
Gas Companies	23,881	40,964	18,992
Gasoline Motor Vehicle Fuels Tax	4,429,033	4,419,682	5,180,894
Gift Tax (Repealed)	13,210	109,858	23,685
Health Care Centers Tax	2,606,509	624,467	2,021,638
Hospital Net Patient Revenue Tax	20,000,000	7,695,000	0
Income Tax	948,694,153	966,607,863	1,022,329,961
Insurance Premiums Tax, Domestic	7,460,750	2,398,786	962,855
Insurance Premiums Tax, Foreign	6,296,147	8,555,458	8,756,733
Insurance; Non-admitted/Unauthorized	2,337,839	104,494	14,594
Motor Carrier Road Tax	2,196,244	2,450,410	2,012,305
Nursing Home User Fee	64,728	495,440	683,684
Occupational tax	154,483	115,841	177,385
Petroleum Products Gross Earnings Tax	5,246,350	10,000,408	16,144,556
Real Estate Conveyance Tax	5,696,260	1,067,162	1,165,048
Room Occupancy Tax	157,150	131,901	156,851
Sales & Use Taxes	18,094,213	26,707,637	43,711,393
Solid Waste Tax	806	71,330	28,819
Special Fuel Tax	367,754	363,986	127,818
Succession Tax	1,597,756	24,088	19,813
Tobacco Products Tax	1,338	55,691	52,077
Unrelated Business Income Tax	343,312	287,246	163,079
Miscellaneous	56,455	69,647	68,251
Total	\$1,196,177,711	\$1,176,091,727	\$1,248,300,349

**DEPARTMENT OF REVENUE SERVICES
FY 2015-16 ANNUAL REPORT**

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